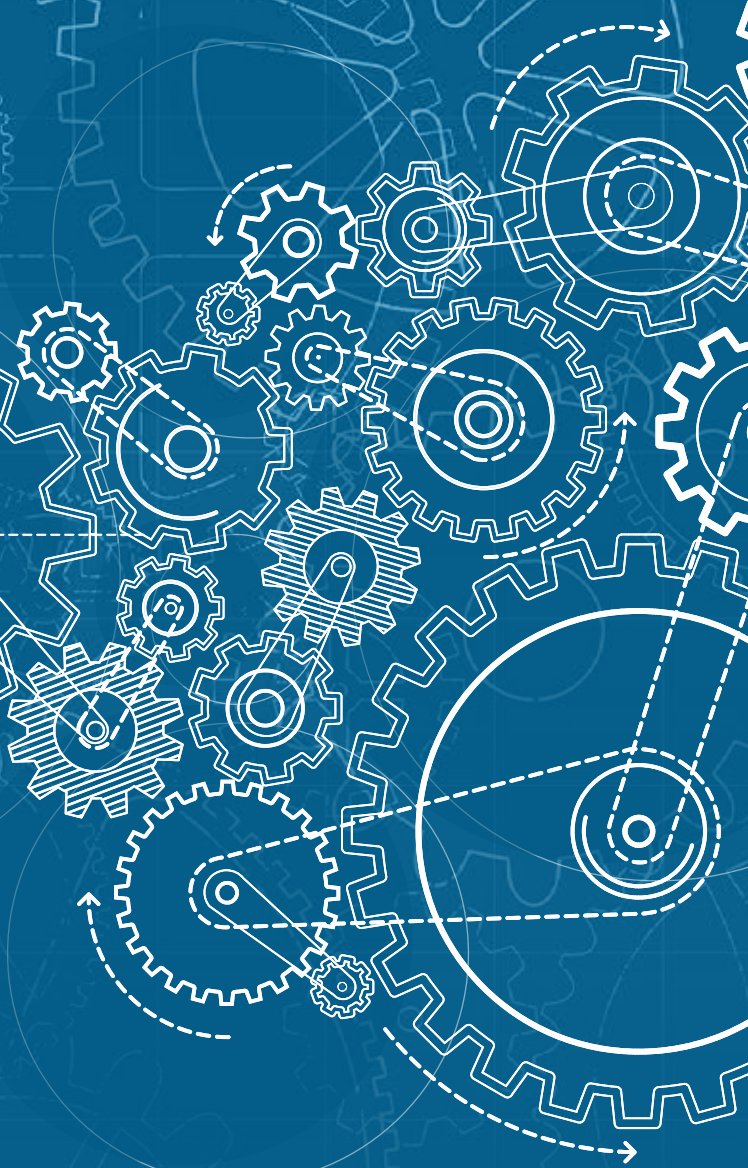
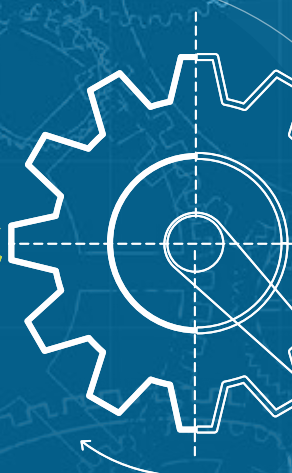


Integrated
Report

202



Industrial Development Corporation

Your partner in development finance

PERFORMANCE OVERVIEW

102 TRANSACTIONS APPROVED

R11.8 billion  **10%**

TOTAL FUNDING DISBURSED

R11.7 billion  **1%**

NUMBER OF JOBS EXPECTED TO BE CREATED AND
SAVED (CREATED: 10 414; SAVED: 1 857)

12 271  **36%**

APPROVED FOR THE MANUFACTURING SECTOR

R6.8 billion  **8%**

APPROVED FOR BLACK INDUSTRIALISTS

R3.1 billion  **48%**

APPROVED FOR BLACK-EMPOWERED COMPANIES

R5.2 billion  **38%**

APPROVED FOR BUSINESSES WITH WOMEN
OWNERSHIP OF MORE THAN 25%

R2.2 billion  **27%**

APPROVED FOR BUSINESSES WITH YOUTH OWNERSHIP
OF MORE THAN 25%

R0.9 billion  **4%**

LOSS FOR THE YEAR

R3.8 billion

TOTAL ASSETS

R109.6 billion  **24%**

IMPAIRMENT RATIO

32%

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ADDITIONAL ONLINE INFORMATION

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Board Directorships
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Social Investment
Human Capital

Procurement
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GRI Table

Navigating this report



Financial Capital



Intellectual Capital



Social Capital



Manufactured Capital



Human Capital



Natural Capital

Icons denoting assurance



Denotes Limited Assurance



Denotes Reasonable Assurance

Icons denoting availability of additional information



Additional information available at www.idc.co.za



Additional information available elsewhere in this report

ABOUT THIS REPORT

Our 2020 report is prepared in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC). We used this framework to describe our strategy development process and adopt a reporting approach that tells the IDC story. The report structure and presentation of information are aligned with internationally recognised reference points, codes, and norms.



The IDC subscribes to the principles of good governance as described in King IV and we use the GHG Protocol to categorise and calculate our CO₂e (carbon dioxide equivalent emissions). Our activities contribute to the achievement of the Sustainable Development Goals (SDGs) and are included in our materiality discussion on page 20. We also refer to certain Global Reporting Initiatives (GRI) standards and remain cognisant of the UNEP Finance Initiative (UNEP FI) Principles for Responsible Banking.

Scope and boundary

This integrated report covers our strategy and performance for the period 1 April 2019 to 31 March 2020. There have been no significant changes to the scope, boundary or measurement methods applied in this report compared to the previous financial year and no restatements have been made unless otherwise indicated in the relevant section.

The report includes both our financial as well as non-financial performance against our strategies, activities, outcomes, and risks. Our reporting includes our key stakeholders, and we define them as those who have a significant influence or considerable interest in the IDC's ability to achieve its mandate. We strive to increasingly include a broader set of stakeholders in our decision making and make every effort to preserve and enrich our credibility through transparent reporting practices.

This report contains financial information for the IDC and consolidated information for the Group.

Governing principles and standards

The report is grounded in the following legislation and standards:

- PFMA - The Public Finance Management Act, 1 of 1999, as amended
- Companies Act - The Companies Act, 71 of 2008, as amended
- IFRS - The International Financial Reporting Standards
- IDC Act - The Industrial Development Corporation Act, 22 of 1940, as amended
- Internally developed guidelines and policies

Reporting principles, assurance, and approval

Our combined assurance framework integrates our assurance activities and incorporates the undertakings of internal and external assurance providers.



How IDC uses selected reporting frameworks to achieve the objectives of integrated reporting

	IR Framework	King IV	GHG Protocol (Carbon)	Sustainable Development Goals	National Development Plan	Public Finance Management Act	GRI Standard
To guide the development of strategy and report content	Framework is highly relevant	Framework is highly relevant		Framework is highly relevant	Framework is highly relevant		Framework has some relevance
To guide the reporting approach	Framework is highly relevant					Framework has some relevance	Framework has some relevance
To guide the structure and presentation of information	Framework is highly relevant	Framework has some relevance		Framework has some relevance			
As a benchmark (or standard) against which to align report content	Framework is highly relevant		Framework is highly relevant	Framework has some relevance	Framework has some relevance		Framework has some relevance
To comply with regulations	Framework is highly relevant	Framework is highly relevant	Framework is highly relevant			Framework is highly relevant	
To establish credibility	Framework is highly relevant	Framework has some relevance	Framework has some relevance	Framework has some relevance	Framework has some relevance	Framework has some relevance	Framework has some relevance



SNG Grant Thornton (Jhb) and Nexia SAB&T served as our joint assurance providers, supported by the IDC Internal Audit department. The IDC Board Audit Committee verified the independence of the external assurance providers and recommended the report for approval to the IDC Board. Selected performance information was assured at a limited assurance level, according to the International Standards for Assurance Engagements (ISAE3000).

The IDC Board approved the report on 28 September 2020.

Forward-looking statements

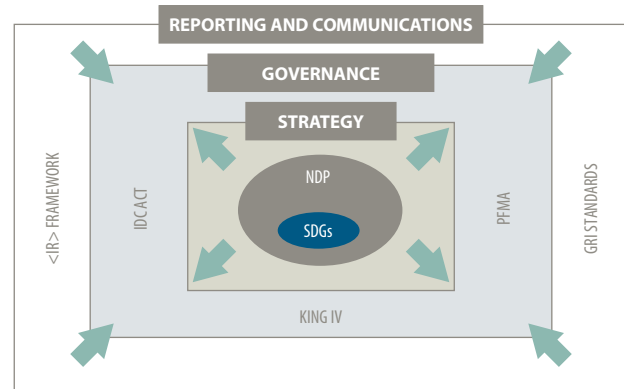
This report contains forward-looking statements about the position and performance of the IDC. Aligned with PFMA requirements, our annual Corporate Plan includes a three-year forward perspective. Projections were based on assumptions about local and global economic and political conditions, historical performance, and our focus areas in the short- to medium-term. Therefore, these forward-looking statements are subject to risk and uncertainty and have not been reviewed or audited by our external auditors.

Forward-looking statements were informed by the divisional business plans, and the IDC's Corporate Plan in February 2020. Plans were amended to respond to the challenges of the global Covid-19 pandemic.

The impact of the Covid-19 pandemic and our response

The extent of the Covid-19 pandemic became apparent close to the end of IDC's financial year in March. Throughout this report, we will refer to the impacts that the pandemic had on the IDC. The IDC's response to manage the pandemic's impact on the IDC, including our people and client's is discussed in the section on our strategy on page 22.

Interaction between IDC's strategy, governance, reporting and SDGs



Key concepts

For reporting purposes, we define material issues as those relevant to our strategic goals as a state-owned development finance institution and those with the potential to affect our ability to create and sustain value in the short-, medium- and long-term. We view short-term as a period less than 12 months, medium-term as the period between one and five years and long-term as a period of five years or longer. Issues arising from our stakeholder engagement process are merged into the list of materiality issues.



The primary purpose of the IDC is to support the development of industrial capacity in South Africa and to create value over the long-term. Various forms of capital serve as inputs in the process of value creation, the availability of which is a determining factor for the achievement of the goal of the IDC. This report shows how these capitals are modified through various activities, as intended in our business model, to deliver the desired outcomes and impact. It further addresses the impact of the IDC on the capitals.



The road to recovery presents opportunities from the realignment of the local and global economy.

Minister's Foreword

As a global community we have yet to count the full cost of the pandemic, but we are witnessing our public health systems being stretched to the limit and seeing the devastating impact on socio-economic conditions. The impact of the virus will be felt long after it has been contained.

Indeed, we had started 2019/20 with a lot of positives. We ushered in the sixth government administration following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address longstanding socio-economic challenges that threaten the democracy that we fought for.

The Presidential Investment Conference, held in November 2019, demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural conference the previous year), with potential to create over 400 000 jobs over five years. This brings the total of investment commitments made at the two conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

As the new dtic family, we have accelerated the development and implementation of sector masterplans. We have already completed masterplans in the automotive, poultry, sugar and clothing and textile sectors, which now serve as a blueprint to harness energies amongst industry players for activities such as investment in sectors which together employ some 500 000 people. We are now working on sector masterplans in the steel and furniture sectors, which we expect to complete in the coming year.

Unfortunately, the economic environment brought on by Covid-19 has dented growth both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation. Across the world, countries are reporting or forecasting their lowest growth in at least a generation. China, for example, is

experiencing its slowest annual growth since the death of Mao Zedong in 1976. In May this year, the Bank of England said the UK might experience its worst recession in 300 years and the US has recorded its highest level of unemployment since the Great Depression. Both the UK and US have already in the three months from April to June 2020 experienced their steepest decline in quarterly output since records began.

The Covid-19 pandemic has added a tremendous strain on our fiscal and operating environment. Indicative forecasts by the IMF show that global GDP will contract by 5% this year, the biggest decline since World War II, whilst domestic GDP is currently expected by the South African Reserve Bank to contract by at least 8.3%.

The IDC is not immune to the financial woes that many business enterprises are currently experiencing. This is reflected in both a revaluation of the IDC's investment portfolio as at 31 March 2020, and a deterioration in the performance of the IDC's clients, resulting in higher levels of impairment.

A 'perfect storm' of weaknesses in the performance of Sasol, an oil-price war, weak performance in the IDC portfolio and the impact of Covid-19 on global asset prices, fed into the largest knock yet on the IDC balance sheet. While there was already weakness in some IDC clients' performance prior to the impact of Covid-19, the pandemic has exacerbated the problems. Nearly R2 billion in credit losses was recognised in the last quarter of the financial year as customers underperformed, while a further R26 billion was taken off the balance sheet during that quarter due to a downward revaluation of equity investments in the wake of the pandemic's ripple across the world. Over the entire financial year, R22 billion of the revaluation was linked to a fall in the share price of Sasol, which constitutes a large part of the IDC investment portfolio.

The weakened balance sheet reduces the IDC's ability to drive industrial development. To address this, I have engaged management to increase the level of partnership with other funders and actively seek access to third-party funding that can assist the Corporation in fulfilling its mandate. At the same time, the organisation should address the financial problems that many of its larger investments are experiencing and that predate the Covid-19 pandemic. The increase in impairments is a challenge that the organisation will have to address with meaningful action. The IDC will have to put in the hard work to strengthen its developmental role in the economy during this critical time.

On a more optimistic note: since the end of the financial year, there has been some improvement in asset prices, which, if sustained, would strengthen the IDC balance sheet. If the IDC listed holdings were revalued as at end August 2020, it would record a positive impact to its balance of nearly R20 billion in value. For planning purposes however, it should be borne in mind that financial markets remain volatile and susceptible to sudden changes as investors digest the full impact of Covid-19.

While year-on-year investment activities have declined, the five-year trend demonstrates the IDC's countercyclical role over the longer term, to make funding available to entrepreneurs. Over

this period the IDC approved R71.4 billion and leveraged an additional R93.7 billion from other funders.

The IDC's strong track record in facilitating economic transformation has been exhibited with R24.5 billion in funding support to Black Industrialists over the past five years (and if support for all-black-empowered firms were collated, it would amount to R42.6 billion). Over the same period, the IDC committed R11.7 billion to women-empowered enterprises and R6.0 billion to youth-empowered enterprises. This is in line with its explicit statutory mandate to promote the economic empowerment of historically disadvantaged communities and persons.

Behind these figures are the real stories of entrepreneurs' dreams that have become reality thanks to the support IDC has provided them. While the IDC has made significant strides on a quantitative measure (the increase in funding provided to black industrialists), the level of post-investment support remains inadequate. More work will need to be done to improve the IDC's ability to lift the quality of its investment book for designated groups.

Going forward, the IDC will have a significant role to play in the economic recovery post Covid-19. While the pandemic has had significant negative impact in the short term, the road to recovery also presents opportunities from the realignment of the local and global economy. This includes the focus on greater national trade policy space to address what has been described as 'strategic vulnerabilities' exposed by the disruptions in supply lines. This may provide opportunities in specific sectors, as well as those in import replacement, strategic localisation and integration into regional and global value chains. The opportunities that will arise from the implementation of the African Continental Free Trade Agreement (AfCFTA) will need purposive partnerships with the private sector and a focus on manufacturing.

Africa is home to 17% of the world's people, and yet only 3% of its economic output. The AfCFTA presents a platform for greater regional integration, growth and employment. It's a once-in-a-generation opportunity to expand our markets and our productive base, and we must work hard with continental partners to ensure its success.

To further address the country's unemployment and poverty challenges we need to expand economic activity in industries that can absorb large numbers of workers (jobs-rich growth), including agro-processing and sectors such as clothing and footwear.

I wish to thank Ms Busisiwe Mabuza and the Board of the IDC for their guidance of the Corporation, and for their efforts to strengthen performance and governance systems during turbulent times. I also wish to thank TP Nchocho, as well as the rest of his management team and the IDC's staff for their work over the last year. More focus will be needed. The country needs a strong and impactful IDC.



Ebrahim Patel

Minister of Trade, Industry and Competition



The year under review began on a note of hope as we ushered in the sixth administration of South Africa's democracy.

Chairperson's Statement

Disclosure of irregular expenditure

Scaw South Africa (Pty) Ltd (SCAW) used to be an IDC subsidiary. To improve SCAW's financial sustainability, the company was split up with different companies created and strategic equity partners introduced. During this corporatisation process, Cast Products South Africa (Pty) Ltd (CPSA) and Grinding Media South Africa (Pty) Ltd (GMSA) were formed as separate entities. This carve-out resulted in the exemption from the PFMA and the PPPFA, which was granted by National Treasury to SCAW for the period until October 2020, no longer applying to the new entities viz. CPSA and GMSA. As a result, CPSA and GMSA's entire procurement expenditure of R2.7 billion (R2.8 billion in 2019) does not comply with the PPPFA. The IDC has been in close contact with National Treasury to obtain an exemption from the relevant sections of the legislation for these companies in the interest of effective operations. As a result of the initial application being rejected, all procurement by these businesses has been deemed as irregular expenditure. Further disclosure is made in the Directors' Report and in the Annual Financial Statements. In the meantime, management is taking corrective action to avoid a similar audit finding in the future.

Economic environment

The South African economy continued to experience the longest downward phase of the business cycle during this past financial year, with business and consumer confidence remaining at low

levels. The domestic economy's woes were exacerbated by a more challenging global trading and investment environment, largely driven by protracted trade and geo-political tensions between the United States of America and China as well as uncertainties related to the impact of the January 2020 official Brexit deadline. These concerns resulted in heightened policy uncertainty globally and thus acted as a constraint to global trade, confidence levels and investment activity. The domestic economy deteriorated further at the tail end of the 2019/2020 financial year as global and domestic demand remained subdued.

During the year under review, South Africa's total fixed investment activity levels remained dismal, contracting by 1.7% in real terms, although fixed investment spending by private business enterprises posted a positive growth of 0.7%. Weak business confidence levels, recessionary conditions, worsening public sector finances and financial constraints at various public corporations continued to weigh on total fixed investment spending. Nonetheless, the IDC continued to play its countercyclical role aimed at sustaining and stimulating industrial capacity and activity in the economy, including the provision of financial support to distressed clients in some of the key productive sectors such as mining and metals, agro-processing as well as the clothing, textiles, footwear and leather sector.

Our business partners in various sectors of the economy were negatively affected by depressed domestic demand conditions, rising input costs, operational challenges as well as interruptions in energy supply. The performance of the mining and manufacturing sectors, which constitute a large portion of the IDC's clients, was weak.

The unprecedented lockdowns imposed from March 2020 on national economies by governments around the globe in efforts to contain the rapid spread of the Covid-19 pandemic; as well as the subsequent disruptions to and collapse in demand and supply chains have caused havoc to the global economy. These have had a detrimental impact on trade, production and investment activity levels, and thus a sharp contraction in the global economy is anticipated. Recessionary conditions forecast for the global economy and for most of South Africa's key trading and investment partners suggest more challenging times ahead for the South African economy and our export-oriented business partners. Undoubtedly, the impact of the pandemic, coupled with South Africa's credit risk rating downgrades into sub-investment territory, will deepen the crisis levels in the South African economy, which was already under severe strain prior to the onset of Covid-19.

The socio-economic impact of Covid-19 will be devastating as the pandemic has touched almost every fibre of our society. It has taken a tragic toll on human life, upended people's livelihoods and decimated industries, with attendant impact likely to result in companies either closing down permanently, or opening in a reconfigured way, consequently leading to massive job losses and increased poverty, inequality and humanitarian crises.

In line with the IDC's mandate of advancing sustainable industrial development and contributing to an inclusive economy, our funding approvals and disbursements during the past financial year totalled R11.8 billion and R11.7 billion respectively. This funding activity is expected to result in the creation and saving of about 12 300 jobs in South Africa. The critical outcomes of an inclusive economy continued to be pursued through funding aimed at supporting targeted groups of entrepreneurs such as black-empowered, black-owned, women-empowered and youth-empowered businesses.

A new long-term sustainability plan

Amid a prolonged period of weak domestic economic conditions, the IDC continued to provide countercyclical funding to assist in the country's economic recovery efforts. The need to continuously safeguard the long-term sustainability of the IDC necessitated that we undertake a review of, and reflections on, the Corporation's funding achievements over the years as well as the emerging challenges, with a particular focus on the apparent strain on the balance sheet. To this effect, the Board of the IDC agreed on a long-term sustainability plan, which will be driven largely by investing for sustainable industrial development and economic inclusion, whilst preserving the IDC's financial strength. Some of the key elements of the long-term sustainability plan include:

- Maximising our development effectiveness through improved industrial development planning and project development;
- Ensuring the financial sustainability of the Corporation through addressing key pressure points on our balance sheet;
- Improved client-centricity and partnering with our clients to provide a more positive customer experience and improved client performance;
- Entrenching a high-performance business culture, centred around improved business processes, leadership effectiveness as well as a more compelling employee value proposition.

The IDC recognises the need to continuously adapt and adjust in order to respond effectively to a rapidly changing environment, as we continue to play our role in the economic and industrial development of the country. In response to the impending Covid-19 crisis, we adopted a multipronged approach on the interventions that would be required, in certain cases in partnership with other stakeholders. These have varied from funding support to secure much needed Covid-19 essential supplies, such as personal protection equipment, to short-term facilities such as extended working capital requirements aimed at supporting the immediate needs of our business partners. In addition, we are vigorously addressing any bottlenecks that have resulted in the lagging uptake of the facility that we announced to provide further support to those companies in distress as a result of the operating environment created by Covid-19. The Corporation is also engaging in more forward-looking initiatives focussed on potential opportunities that may arise from the restructuring of global value chains and increased localisation opportunities.

We are concerned with the challenging times ahead of us. The outlook for the global economy remains highly uncertain, with the pace and extent of the recovery process being subject to serious headwinds. Business conditions may remain very difficult for longer in specific sectors of the South African economy as consumers and businesses adopt a cautious approach to spending or restrictions continue to affect their performance, as in the tourism and hospitality sector. This may result in the demand for distress funding, working capital facilities and debt repayment deferrals from the IDC intensifying for quite some time, thus adversely impacting on our finances and operations. In addition, the unfavourable economic environment, heightened levels of uncertainty as well as anticipated weak demand, both domestically and externally, could see many private sector investment plans being shelved for a while, consequently affecting our overall funding levels. The immediate challenge remains the preservation of as many sound business enterprises as possible, especially those with a significant socio-economic development impact, until operating conditions normalise.

As the IDC responds to the changing needs of our business partners and development imperatives, a balanced approach that considers our available financial capacity will have to be utilised. In view of the depth of funding that will be required to turn the tide on business closures, job and income losses and to contribute to South Africa's economic recovery, the IDC intends to strengthen its collaboration with other funding partners and key stakeholders as we realise that we cannot do it alone.

Commitment to financial sustainability

During these extraordinary times, the Board is very mindful of the importance of ensuring that the Corporation remains financially sustainable. We remain committed to safeguarding the IDC's balance sheet while simultaneously leveraging it to fulfil our mandate. We recognise that several years of the IDC's above-average risk appetite, in pursuit of our mandate of increasing industrialisation and preserving jobs against the backdrop of a prolonged economic downturn, has put some of the Corporation's financial risk parameters under pressure.

The continued poor performance by some of the IDC's business partners, including significant subsidiaries such as Foskor, has worsened the trend, pushing the impairment charges to intolerable levels. The high concentration of our listed investment portfolio in a number of volatile resource-based stocks, including Sasol, whose market valuation has taken a knock in recent times has added more pressure to these parameters. The volatility of our listed equity portfolio has a significant effect on the structure of the IDC's balance sheet and dividend outcomes.

At Board level, we are monitoring the progress being made through the implementation of turnaround strategies for

large non-performing loans in order to reduce the level of impairments. However, some of these strategies have not yet yielded the envisaged outcomes. Furthermore, the management of the Corporation, under the guidance of the Board, is working on enhancing the quality of the book, including addressing challenges in our subsidiaries and key investments. The Board is also considering the appropriateness and ideal balance of our equity portfolio to improve its diversification.

In conclusion, even though we expect a continuation of the difficult economic conditions in the near- to short-term, we will continue to strengthen and coordinate our activities with all key stakeholders to achieve greater impact from our investments. In addition, other funding partners will be sought to facilitate greater leveraging of our available capital resources.

Acknowledgements

These are daunting times and require well-considered actions and intervention plans. As the IDC navigates through these times and adapts to a changing environment, we do so mindful of the now even more dire need that we deliver on our mandate for industrial growth and economic inclusion of the South African population.

On behalf of the Board, I extend our appreciation to the CEO, Mr TP Nchocho, and his leadership team for their commitment to the important mandate of the Corporation as evidenced by focussing the attention of the Corporation on its long-term sustainability. Our sincere thanks also go to the management and staff of the IDC for their continued efforts to implement and deliver on the IDC's development mandate in a sustainable manner with the steadfast support and firm guidance of the non-executive directors of the IDC Board. The Minister of Trade, Industry and Competition, Minister Ebrahim Patel, deserves our special thanks for the continued support, guidance and dedication to the IDC as one of the key institutions in the implementation of government's development interventions. We finally extend our appreciation to the honourable members of the Portfolio Committee on Trade and Industry for their insights and the direction they provide.



BA Mabuza

Board Chairperson
28 September 2020



VM AUTOMOTIVE

Automotive component manufacturing contributes significantly to South Africa's manufacturing sector and plays a critical role in the country's industrial landscape.

Established in 2012 to pursue production opportunities to manufacture vehicle components locally, VM Automotive today is one of the largest coil-processing companies in the South African motor industry. "Eight years ago, we set our sights firmly on becoming the preferred supplier to local and international clients in the domestic automotive market. Our commitment to that vision remains steadfast," says VMA management, Gibson Njenje, Tony Yaka and Litha Mcwabeni.

Fully black-empowered VM Automotive supplies aluminium and steel blanks to the BMW, and Mercedes Benz plants in South Africa for the assembly of their X3 and C-Class models in Rosslyn and East London, respectively, as well as certain 3-series parts under a previous contract with BMW SA.

Located in Rosslyn, north of Tshwane, VM Automotive uses customised equipment to produce competitively priced automotive components in standard and non-standard sizes to meet any client requirement. The plant environment and manufacturing processes

are geared to meet the demanding quality assurance standards and specialised requirements of international and domestic clients.

In 2018, with funding from the IDC, VM Automotive acquired a blanking facility in Rosslyn. The transaction included a skilled workforce whose expertise contributed to the seamless continuation of delivering high-quality products and services.

VM Automotive is currently driving business growth and expansion. This includes negotiating new blanking work with other original equipment manufacturers, such as Ford, Nissan and Volkswagen and the purchase of a new manufacturing facility in Berlin, East London, and high-speed laser blanking line from Schuler in Germany.

Currently with a complement of 32 employees, VM Automotive expects to create 62 new jobs at the Berlin plant by 2022. "As proudly South African, VMA's robust growth strategy will contribute meaningfully to employment and growth in the country's automotive industry," says management.



**JOBS
CREATED**

62



COMPANY OVERVIEW

WHO WE ARE

The Industrial Development Corporation (IDC) of South Africa Limited was established in 1940 through an Act of Parliament (Industrial Development Corporation Act, 22 of 1940) and is fully owned by the South African Government. IDC priorities are aligned with the national policy direction as set out in the National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and industry Master Plans. Our mandate is to maximise our development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and -empowered companies, black industrialists, women and youth-owned and -empowered enterprises. At the same time, the IDC must ensure its long-term sustainability through prudent financial and human resource management, safeguard the natural environment and increasingly position itself as a Centre of Excellence for development finance.

PURPOSE

- Grow sustainable industries
- Support entrepreneurs
- Improve lives

VISION

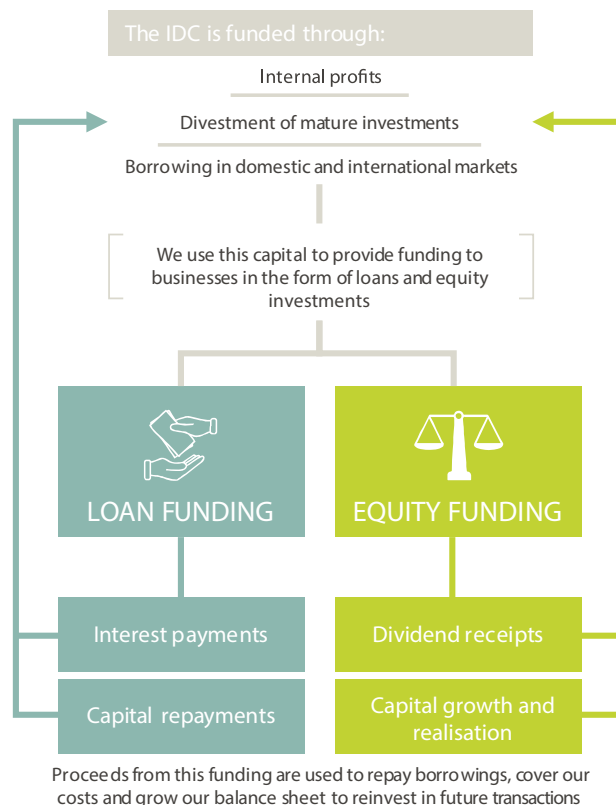
Create globally competitive industries realising Africa's potential

OUR VALUES

Our day-to-day activities and business conduct are guided by our values



OUR FUNDING MODEL



REGIONAL FOOTPRINT

EASTERN CAPE

Regional offices:

- East London
- Port Elizabeth
- Mthatha



FREE STATE

Regional office:

- Bloemfontein

Satellite offices:

- Phuthaditjhaba
- Welkom

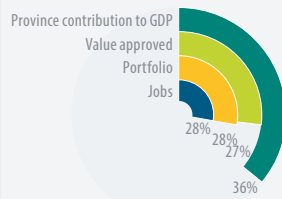


Contact
information

GAUTENG

Head office:

- Sandton



KWAZULU-NATAL

Regional office:

- Durban
- Pietermaritzburg

Satellite offices:

- Richards Bay



LIMPOPO

Regional office:

- Polokwane

Satellite offices:

- Thohoyandou
- Tzaneen



MPUMALANGA

Regional office:

- Mbombela
- eMalahleni

Satellite offices:

- Secunda



NORTH WEST

Regional office:

- Mahikeng
- Rustenburg
- Brits

Satellite offices:

- Klerksdorp
- Vryburg



NORTHERN CAPE

Regional office:

- Kimberley
- Upington



WESTERN CAPE

Regional office:

- Cape Town

Satellite offices:

- George



OUTSIDE SA



Contribution to GDP: Provincial contribution to total SA GDP (2018 calendar year)

Value approved (provinces): Share of total value approved in SA (2016 to 2020)

Value approved (outside SA): Share of total value approved (2016 to 2020)

Portfolio (provinces): Share of the IDC's exposure to businesses in the province relative to total SA exposure – total exposure valued at cost as at 31 March 2020

Portfolio (outside SA): Share of the IDC's exposure to businesses outside SA relative to total exposure – total exposure valued at cost as at 31 March 2020

Jobs: Share of total jobs expected to be created and saved (2016 to 2020). Jobs created and saved in investments outside South Africa are not captured for performance purposes.

BUSINESS MODEL



OUTPUTS

Funding provided

- R11.8 billion approved (2019: R13.1 billion)
- R11.7 billion disbursed (2019: R11.8 billion)
- 102 transactions approved (2019: 192)
- R46.6 million approved for CSI (2019: R50.6 million) and R62.1 million for funding social enterprises, special interventions and trusts (2019: R46.7 million)

Other development activities

- Industrial research (digital media landscape; pumps and valves industry; regional rice value chain; clothing, textiles, footwear and leather sector performance; integration of services in SA manufacturing; boatbuilding industry; agricultural machinery and equipment value chain; big data landscape; additive manufacturing landscape)
- Participation in industry Master Plans
- Support to the SA Investment Conference
- Management of special funding schemes
- Green Paper on Social Enterprises

OUTCOMES

Investment generated

- R413 billion investment generated, including capital from other funders (2019: R32 billion)
- 72% of funding approved for start-ups or for expanding capacity (2019: 76%)
- Developing priority industries with 57% of funding approved for the manufacturing industry (2019: 56%)

Community development

- 2 850 individuals benefitting from Social Enterprise and Special Intervention Programme (2019: 8 339)
- 6 318 of the number of direct jobs that we created and saved were in rural areas (2019: 5 555)

Employees

- 153 employees benefitting from staff bursary programme (2019: 109)
- 87% black employees (2019: 86%)
- 55% female employees (2019: 53%)
- R1.0 billion for staff salaries and benefits (2019: R1.0 billion)

Environmental footprint

- Scope 1 and 2 emissions intensity per employee for IDC at 6.1 tCO₂e (2019: 7.7 tCO₂e)

Transformation

- 32% of funding for black-owned companies (2019: 39%) with 26% for Black Industrialists (2019: 46%).
- An additional 12% for black-empowered companies (2019: 25%)
- 18% of funding for women-empowered companies (2019: 23%)
- 7% of funding for youth-empowered companies (2019: 6%)
- 47% of funding for priority provinces¹ (2019: 61%)
- Level 2 B-BBEE rating (2019: Level 4)

Job creation

- Funding expected to create 10 414 new jobs (2019: 14 620) and save an additional 1 857 jobs (2019: 4 558)

Financial sustainability

- R3.8 billion net loss
- R109.6 billion total assets

¹ All provinces except Gauteng and the Western Cape

Supporting transactions that create new jobs vs assisting companies in distress and saving jobs



Taking more risk vs reducing impairments



Maximising short-term impact vs ensuring long-term financial sustainability



Increased industrial development vs negative environmental impacts



Performance of significant investments

Credit and investment risk

Funding risk

Winning organisational culture

Expectations of the IDC's impact not aligned to its available resources

Climate risk

GOVERNANCE

We believe that good corporate governance is integral to a sustainable business. We have always endeavoured to implement sound governance practices aligned with best-practice principles. This is also a requirement for companies for which we approve funding.

The IDC's corporate governance structures are designed to ensure that the Board and Executive Management can exercise their fiduciary duties effectively and efficiently in a fair and transparent manner.

KEY STAKEHOLDERS

The information in this integrated report evidences how, as a partner for growth, we create stakeholder value. Stakeholders are defined as a person, group or an organisation with an interest or concern in, or influence over the IDC and who can affect or be affected by our objectives, policies and actions.

Our stakeholders	How we engage	Their needs and expectations	Our expectations	How we create value
Clients and business partners	<ul style="list-style-type: none"> Regional roadshows Business support Customised products and services Client events Government-sponsored events One-on-one engagements Surveys 	<ul style="list-style-type: none"> Transparent and efficient application process Business support Affordable and appropriate pricing 	<ul style="list-style-type: none"> Innovative business plans that address SA's developmental needs Honour financial and other undertakings 	<ul style="list-style-type: none"> Providing funding to grow industries Funding for Black Industrialists, women, youth and other entrepreneurs Strengthen businesses through business support Interest and repayment rates linked to development impact
Shareholder	<ul style="list-style-type: none"> AGMs Board strategy sessions Presentations and reports to Portfolio Committee on Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour Integrated Report 	<ul style="list-style-type: none"> Transparency and good governance Risk management and compliance Operational efficiency Thought leadership Lead sustainable industrial development 	<ul style="list-style-type: none"> An enabling policy environment Policy certainty Strategic leadership 	<ul style="list-style-type: none"> Investment in government priority areas Socio-economic development to fulfil our mandate
Employees and prospective employees	<ul style="list-style-type: none"> One-on-one engagements with staff Team and divisional engagements Internal and external communication platforms CEO feedback sessions HC initiatives (e.g. EE Forum) Staff engagements and culture surveys Involvement in strategic initiatives Management-union structures 	<ul style="list-style-type: none"> Job security Reward and recognition Employee development programmes and personal growth Good working environment Ability to make a valuable contribution to SA's development ambitions 	<ul style="list-style-type: none"> Motivated and empowered employees Living the IDC's values To be brand ambassadors Further the IDC's development agenda Enthusiasm, commitment and skills Service delivery mindset Awareness of the IDC's funding activities and developmental impact 	<ul style="list-style-type: none"> Transformation Personal development Remuneration linked to performance and value created Staff awareness of how their work contributes to the IDC's value proposition
Regulators, rating agencies and funders	<ul style="list-style-type: none"> Credit ratings Investor roadshows Integrated Report Results announcements Stock Exchange News Service (SENS) announcements United Nations Environment Programme Finance Initiative community participation 	<ul style="list-style-type: none"> Transparent and effective corporate governance Financial sustainability 	<ul style="list-style-type: none"> Low lending rates Consultation Understanding of the IDC's operating context 	<ul style="list-style-type: none"> Funding schemes Input for policy development Leveraging funding to benefit SA Industry and economic development
Communities	<ul style="list-style-type: none"> Regional offices Social Enterprise and Special Initiatives Community trusts linked to the IDC's investments CSI initiatives Due diligence on the environmental and social impact of investments 	<ul style="list-style-type: none"> Job creation Supporting climate-resilient industries Wide dissemination of benefits Business opportunities and inclusive growth Compliance with environmental and social legal requirements Emission reduction Water stewardship 	<ul style="list-style-type: none"> Support for IDC-linked projects Participation in IDC initiatives Sustainable water resources Productive land 	<ul style="list-style-type: none"> Funding projects that create jobs Community and worker shareholding in IDC-funded projects Social and community projects Benefitting from poverty reduction Sustainable industrial development Utilising natural resources to create value for current and future stakeholders
Other partners	<ul style="list-style-type: none"> Engagements with academics, industry bodies and experts, DFIs, SOEs, research institutions and organisations 	<ul style="list-style-type: none"> Funding and participation in pilot initiatives Influencing policy development 	<ul style="list-style-type: none"> Entrepreneurship and innovative solutions Mutual partnership 	<ul style="list-style-type: none"> Knowledge networks that support sustainable industrial development and address the needs of society

Stakeholder engagement is governed by our Stakeholder Engagement Strategy and Plan. External stakeholders are prioritised as indicated in the matrix below.

The stakeholder's influence over the IDC	High	<ul style="list-style-type: none"> Rating agencies Public Servants Association of South Africa 	<ul style="list-style-type: none"> Regulators Government departments not mentioned elsewhere in the table with an interest in IDC-funded sectors National Treasury Mature listed investments where the IDC has a low shareholding Department of Small Business Development (sefa) 	<ul style="list-style-type: none"> Existing and potential clients Strategic project partners Employees Lenders (bondholders, commercial banks, DFIs, PIC, UIF) Portfolio Committee on Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour Department of Trade, Industry and Competition The IDC's subsidiaries
	Medium	<ul style="list-style-type: none"> Media 	<ul style="list-style-type: none"> The unemployed Organised labour Banks and other financial services providers Government departments not mentioned elsewhere in the table Governments of African countries other than South Africa Business associations SOEs 	<ul style="list-style-type: none"> Broader communities around IDC-funded projects Provincial governments
	Low	<ul style="list-style-type: none"> Former employees Potential employees Higher education institutions Activist bodies 		<ul style="list-style-type: none"> Suppliers
		Low	Medium	High
		The IDC's impact on the stakeholder		

We place great importance on customer feedback and we conduct customer satisfaction surveys annually and quarterly. The annual survey is aimed at existing customers, i.e. those whose funding has been approved, and thus would have gone through the entire IDC application process, including post-investment. For the 2020 financial year we obtained an overall satisfaction rating of 7.6 (2019: 7.9) on a scale from 1 to 10.



The common findings related to service issues remain centred around slow turnaround times, insufficient feedback and a need to be more solutions driven. These aspects are addressed in the IDC's new strategy, which puts client-centricity as one of its key focus areas.

Internal stakeholders are discussed in the Human Capital section of this report.



MAKING TRADE-OFFS

Competing needs from multiple stakeholders in a capital-scarce environment require certain trade-offs to fulfil our mandate. This requires proactively tough, yet balanced, decisions to direct resources effectively towards strategic focus areas that will create the best long-term value while balancing the short-term needs of our stakeholders.

Description	Affected capitals
Funding for capital-intensive vs labour-intensive industries The IDC is targeting job creation to alleviate unemployment. We balance investment in more capital-intensive industries that do not create many direct jobs but have the potential to unlock downstream economic activity and increase competitiveness with investment in more labour-intensive downstream businesses that create jobs, often at a lower cost but without a catalytic impact on industrial or value chain development.	  
Leveraging more funding from the private sector vs increasing the IDC's share of project funding The IDC prefers other funders, including project promoters, to participate in project funding to avoid crowding out investment and permit the allocation of limited financial resources to other developmental endeavours. However, partially funded projects that do not attract other investors and are not implemented will not contribute to development. Such partially funded projects require an increase in IDC funding, especially where the potential impact is considerable.	  
Prioritising high levels of funding approvals and disbursements vs partnering for growth and sustainable development Given its countercyclical role, the IDC has over the past few years focused on increasing its impact by growing levels of investment approvals and disbursements and supporting companies in distress with the prospect that economic conditions would improve. While the Corporation has had notable successes, many businesses have not proven to be sustainable. This negates the expected development impact and depletes our resources. An increased focus on ensuring higher levels of sustainable development could result in lower levels of funding as marginal projects would not receive funding.	 
Focus on project development vs transactions with short-term outcomes The IDC aims to develop industries proactively, specifically those identified as essential to the prioritised value chains. We endeavour to optimise resource allocation between achieving short-term goals and investing in activities with a long-term impact.	   
Supporting transactions that create new jobs vs assisting companies in distress and saving jobs The IDC provides funding predominantly for start-up businesses and the expansion of existing businesses. We also assist businesses that experience difficult trading/operating conditions with funding to build their strengths and improve their competitiveness. In addition, our countercyclical assistance to distressed companies with long-term sustainability potential avoids negative de-industrialisation costs.	 
Taking more risk vs rebalancing our portfolio and reducing impairments The IDC provides funding to entities with viable business plans. Given its higher appetite for risk, the IDC can fund more businesses but with a potentially negative impact on impairments. Ideally, the IDC wants to increase funding while simultaneously managing impairments downward. We manage increased funding/decreased impairment conflicts by continuously strengthening post-investment processes and monitoring high-risk clients and will continue with interventions to assist clients before they become financially stressed. Decisions that reduce the IDC's financial risk, such as not continuing support for a business that has proven not to be sustainable, can result in negative social impacts such as job losses. These considerations are taken into account when such decisions are made.	 
Maximising short-term impact vs ensuring long-term financial sustainability High short- and medium-term funding levels can deplete the IDC's funding capacity over the longer term. This is exacerbated if funding does not deliver returns in the short-term. The IDC will continue to monitor economic conditions and assess its capacity to increase funding levels by considering the performance of its mature portfolio and new investments.	 
Increased industrial development vs negative environmental impacts The IDC provides funding to promote economic growth. Economic activity, in turn, impacts on the environment, while degrading environmental resources have negative impacts on long-term economic growth. In assessing projects in which to invest, the IDC assesses the potential negative environmental impacts and ensures that these impacts are mitigated in the project.	 

SELECTED PERFORMANCE INDICATORS

Performance targets are agreed with the shareholder on an annual basis. The complete list of indicators, targets, and performance against these are included in the separate Annual Financial Statements publication. Below is an excerpt with the most important indicators.

Indicator	2020			2019	2018
	Actual	Base Target	Stretch Target	Actual	Actual
Development impact					
Value of funding disbursed plus payment guarantees issued (R'bn) ¹	RA 12.1	19.7	21.7	11.4	14.6
Funding to Black Industrialists (R'bn) ²	RA 2.7	6.1	8.9	4.7	7.8
Funding to women-empowered businesses (R'bn) ²	RA 2.2	2.0	2.5	2.8	2.0
Funding to youth-empowered businesses (R'bn) ²	RA 0.9	1.0	1.5	0.7	1.0
Funding to support government localisation initiatives (R'bn) ²	RA 2.9	6.1	7.0	4.7	7.0
Expected direct jobs created and saved (number) ²	RA 10 205	32 501	40 015	17 887	22 193
Financial and efficiency indicators					
Impairments as percentage of the portfolio at cost (%) ³	36.8	24.6	21.6	28.4	17.4
Net interest, dividends, fees and money market income as a percentage of total assets (%)	6.8	4.8	5.3	4.5	5.3
Growth in reserves (%)	(41.9)	9.3	11.3	4.9	5.5
Subsidiaries					
sefa – performance rating as per its Balanced Scorecard	3.0	3.0	5.0	3.3	3.3
Foskor – profits/losses (R'm)	(2 264)	(263)	(234)	(184)	(779)

¹ Disbursements to some subsidiaries are not taken into account when the indicator is measured for performance purposes. For 2020, financial guarantees that have been issued are included.

² Measured when agreements are signed. Information elsewhere in the report is as at the time when transactions are approved.

³ 2019 and 2020 values according to IFRS9, previous years according to IAS39.

STRATEGIC BUSINESS RISKS

Our annual risk assessment process identified the following high- and medium-ranking strategic risks that could have a material impact on the achievement of our objectives.

Risk	Risk mitigation	Risk rating
Covid-19 Pandemic		
Impact of Covid-19 on the IDC's business The threat of Covid-19 on the IDC's business continuity, liquidity and ability to deliver on its countercyclical mandate.	Crisis management committee set up to ensure minimal business disruption. Business continuity plans invoked. Weekly liquidity sub-committee meetings to manage the IDC's liquidity. Increased reliance on co-funding arrangements. Improve relationships with funders to access capital. Funding products developed and launched to assist businesses supporting the fight against the pandemic. Funding for businesses facing difficulties as a result of the pandemic, including restructuring facilities of existing clients.	High


The impact of Covid-19 on our strategy

Strategic Focus Area: Development Effectiveness

Macro-economic conditions and developments Macro-economic conditions or additional sovereign credit downgrades with an impact on the IDC's business and ability to achieve strategic objectives.	Monitor risk through the regular analysis of economic, political and legal events, including through scenario analyses, and assess potential implications and implement interventions.	High
Job creation Risk that the IDC may not be able to contribute adequately to job creation.	Incentivise job creation in transactions through concessionary rates, greater emphasis on activities in sectors that create more jobs and support for transactions in upstream industries and infrastructure that will unlock job-creating activities. Prioritise projects with a potential high impact on job creation.	High
Electricity supply The risk presented to the IDC's investments due to unreliable electricity supply and the threat to the IDC's ability to implement its development agenda.	Invest in co-generation at highly affected business partners and subsidiaries. Maintain own-generation capacity at the IDC's offices in the event of electricity failures.	High
Black industrialists, women and youth entrepreneur and localisation strategy Insufficient participation by Black Industrialists, women and youth entrepreneurs in the economy and inadequate contribution towards localisation.	Incentivise funding to Black Industrialists and special funding facilities for youth and women. Set funding targets for targeted groups. Specific strategies to target these areas. Close cooperation with the dtic, including working together to mobilise incentives.	Medium
Capitalising on African opportunities Inability to capitalise on opportunities elsewhere on the continent.	Continental Coverage unit established with value chain strategies for priority areas.	Medium
Fourth Industrial Revolution The potential impact of 4IR and other technological advances on competitiveness in South Africa and for the IDC.	Strategies to deal with the impact of 4IR on industry and the IDC. Provide funding for businesses to implement and develop new technologies and business models. Dedicate individuals in sector-focussed units whose functions include keeping abreast of new technological developments in different industries.	Medium


Development outcomes

Strategic Focus Area: Financial Sustainability

Sector concentration and listed share portfolio volatility The risk that the IDC portfolio concentration results in investment value fluctuations that impact on dividend income and balance sheet strength.	Investment analyses and monitoring. The IDC's diversification strategy, e.g. capital allocation to sectors with low exposure. Track and forecast the portfolio against set targets.	High
Performance of significant investments Financial viability of significant investments and their ability to deliver effectively.	Representation on key subsidiary boards. Monitor performance of subsidiaries and significant investments continuously. Dedicated department in the IDC to monitor and support these investments.	High
Misalignment between long- and short-term goals Immediate socio-economic development needs driving too high a focus on achieving short-term goals that may not be sustainable over the long-term.	Board responsibility for the IDC's strategy and continuous engagement with the Shareholder Representative about the IDC's priorities. Strategy planning sessions incorporate the Shareholder Representative, the Board and management.	High
Funding risk Inability to raise the required amount of capital to fund transactions and investments.	Ongoing management of funding requirements through robust budgets and forecasts. Good reputation with funders. New dedicated capacity being established to pursue co-funding relationships and originate funding from alternative sources.	High

Risk	Risk mitigation	Risk rating
Credit and investment risk Risk of non-payment by the IDC's business partners and non-recoverability of investments.	Thorough upfront due-diligence to identify risks in each transaction. Manage risk through quarterly IMC meetings to ensure that appropriate intervention strategies are in place to address risk. Well-defined Credit Risk Policy and approved Delegation of Authority Policy in place to authorise transactions. The IDC's Mid-Tier Investments Department and Subsidiaries and Significant Investments Department, housed in a dedicated division, monitor client performance and collections. The Business Advisory and Turnaround Department assists with the turnaround of clients in financial distress. We provide business support to business partners to address specific deficiencies. Continuous training of the IDC's dealmakers. Continuous monitoring by executive management and the Board Risk and Sustainability Committee of strategies to reduce impairments.	High
Developmental finance support to fellow SOCs In light of tight macroeconomic conditions, the possibility that the IDC may be requested to utilise its capital to support SOCs in need of funding for developmental projects.	This risk is mitigated by the IDC increasing its effectiveness as a DFI and demonstrating the value that it creates for its Shareholder.	High



Credit risk management

Strategic Focus Area: People-centricity

Winning organisational culture Risk of the IDC's culture and values not being aligned with fulfilling its mandate or delivering on its strategy.	Managed through culture transformation plans, change management plans and ongoing employee engagement. Effective performance and consequence management and leadership capacitation to support culture transformation.	High
Governance, ethical conduct and behaviour The risk of internal/external financial crime, including unethical business practices and behaviour, due to a failure in governance processes.	Several policies in place to manage this risk (Financial Crime Prevention Policy, PEP/PIP Policy, Anti-Money Laundering Policy, Director Nomination Policy), Board committees monitors risk. Whistleblowing Policy and "Tip-Offs Anonymous" process. Code of Business Ethics and Conduct. Systems and Procedures Committee. Application of funding reviews. Transparency in publication of all approvals. Annual conflict of interest reviews. Corporate Governance Framework. Delegation of Authority. Conflict of Interest Policy for directors. Training for directors. Annual Board effectiveness review. Pre- and post-governance reviews for subsidiaries.	Medium



Our people



Governance

Strategic Focus Area: Client-centricity

Customer service Ensuring superior customer service without compromising the quality of transactions.	Customer service standards for processes across the Corporation. Review governance structures and delegation matrix for opportunities to enhance client service. Complaints resolution policy and processes. Differentiate the Client Service Model.	Medium
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Key stakeholders

Other Risks

Climate risk Negative impact on economy due to climate-induced disasters, including the adverse impact of low carbon growth objectives on IDC investments.	Carbon Tax Management Strategy for the IDC and material subsidiaries and associates. Carbon footprint of the IDC and its key subsidiaries audited. Fund clean technology, energy-efficient initiatives at subsidiaries.	High
Legal and regulatory compliance Risk of the IDC and business partners not meeting their legal/contractual and regulatory requirements.	Legal due diligence performed on all clients. Compliance training on key legislation for all staff. In-house specialised legal services. Compliance policy and annual plan. Delegation of Authority Matrix. Collections Monitoring Forum. Standardised legal documentation. AML and Sanctions Policy (FICA). PEP/PIP Policy.	Medium
IT security and cyber risk Risk of unauthorised access to electronic information could lead to compromised information.	Firewalls. Intrusion detection layer. IT security awareness and training. Antivirus software. Monitor IT governance and network teams daily. Penetration testing.	Medium

MATERIALITY

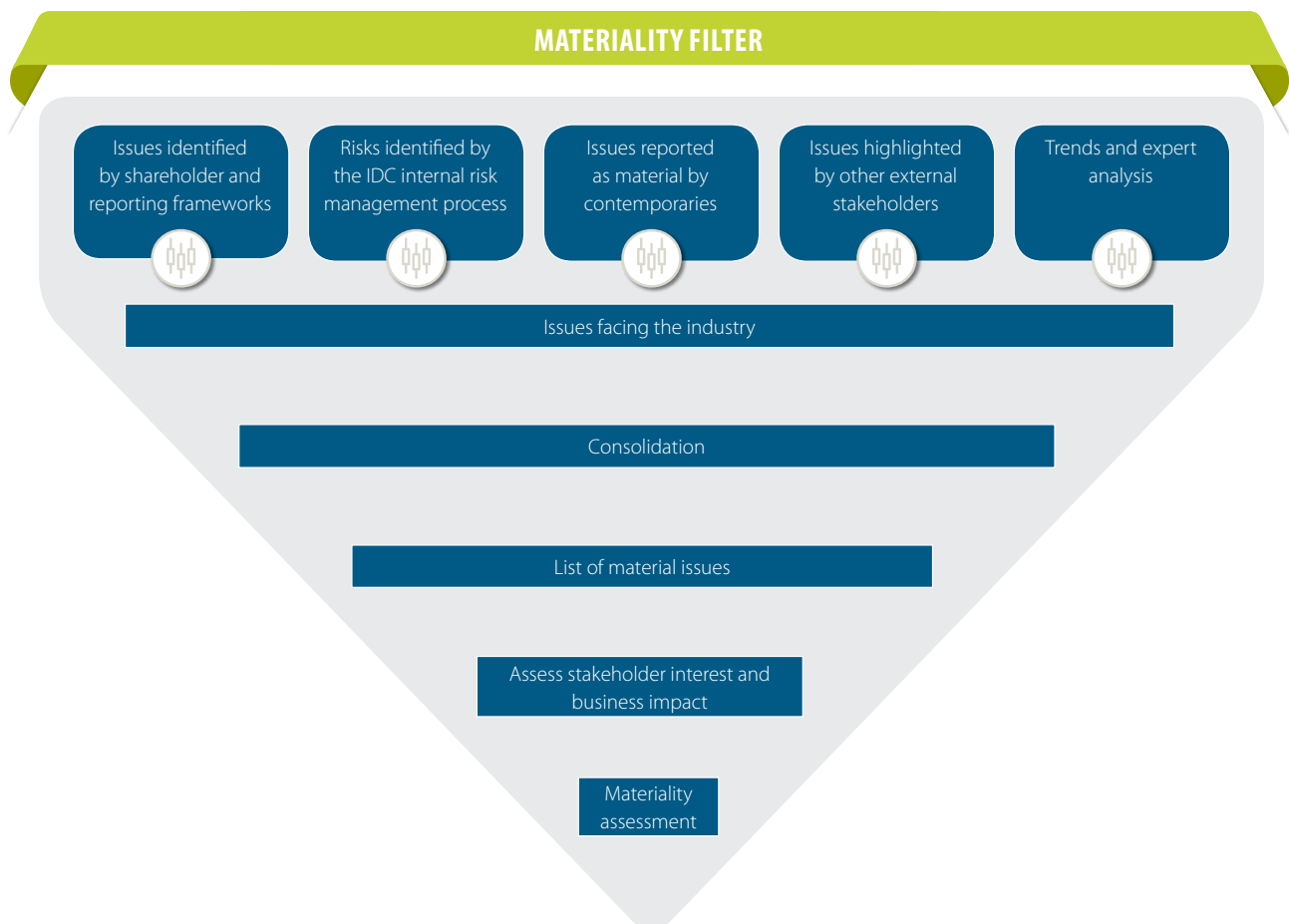
All reporting frameworks consider materiality as core to integrated reporting. Our materiality assessment and validation process provides a logical foundation for incorporating environmental, social and governance issues into our strategy, as well as providing our stakeholders with increasingly anticipated, relevant information. We consult widely (local and international guidelines, standards, frameworks, publications, legal and governance principles and stakeholder perspectives) and assess business essentials and stakeholder expectations to identify what is most important to the Corporation and its key stakeholders. Our senior leadership deliberates about the identified issues, which ignite discussions about our value proposition, strategy, vision and targets.

We use key performance indicators to measure, review and audit our performance continuously to learn, adjust and improve operations and processes. This shapes our engagement and communication with internal and external stakeholders.

Our materiality process is Board-approved. We conducted our first systematic materiality assessment in 2017 and have validated it annually since then. In 2019, we used an external adviser to survey our internal stakeholders and used those results during the reporting period to confirm, refresh and reframe our understanding of the issues. We will repeat this comprehensive and intensive process in the forthcoming financial year to add further value to the IDC's new strategy.

In March 2020, we identified the Covid-19 pandemic as material to our business due to its adverse effect on our activities. The impact of the pandemic is discussed in more detail in the relevant sections of the report.

We used the methods in the diagram below, as well as extracts from material issues identified through research and engagement, to determine the IDC's material priorities.



1. Industrial development



The IDC's primary purpose is to increase industrial development. We are guided by Government policy, as well as the National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and other government imperatives. Slow economic growth and global threats affect our ability to give effect to our mandate, while the impact of the Covid-19 pandemic during the last quarter of the financial year severely hampered free trade, our operations and the sustainability of the businesses we fund.

2. Socio-economic development



The IDC's development outcomes are aligned with international frameworks and protocols. We contribute to the achievement of the SDGs and are cognisant of other global initiatives, such as the Global Compact, UNEPFI PRB and Agenda 2063. Job creation, transformation and environmental and social initiatives are at the heart of this material issue.

Water scarcity in our country is a concern that requires consideration in our operations. We strive to reduce our carbon footprint and support the adaptation and mitigation efforts that address the negative impact of climate change. Our aim is to contribute positively to socio-economic development by participating in society and including a wide range of suppliers to diversify our supply chain. We adapted swiftly to the new needs of the global Covid-19 pandemic and assisted businesses and communities to follow suit.

3. Customer expectations



We endeavour to deliver fairly-priced and relevant products that are accessible to our customers. We strive to meet their expectations by understanding their requirements and tracking their experiences. We review our processes continuously to improve our delivery of exceptional, industry-leading customer experiences. We adopt new technologies and digitalisation to empower our customers to improve their business performance and compliance. We are preparing alternative ways and fresh approaches to deal with the new risks of the digital era in serving customers and conducting business. In addition to distressed financing, our support measures include financing instruments and processes and short-term facilities for emergency funding. We also ensure the continuity of critical services such as IT and finance.

4. Human Capital



Employee morale remains a top priority. We intensified employee engagements and formalised collective bargaining to improve management/employee dialogue. Wide employee participation in the process to review our strategy increased acceptance of the new strategy. We continuously dedicate significant resources to employee development and our drastic and rapid protection measures against the Covid-19 global pandemic proactively prepared and equipped employees to work off-site to continue our business activities.

5. Partners



Leveraging funding is increasingly becoming a critical focus area. We are partnering with national and international DFIs and others to achieve the global development agenda. We participate in various forums and policy discussions and invest time and effort in establishing partnerships and collaborating with global leading industry stakeholders, companies, universities and research organisations.

6. Governance, risk and compliance



We are guided by the King IV Code on Corporate Governance and comply with the PFMA provisions for Schedule 2 entities and all other laws applicable to our business. We set high standards for ethical business conduct, fight actively against corruption and bribery and report transparently about our performance against set targets. We prioritise the protection of personal information and adopt secure data and information practices to protect the privacy of personal and business information.

7. Financial sustainability



The IDC's balance sheet is being impacted by the depressed economic environment. This impacts directly on our ability to remain financially sustainable. Some of our prominent subsidiaries are also facing challenging business conditions. We will continue to monitor our environment and the environments in which our major business partners, associates and subsidiaries operate and are constantly looking for ways to curb impairments and assist projects that we are involved in to remain sustainable. In the face of a recession and credit downgrades, the IDC's role in the economy is now more important than ever.

OUR STRATEGY

Strategic review

The IDC conducted a strategic review during the 2019 calendar year, which highlighted:

- A bias towards achieving short-term objectives at the expense of long-term project development in the Corporation's activities
- Increasing levels of disbursements putting a strain on the balance sheet, with non-performing loans and impairments trending in the negative
- Higher levels of disbursements were supported by a borrowing programme that saw the debt/equity ratio increasing
- The poor operating environment coupled with increased funding activity resulted in high-risk investments with the IDC's portfolio increasingly migrating to a higher risk
- Internal weaknesses such as a sub-optimal organisational culture affecting productivity and pockets of poor client service

We set out to develop a strategy that would address these issues by focussing on increasing our development effectiveness, ensuring financial sustainability, and increasing our people- and client centricity. This resulted in a refocussed, business model and strategic priorities with a revised operating model and organisational design.

The strategy is located within a strategic framework focused on four imperatives:

- Development effectiveness
- Financial sustainability
- Client centricity
- People centricity.

Key elements of this Long-term Sustainability Plan (LTSP) strategy entailed:

- Increase market coverage by establishing dedicated business development capacity
- Dedicate capacity to do long-term industry development planning and project development
- Target more sustainable investment levels
- Improve investment decision making
- Move towards a relationship-based model to improve customer satisfaction and client performance
- Improve processes by employing more technology
- Improve leadership effectiveness
- Increase productivity
- Create a more compelling employee value proposition
- Improve staff engagement through resolving legacy staff issues.

As we started to implement this strategy, the Covid-19 pandemic struck and the IDC had to revise its plans to adapt to the new reality.

A transitional strategy to manage the IDC during the Covid-19 pandemic



The impact of Covid-19 on our strategy

The onset of the Covid-19 pandemic had immediate implications for the IDC:

- A drop in the value of the IDC's listed share portfolio, exacerbated by additional issues at Sasol in which the IDC holds a significant shareholding
- Its debt/equity ratio breaching the Board-set prudential limit of 60%
- Downgrades to its credit rating resulting in reduced borrowing capacity to fund new investments and increased cost of borrowings.

Further analysis showed that collections could be expected to reduce by ca 30% in 2021 as a result of financial pressure on clients. Impairments worsened and the already protracted poor financial performance of our key subsidiaries was likely to degrade.

At the same time the IDC, as a DFI, needed to assist in the fight against the pandemic while gearing itself to help with the economic recovery that is to follow. The IDC's management and Board collaborated to ensure that the Corporation has plans in place to manage the immediate risks and ensure financial sustainability. This resulted in a strategy that emphasises the need for the Corporation to maintain development effectiveness and balance this with managing its liquidity over the short- to medium-term and enhance the quality of its portfolio. This strategy built on the work that the IDC did during the year to create a path for its long-term sustainability, with some initiatives prioritised and new initiatives added. The prioritised key interventions of the strategy are described below.

Development effectiveness

Covid-19 funding interventions

- Implement funding interventions aimed at alleviating shortages of critical supplies needed to help fight the virus
- Provide funding to assist sustainable businesses that are facing difficulties as a result of the pandemic
- Assist existing clients impacted by the pandemic by deferring capital and interest payments.

Enhancing coverage and development planning

- Increase the development and effectiveness of small industrial businesses by establishing a dedicated channel for small industrial financing and leveraging off large projects to facilitate and grow small businesses
- Prioritise higher-quality transactions through dedicated business development capacity to source higher-quality deals, guide clients through the funding process and to improve market coverage
- Improve development outcomes by managing transaction and project implementation risks
- Prioritise and assist with the development of industry Master Plans
- Identify and pursue emerging opportunities emanating from the pandemic
- Continue to advance inclusive transformation.

Financial sustainability

Investment prioritisation

- Continuously review and adjust level of affordable disbursements
- Reassess the viability of projects to which the IDC has already committed funds and cancel funding where appropriate

- Work closely with developers of projects already under implementation to optimise drawdown schedules.

Fundraising and liquidity management

- Negotiate deferments of interest and capital repayments of loans that are due
- Assess drawdown conditions attached to loan facilities that are already in place and renegotiate with lenders to waive some conditions
- Continue discussions with lenders to gauge their appetite to make more funding available to the IDC
- Identify and obtain funds from alternative sources of capital
- Establish dedicated capacity to increasingly syndicate funding along with other funders for large projects that we are involved in.

Portfolio management and deal implementation

- Implement a differentiated portfolio management approach by segmenting the portfolio and implement unique strategies to manage each segment to unlock value from the portfolio
- Manage collections more closely
- Actively seek other investors to assist in funding turnaround strategies at distressed businesses
- Take a more active approach to monitoring events at listed companies in our portfolio and intervene when warning signals become apparent
- More effective performance management of subsidiaries.

People-centricity

Business continuity

- Enhance management to ensure engagement and productivity during the lockdown period
- Entrench technology to allow employees to work from home
- Implement measures at our offices to ensure that critical employees remain safe
- Implement return-to-work plan in line with government regulations.

Organisational realignment

- Implement the revised organisational design to support the new operating model supported by effective change management
- Drive leadership and culture transformation journeys
- Continue with the roll-out of our leadership journey and focus on mentorship programmes.

Roll-out employee engagement programmes

- Encourage teams to have frequent meetings and improve general engagements between senior management and staff
- Introduce a revised delegation matrix to improve governance and accountability
- Increase the number of social engagements among staff.

Integration of organised labour processes

- Work closely with the union that has recently been recognised to achieve a better work environment for all staff through constructive engagement.

Improvements to performance management

- Overhaul internal systems and procedures, including the performance management system aimed at improving strategy execution, engagement and productivity
- Improve target-setting and performance accountability.

Employment equity and diversity, succession planning and capacity building

- Continue to monitor and improve employment equity and diversity within the IDC
- Prioritise succession planning and be intentional about promotions, rewards and recognition
- Improve technical skilling in line with strategic direction requirements of the business.

Customer-centricity

Revised processes to ensure functioning operations during Covid-19 lockdown

- Instituted a simplified due diligence, streamlined approval, standardised legal agreement, and streamlined disbursement process to deal with applications for funding for essential Covid-19 supplies
- Utilised technology to ensure that employees remain productive and maintain high levels of service delivery.

Customer services standards

- Enhance customer service standards as they relate to the quality of service the Corporation commits to its clients
- Revise corporate, team and individual targets to ensure client service is cascaded throughout the IDC.

Decision process accountability

- Review governance structures and delegation matrix to identify opportunities to enhance client service.

Revamped and differentiated client service model

- Implement differentiated delivery channels for different client segments
- Provide regular tailor-made customer service and ethics training for all employees
- Revamp the service charter and improve communication of the charter to staff
- Create business development capacities within the operations divisions
- Build customer experience management capabilities, including embedded client relationship management function within all client-facing areas.

Complaints resolution system

- Develop and implement a policy and process for complaints resolution.

Optimised systems and processes











- Develop and optimise processes for small and larger transactions
- Review and improve IT systems to support the deal development process.

Customer segmentation

- Establish a dedicated channel for small industrial financing using our regional offices network
- Leverage off large projects to facilitate and grow SMEs
- Develop clear marketing strategies for the different client segments.

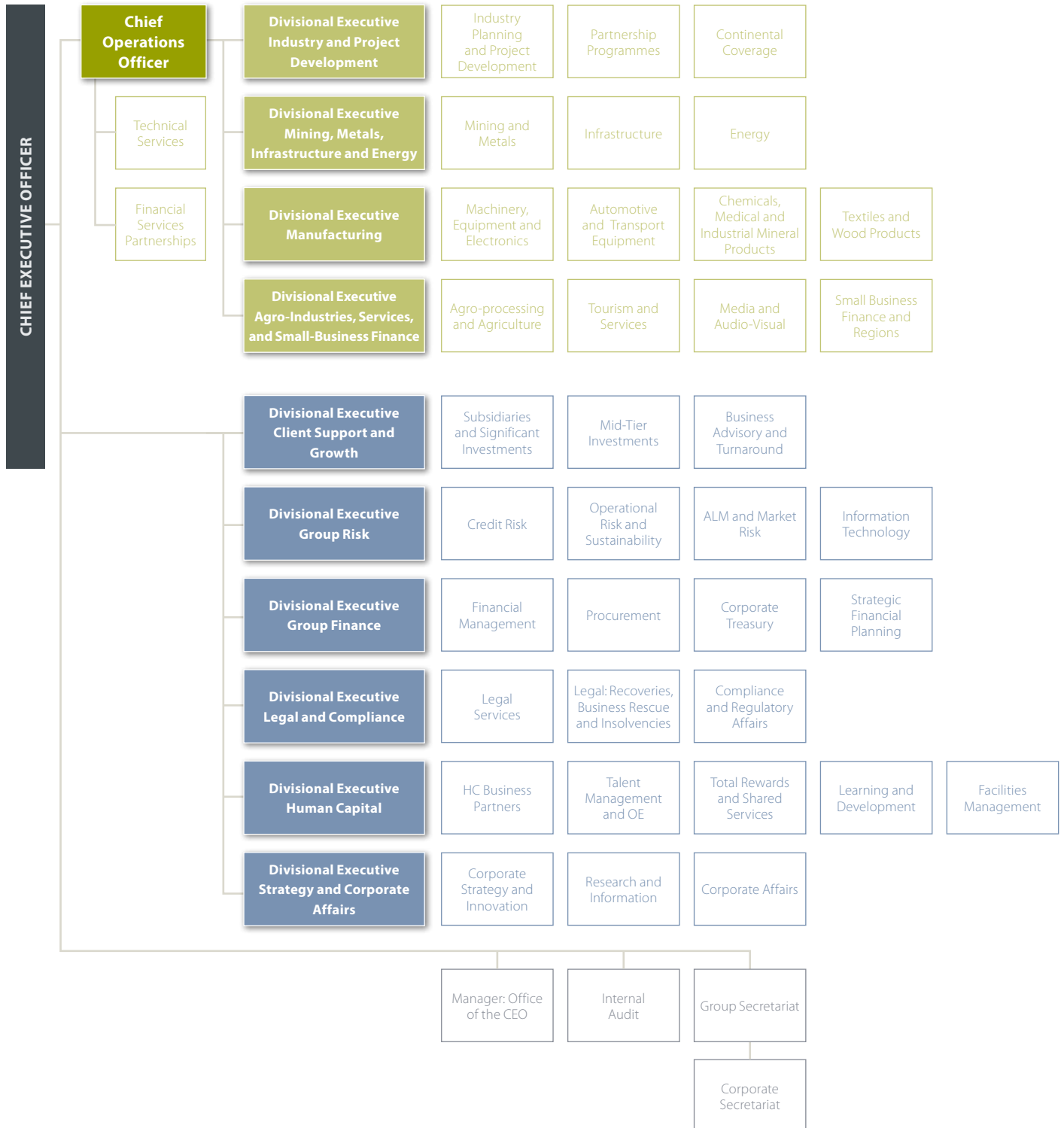
OUR DEVELOPMENT OUTCOMES AND THEIR CONTRIBUTION TO SDGs AND THE NDP

The IDC's support to national and global initiatives enables us to seek out impactful transactions while being mindful of commercial continuity. We contribute indirectly to all the SDGs but identified ten SDGs where our impact is direct. Through our mandate and affiliation with government as our shareholder we are committed to the priority areas of the NDP. The relationships are depicted in the table below.

Theme	IDC development outcomes	SDGs addressed directly through development outcomes	Priority areas in the NDP addressed directly through development outcomes
Economic	<ul style="list-style-type: none"> • Develop industrial capacity • Facilitation of decent and sustainable direct and indirect jobs • Promotion of entrepreneurship and SME development (including through sefa) • Increased sector diversity and localised production 	   	<ul style="list-style-type: none"> • Economy and employment (Chapter 3) • Economic infrastructure (Chapter 4)
Social and equality	<ul style="list-style-type: none"> • Development of Black Industrialists and support for women and youth entrepreneurs • Support community transformation • Increased development in poorer areas and higher integration of regional economies 	   	<ul style="list-style-type: none"> • Economy and employment (Chapter 3) • Inclusive rural economy (Chapter 6) • South Africa in the world (Chapter 7) • Transforming society and uniting the country (Chapter 15)
Environment	<ul style="list-style-type: none"> • Advancement of environmentally sustainable growth 	 	<ul style="list-style-type: none"> • Environmental sustainability and resilience (Chapter 5)

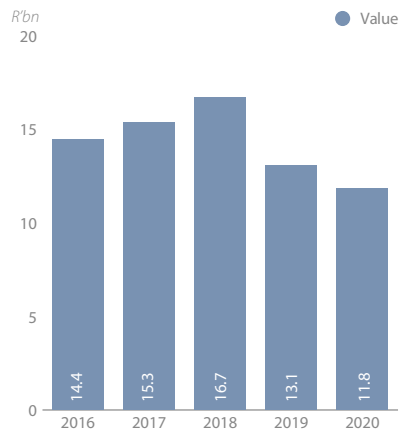
OPERATIONAL STRUCTURE

ORGANISATIONAL STRUCTURE

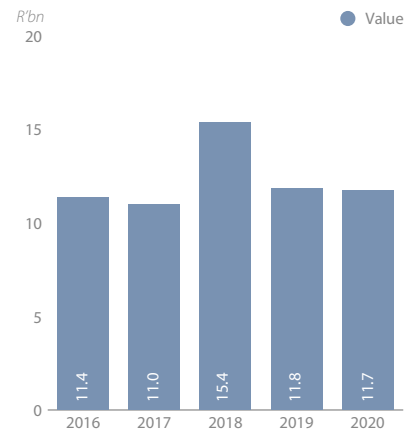


2020 PERFORMANCE TRENDS

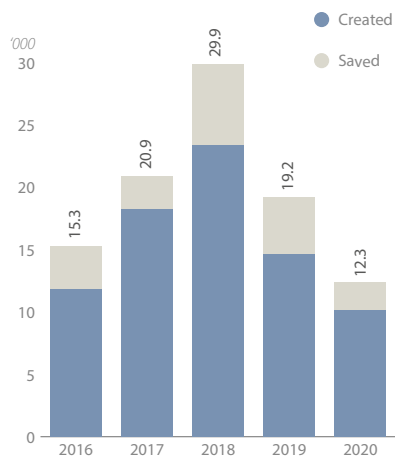
Funding approvals



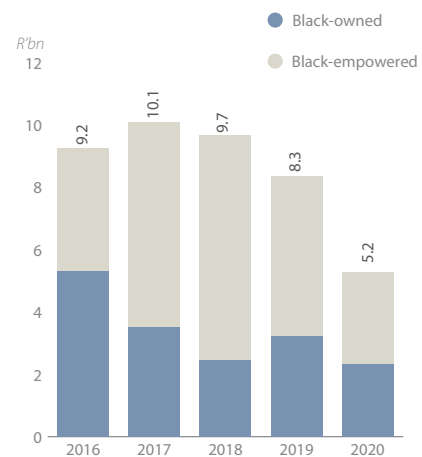
Value of funding disbursed



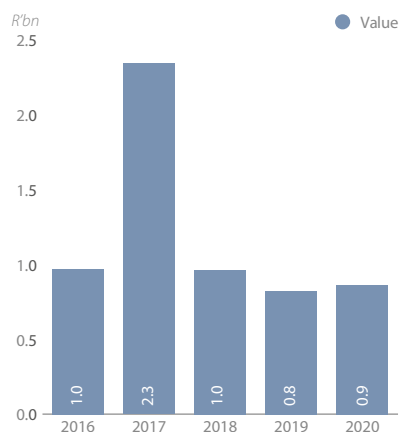
Number of jobs expected to be created and saved



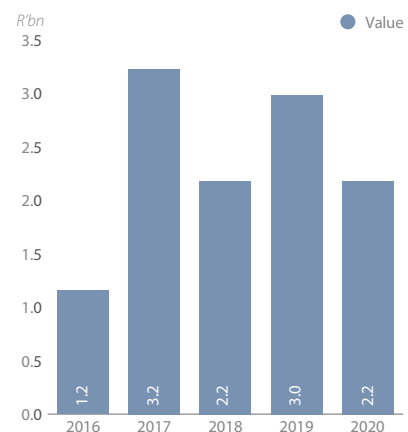
Value approved for black-empowered companies



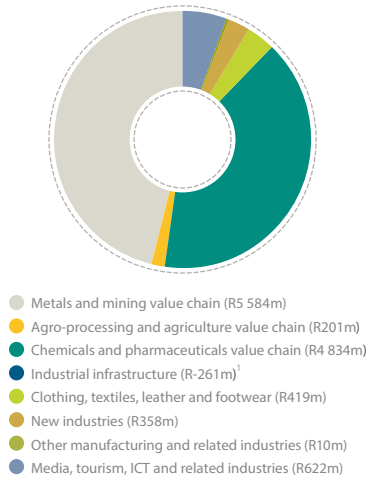
Value approved for youth-empowered enterprises



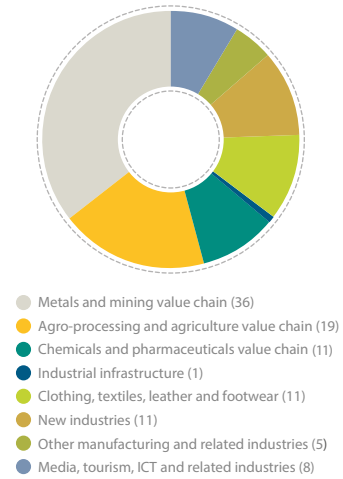
Value approved for women-empowered enterprises



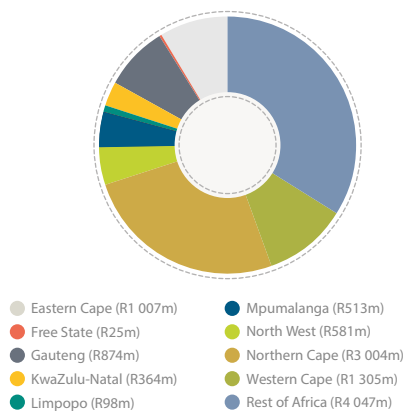
Value approved by sector focus area (2020)¹



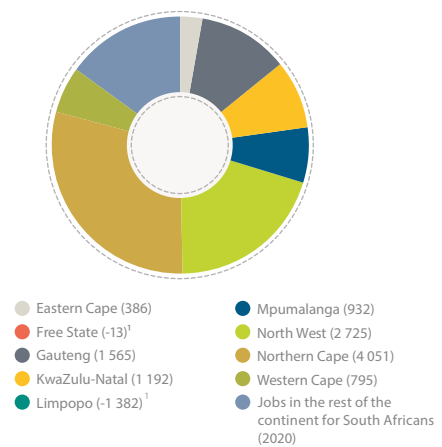
Number of transactions approved by sector focus area (2020)



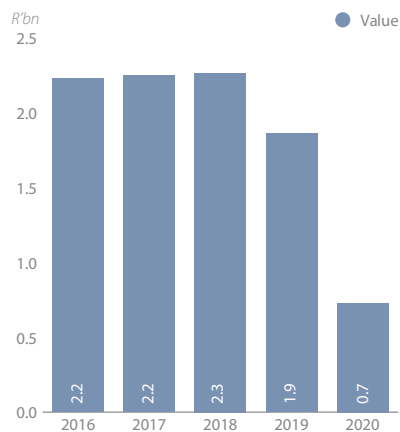
Value approved by region (2020)



Number of jobs expected to be created and saved by region (2020)



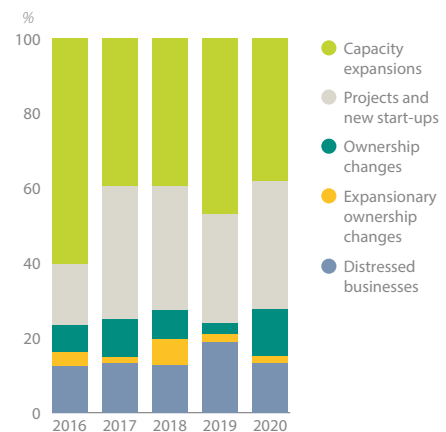
Funding approved for SMEs²



¹ Negative values are as a result of cancellations of transactions approved in previous years.

² Excluding sefa

Utilisation of funds approved



OUR BOARD OF DIRECTORS



BA MABUZA (56)
Chairperson of the Board

(Non-Executive Director)

MBA (Finance and Information Systems) (Leonard Stern School of Business, New York University, USA), BA (Mathematics and Computer Science) (Hunter College, City University of New York, USA)

Appointed to the Board on 25 November 2011 and appointed Chairperson on 29 January 2015

Committees:

- Member of the Board Human Capital and Nominations Committee
- Member of the Board Investment Committee



TP NCHOCHO (52)
Chief Executive Officer

(Executive Director)

MSc (Development Finance and Economics) (University of London), MBL (UNISA), BCom (University of the North), AMP (Harvard Business School)

Appointed to the Board on 1 January 2019



LI BETHLEHEM (52)

(Non-Executive Director)

MA (Wits), BA (Hons) (Industrial Sociology) (Wits), Certificate in Economics and Public Finance (UNISA)

Appointed to the Board on 1 October 2008

Committees:

- Chairperson of the Board Risk and Sustainability Committee



BA DAMES (54)

(Non-Executive Director)

MBA (Samford University, USA), BSc (Hons) (UWC)

Appointed to the Board on 25 November 2011

Committees:

- Chairperson of the Board Human Capital and Nominations Committee
- Member of the Board Risk and Sustainability Committee



RM GODSELL (67)

(Non-Executive Director)

MA (Liberal Ethics) (UCT), Postgraduate studies (Sociology and Philosophy) (Leiden University, Netherlands), BA (Sociology and Philosophy) (UKZN)

Appointed to the Board on 25 November 2011

Committees:

- Member of the Board Human Capital and Nominations Committee
- Member of the Board Audit Committee



A KRIEL (57)

(Non-Executive Director)

BSoc Sci (UCT)

Appointed to the Board on 1 April 2016

Committees:

- Member of the Board Human Capital and Nominations Committee
- Member of the Board Risk and Sustainability Committee
- Member of the Board Social and Ethics Committee



DR SM MAGWENTSHU-RENSBURG (60)

(Non-Executive Director)

DPhil (Business Management) (UJ), MBA (Webster University, London), BA (Management Accounting and Business Administration) (Webster University, Vienna)

Appointed to the Board on 25 November 2011

Committees:

- Chairperson of the Board Investment Committee
- Member of the Board Audit Committee



NP MNXASANA (63)

(Non-Executive Director)

CA(SA), BCompt (Hons) (UNISA)

Appointed to the Board on 29 January 2015

Committees:

- Chairperson of the Board Audit Committee
- Member of the Board Risk and Sustainability Committee
- Member of the Board Investment Committee



M MORE (39)

(Non-Executive Director)

CA(SA), CTA (UKZN), BBus Sc (Fin Hons CA option) (UCT), BCom (Accounting Hons) (UKZN)

Appointed to the Board on 1 April 2016

Committees:

- Member of the Board Audit Committee
- Member of the Board Social and Ethics Committee

Retired from the Board on 3 February 2020



PM MTHETHWA (56)

(Non-Executive Director)

MBA (Corporate Finance) (University of Sheffield, England), MSc (Economics) (University of Paris, France), BA (Economics) (University of Limpopo)

Appointed to the Board on 25 November 2011

Committees:

- Member of the Board Investment Committee
- Member of the Board Risk and Sustainability Committee



ADV ND ORLEYN (64)

(Non-Executive Director)

LLB (UNISA), BProc (UNISA), Bluris (UFH), Certificate in Energy Law, Executive Management Programme (Kellogg Business School, USA)

Appointed to the Board on 29 January 2015

Committees:

- Chairperson of the Board Social and Ethics Committee
- Member of the Board Investment Committee
- Member of the Board Human Capital and Nominations Committee



DR NE ZALK (51)

(Non-Executive Director)

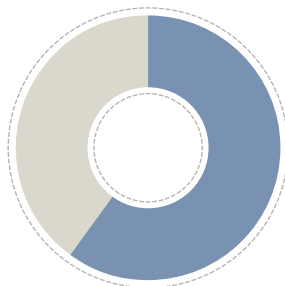
PhD (Economics), MSc (Economics) (with merit), Postgraduate Diploma in Economics (Development) (School of Oriental and African Studies, London University), BA (English and Private Law) (UNISA)

Appointed to the Board on 25 November 2009

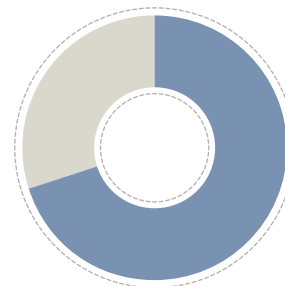
Committees:

- Member of the Board Investment Committee
- Member of the Board Social and Ethics Committee

BOARD DEMOGRAPHICS*



Male (4)
Female (6)



White (3)
Black (7)

*Non-executive directors



The role of the IDC in driving industrialisation has never been more relevant than in the current economic climate.

Chief Executive Officer's Statement

Our country's economy has persistently experienced weak economic performance, a situation that has now been compounded by the effects of Covid-19 pandemic. Our mandated role is critical to facilitating economic inclusion and spatial equity and I am pleased to report that, under extremely difficult conditions, the Corporation has given credence to its mandate during the reporting period.

Similar to recent years, very weak economic conditions prevailed during 2019/20, while business confidence dropped to levels last seen during the global 2008-2009 financial crisis. South Africa's gross domestic product declined in three of the four quarters of 2019/20, with a similar trend evident in the manufacturing sector. The IDC is a financier and investor in the real productive economy, and the weak climate will unavoidably find expression in its financial performance.

Operating conditions in the manufacturing sector worsened substantially over time due to weak global and domestic demand conditions, while increased uncertainty and low business sentiment exacerbated the situation. In fact, the sector's value-add contraction in 20 of the 40 quarters over the 10-year period to March 2020, is a stark indication of an extremely challenging operating environment.

The last quarter of the financial year saw the emergence of the novel coronavirus in China and parts of Europe before it spread rapidly worldwide. When the potential impact of Covid-19 became evident in South Africa towards the end of March 2020, some of our clients who export to Asia and Europe were already feeling the effect. And since the IDC partners with entrepreneurs, the effect of the pandemic on entrepreneurial activity also affected our activities.

Delivery on our strategy

The IDC continued to implement its strategy within selected sectors to develop and expand industrial capacity, create and preserve jobs and drive transformation and spatial equity.

Despite the difficult economic environment, we achieved relatively high investment levels. The Corporation approved and disbursed

funding of R11.8 billion (2019: R13.1 billion) and R11.7 billion (2019: R11.8 billion), respectively, and extended guarantees valued at R400 million.

During recent years, our countercyclical role and developmental mandate enabled the approval of increasing levels of distressed funding. While the funding level in 2019/20 trailed that of the previous year, management intervention to shift the portfolio risk profile as a necessary adjustment to prior trends started to bear fruit as the proportion of funding allocated to medium-to-low risk projects increased compared to the previous year.

The IDC's approved funding for the reporting period is expected to create and save 12 271 jobs (2019: 19 178) when projects are implemented. The decline in expected jobs is indicative of the weak economic environment, as well as investment in automation to remain competitive and low investment levels in labour-intensive sectors. The Corporation approved 102 transactions (2019: 192), while the average transaction size increased to R116 million (2019: R68 million).

Funding approvals increased in the mining and metals value chain and chemicals and pharmaceutical value chains, while other IDC-focus sectors recorded lower investment levels. Despite fewer funding approvals, we funded several promising and ground-breaking projects in agri-processing and agriculture, as well as in the automotive and energy sectors.

The IDC takes pride in driving transformation that enables black-owned businesses and young people to participate productively and gainfully in the economy. During the review period, the Corporation approved R3.1 billion (2019: R6.0 billion), or 26% of total approvals, in funding for Black Industrialists, R2.2 billion (2019: R2.8 billion) for women-empowered businesses and R854 million (2019: R823 million) for youth-empowered businesses. Over the past five years, these approvals amounted to R24.5 billion, R11.7 billion and R6.0 billion, respectively.

Financial performance

During the reporting period, the volatility of listed shares, driven mainly by the devaluation of Sasol shares due to the Lake Charles Project challenges and the oil price war, had a significant impact on the Corporation's financial performance and resulted in an unprecedented adverse impact on the Corporation's financial position and profitability.

The IDC generated revenue of R8.8 billion compared to R8.2 billion in 2019. While Sasol and Mozal did not declare dividends, this was offset by higher-than-expected dividends from Kumba (R1.9 billion). Lower than planned disbursements and high expected credit losses (ECL) affected interest income negatively. Consequently, the IDC recorded a net loss of R3.1 billion (2019: R470 million loss), attributed mainly to the significant increase in impairment charges.

The impairment ratio of the Solely Payments of Principal and Interest (SPPI) portfolio increased to 32% (2019: 26%), driven by a significant increase in the credit risk of significant exposures. The debt/equity ratio increased to 77% (2019: 43%) on the back of a considerable decline in the value of the listed share portfolio, specifically Sasol, Kumba and, to a lesser extent, BHP. We welcome recovery of these listed share prices post year-end, which have resulted in an increase in our value of assets and a positive movement in our gearing ratio.

Progress with turning around subsidiaries

We are starting to reap the benefits of corporatising the Scaw divisions. Grinding Media South Africa (GMSA), operating

independently since March 2018 and managed by Magotteaux since August 2018 when it acquired a 15% interest, performed relatively well despite depressed steel market conditions and continued price pressures from imports. Operational improvements and turnaround initiatives, introduced by the Barnes Consortium during the past 18 months, contributed to Scaw's stable financial performance, while GMSA reported a small profit for 2019/20. Despite the expected continuation of tough and challenging conditions in steel markets due to Covid-19 and depressed economic conditions, we expect improved performances from Scaw and GMSA during the forthcoming financial year.

Foskor's performance during 2019/20 was weaker than expected, with significant production and financial pressures as a result of strike action during the first quarter of the past financial year. The IDC Board made a decision to introduce a strategic equity partner for Foskor and expects to implement turnaround solutions to address some of Foskor's loss-making factors in the forthcoming period.

Looking ahead

During the past financial year, the IDC realigned its strategic direction with a trajectory that is sustainable in the long-term. The resulting LTSP prioritises effective development, financial sustainability and client- and people-centricity.

In late-February 2020, however, while finalising the LTSP, the unprecedented onslaught of Covid-19 and rapid devaluation of the Sasol share price affected our planning assumptions fundamentally. As a result, we are reframing the IDC's strategic positioning to manage the current adverse economic conditions.

While the primary aspirations of the LTSP remain robust and will be core to our strategic direction, our focus will be on supporting South Africa's response to Covid-19 in the short term, and contributing meaningfully to economic recovery in the long term. We will also assist our business partners to weather the storm, work hard to prevent deindustrialisation and support Black Industrialists and entrepreneurs.

The IDC's commitment to building core capabilities from within to support development, improve client service levels and assist smaller businesses with industrial financing, remains on course. We will also continue proactively to seek opportunities in post-pandemic, early-emerging sectors and industries unaffected by or benefitting from changed environments, where global value chains are being restructured and localisation is becoming dominant.

Acknowledgements

I would like to thank the employees, management, Board, our Shareholder Representative, the dtic and all key stakeholders for their contributions during the past financial year. I look forward to continued collaboration and support as we combat the effects of the Covid-19 pandemic and plan for a better future in which to pursue economic inclusion and spatial equity.



TP Nchocho
Chief Executive Officer

OUR EXECUTIVE MANAGEMENT



TP NCHOCHO (52)

Chief Executive Officer

MSc (Development Finance and Economics) (University of London), MBL (UNISA), BCom (University of the North), AMP (Harvard Business School)



N DLAMINI (46)

Chief Financial Officer

Resigned on 31 July 2020

CA(SA), BCom (Accounting) (Wits), Postgraduate Diploma in Accounting (UKZN)



J BATE (50)

Chief Operations Officer

Joined the IDC on 1 February 2020

BCom (Hons) Taxation (Wits), CA(SA)



MP MAINGANYA (47)

Chief Risk Officer

Resigned on 29 February 2020

CA(SA), BCom (Wits), BAcc (Wits), HDip Tax Law (RAU, now UJ), Advanced Certificate Banking (UJ), IEDP (Wits), GEDP (GIBS)



MJ TSELE (51)

Chief Risk Officer

Joined the IDC on 1 July 2020

BA (Hons) Economics and Government (Essex)



SAU MEER (58)

Divisional Executive: Manufacturing

MBL (UNISA), BSc (Mechanical Engineering) (UKZN), Advanced Management Programme (Insead), Executive Development Programme (GIBS)



WH SMITH (59)

Divisional Executive: Agro-industries, Services and Small Business Finance

Pr Eng, GDE (Civil) (Wits), B Eng (Civil) (Stellenbosch University)



PT ARRAN (53)

Divisional Executive: Mining, Metals, Infrastructure and Energy

Joined the IDC on 1 September 2019

BSc (Geol); BSc (Hons)(Econ Geol), Advanced Management Programme (GIBS/UP), Certificate in International Capital Markets (UK Securities Institute), Diploma in Project Management (SPM)



TL KHUMALO (40)

Divisional Executive: Client Support and Growth

BSc (Electrical Engineering) (Wits),
MBA (UCT)



DA JARVIS (50)

Divisional Executive: Strategy and Corporate Affairs

MSoc Sci (UKZN), BSoc Sci (Hons),
(UKZN), BSoc Sci (UKZN)



P MAKWANE (54)

Divisional Executive: Legal and Compliance

LLB (UWC), BJuris (UWC)



TP MUSHUNGWA (49)

Divisional Executive: Human Capital

Joined the IDC on 1 September 2019

BAdmin (UDW), BAdmin Hons
(UNISA), Programme in Business
Leadership (UNISA SBL)



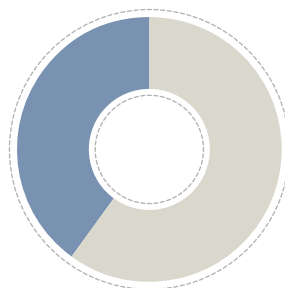
PZ LUTHULI (43)

Divisional Executive: Corporate Affairs

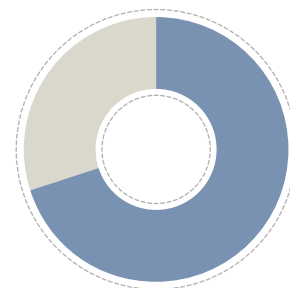
Resigned on 31 December 2019

MBA (UNISA), BA Communications
(University of Zululand)

EXECUTIVE MANAGEMENT DEMOGRAPHICS*



● Male (6)
● Female (4)



● White (3)
● Black (7)

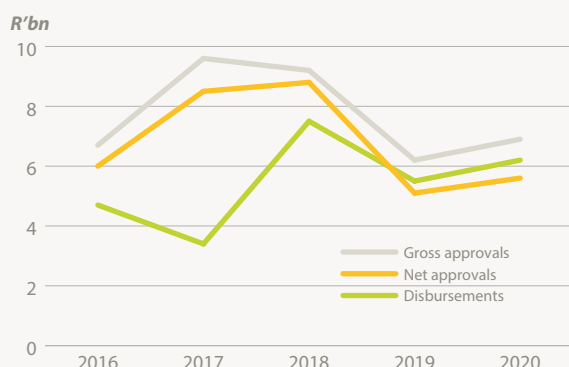
*25 August 2020

LEADING INDUSTRIAL CAPACITY DEVELOPMENT METALS AND MINING VALUE CHAIN

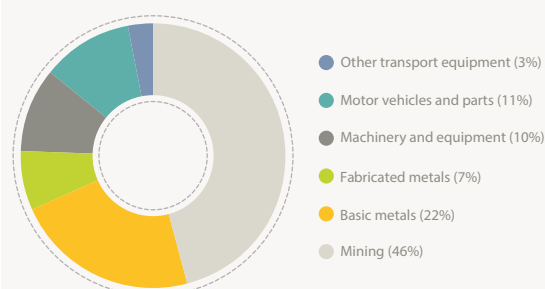


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

7 314

2016-2019: **7 905 p.a.**



SAVED IN 2020

592

2016-2019: **1 253 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R2 712m

2016-2019: **R3 134m p.a.**



TO BLACK-EMPOWERED COMPANIES

R3 726m

2016-2019: **R4 305m p.a.**



TO WOMEN ENTREPRENEURS

R1 881m

2016-2019: **R1 273m p.a.**



TO YOUTH ENTREPRENEURS

R338m

2016-2019: **R165m p.a.**

Overview

This value chain includes mining and the manufacture of basic metals, metal products, machinery, motor vehicles and components, as well as other transport equipment.

Notwithstanding some commodity price increases towards the latter part of 2019, the mining sector remained under strain in calendar year 2019. Weak global demand, power supply constraints, rising input costs, and operational challenges, among others, continued to constrain activity levels in this sector.

These factors also impacted the manufacturing sub-sectors that form part of this value chain with all except the machinery and equipment industry as well as the motor vehicle manufacturing industry recording significantly lower levels of output.

The motor vehicles, parts and accessories sub-sector, which is by far the single largest manufacturing export sub-sector, recorded strong export growth of 13.7% in nominal value terms. However, other export product categories in this value chain, such as basic iron and steel products, basic non-ferrous metals, and metal products witnessed declines in exports in the 2019 calendar year. Employment levels declined in almost all the sub-sectors of this value chain, except for casting of metals, motor vehicles and basic iron and steel.

Funding activity

Despite the tough economic conditions, funding approvals for 2020, at R5.6 billion (2019: R5.1 billion), were 9% higher than in 2019. This increase can be attributed to more funding for the mining and basic metals industries that saw increases of R679 million and R1.3 billion respectively. The value of funding for all the other sub-sectors declined. The value of funding disbursed



Sectoral
Trends



CASE STUDY

MELLOWCABS

Electric vehicles are no longer vehicles of the future. Although still fairly new in South Africa, the electric vehicle market is a business concept with the technology to create new opportunities for local economies worldwide.

For this reason, the IDC regards its funding support for Stellenbosch-based Mellowcabs, a local manufacturer of South African designed and developed light electric vehicles, as a strategic investment.

Established in 2012 to provide a “last-mile” eco-friendly and low-cost transport solution for people and goods in urban environments, the company founder, Neil du Preez and his team of young engineers have worked with experienced industrial designers, universities and local suppliers to develop and build 10 roadworthy vehicles. Prospective customers, such as DHL and Takealot, are testing the vehicles in their respective business environments.

The investment provides for the IDC to acquire a direct equity stake in the company and will position Mellowcabs in this high-growth sector as a local equipment manufacturer for the electric vehicle market, with export potential to Europe, India and the USA.

Mellowcabs will use the IDC funding for working capital and to expand its factory to meet prospective customer demands. This includes an assembly plant with the capacity to produce 20 vehicles per month and a fleet 407 units with the potential to create 300 jobs for drivers and employees by 2022.

All Mellowcabs vehicles will be produced locally with some imported components. Final assembly and component manufacturing will be

in-house to ensure reliable vehicles that benefit from continuous research and development.

“We want to be the preferred supplier of last-mile delivery vehicles globally. As ecommerce gains momentum, retailers need to expand their distribution networks and leverage more on innovative third-party logistics partners,” says du Preez. Mellowcabs’ three-wheeled electric vehicles can carry passengers or deliver food and parcels and are already operating at the V&A Waterfront. Plans are afoot to roll out similar operations at Gautrain stations and business nodes in Gauteng and other provinces.



309



did not follow the same trend as approvals, with almost R1.0 billion less funds disbursed than in 2019.

Higher levels of funding for the mining industry were supported by the IDC’s funding for a prominent platinum producer to support a brown field platinum mine project close to Brits in the North West province. This low-cost mine will employ 2 700 people directly and support several community projects. Our efforts to increase the competitiveness of the local steel industry by reducing the cost of inputs is being advanced by a project in Limpopo that will be South Africa’s only source of hard coking coal.

Downstream industries supported include ongoing funding to ensure sustainability of a solar panel manufacturing facility. Opportunities to increase levels of localisation, including local manufacturing of aluminium frames and solar glass, are being explored. In the automotive industry, the IDC is supporting a company to set up a high-speed plant to produce body panels for OEMs in East London.

Development outcomes

Transactions approved during the year are expected to create 7 314 jobs and save 592 jobs, an increase over the 5 101 jobs expected to be created and 694 saved of 2019. Higher levels of funding were recorded for youth entrepreneurs (2020: R344 million, 2019: R90 million). Funding for Black Industrialists, at R2.7 billion, was 22% lower than in 2019.

Outlook

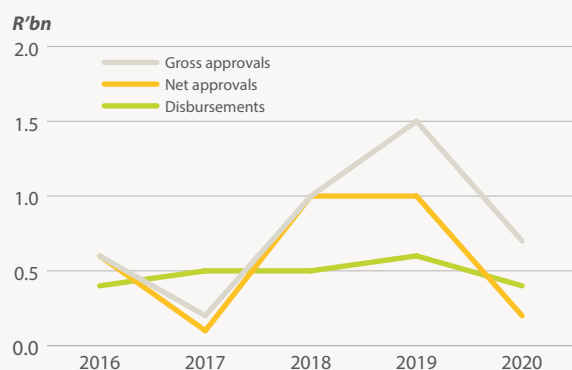
The full impact of Covid-19 on top of already subdued economic conditions will be felt only during the 2021 financial year. Despite this, the IDC has identified opportunities emerging from the crisis. Key to these are supporting commodity producers to ensure they have access to funding to ship products when prices increase. The IDC will also be working with companies, especially in the motor vehicle industries, to identify opportunities that will allow local producers to participate in global value chains where risks associated with too much concentration on single suppliers have been exposed by the crisis.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT AGRO-PROCESSING AND AGRICULTURE VALUE CHAIN

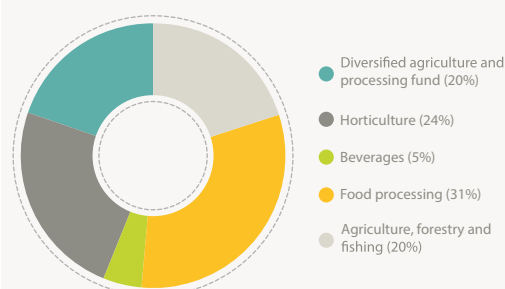


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

(238)¹

2016-2019: **1 471 p.a.**



SAVED IN 2020

384

2016-2019: **656 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R122m

2016-2019: **R76m p.a.**



TO BLACK-EMPOWERED COMPANIES

R183m

2016-2019: **R177m p.a.**



TO WOMEN ENTREPRENEURS

R159m

2016-2019: **R98m p.a.**



TO YOUTH ENTREPRENEURS

R157m

2016-2019: **R83m p.a.**

¹ Negative values are as a result of cancellations of transactions approved in previous years.

Overview

This value chain includes the basic and advanced processing of agricultural products as well as primary agriculture.

Weaker production conditions were experienced in the agricultural sector in the 2019 calendar year, with the overall real value added by the sector contracting by 6.9% compared to 2018. This decline resulted from lower production of field crops and some horticultural products on the back of below-average rainfall. The livestock segment was negatively affected by the adverse weather conditions and the outbreak of foot-and-mouth disease.

Uncertainty regarding the proposed constitutional amendment enabling expropriation of land without compensation impacted negatively on fixed investment activity, with a drop of 8.1% year-on-year in 2019, continuing the downward trend.

Processed agricultural products recorded higher levels of output in 2019, with production volumes in the food processing and beverages sub-sectors rising by 3.3% compared to 2018. Employment levels also grew in these sub-sectors, with the food processing segment reporting a net gain of just over 5 600 jobs by the end of the fourth quarter of 2019, compared to the same period in 2018.

Our focus is on developing downstream industries that add value to primary agricultural produce, including processing with backward integration. We also support projects in the primary sector, for example where there are shortages of inputs into the processing industry, or where new, high-value crops are being introduced in the country. We have a specific focus on the horticulture, field crops, animal-based protein and forestry value chains.



Sectoral Trends



CASE STUDY

JK ABATTOIR

The demand for and consumption of chicken meat is increasing worldwide. South Africa is not among the top 10 producing countries but ranks among the top 10 in consumption.

Poultry abattoirs with high-quality, welfare and environmental standards are integral to marketing meat from local farms, while also creating sustainable employment that helps to improve living standards in local communities.

The recently established JK Abattoir offers a wide range of fresh and frozen, whole or pre-cut poultry products from its production and processing facility in the North West province. The company intends to integrate its facility with a poultry farm in a business venture that will create job opportunities for 585 directly employed workers with a significant development impact in a poor province.

The IDC's financial support for JK Abattoir to establish a fully integrated poultry business is aligned with the Corporation's industry development goals of increasing capacity and supporting transformation objectives through direct black economic empowerment.

Agro-processing and backward integration are pro active value chain opportunities for the IDC. JK Abattoir's intended developmental impact will support the IDC in enabling an ailing poultry value chain that has been hampered by drought and the threat of poultry imports, dumping and predatory trade practices.

The JK Abattoir investment will also include previously disadvantaged individuals within the formal value chain, encourage transformation and support the establishment of a BEE Worker's Trust with a 16% shareholding value in the company.

"We appreciate the IDC's support and look forward to our contribution to growing the economy in the province," says Nthabiseng Mokone, JK Abattoir's Chief Financial Officer and a seasoned chartered account who owns part of the company.



Funding activity

The higher levels of funding recorded in the 2019 financial year were not sustained, with the gross value of funding approvals declining to R712 million in 2020 (2019: R1 485 million). The reduction was partly due to funding that was approved for agriculture-focussed funds in 2019 that was not repeated in 2020. These funds continue to identify new investments with their impact contributing to the development of the sector over several years. The value of funding approvals was further impacted by the cancellation of funding for a large citrus and grape project that was to be established in Limpopo. We also supported a youth, and women-empowered agricultural cooperative in Mpumalanga to establish a greenhouse and packing facility, an expansion of a piggery and abattoir in Gauteng owned and managed by a female Black Industrialist, and the development of a macadamia orchard in KwaZulu-Natal.

The IDC continued its support the local poultry industry with funding approved for the establishment of a fully integrated poultry abattoir in the North West. In another transaction, we are assisting a Black Industrialist to re-open a dried fruit factory in Limpopo.

Development outcomes

Cancellation of funding for the citrus and grape project mentioned earlier resulted in negative net expected jobs to be created (2020: -238, 2019: 2 252). 384 jobs were saved through funding approved during the year (2019: 391). Funding for Black Industrialists increased, with R122 million approved (2019: R97 million). Funding for women-empowered businesses decreased to R159 million (2019: R259 million), while we were able to support more youth entrepreneurs, with funding of R157 million for this group (2019: R73 million).

During the year, we worked closely with government and the private sector to assist with the development of the Poultry, Sugarcane and Agriculture Industry Master Plans.

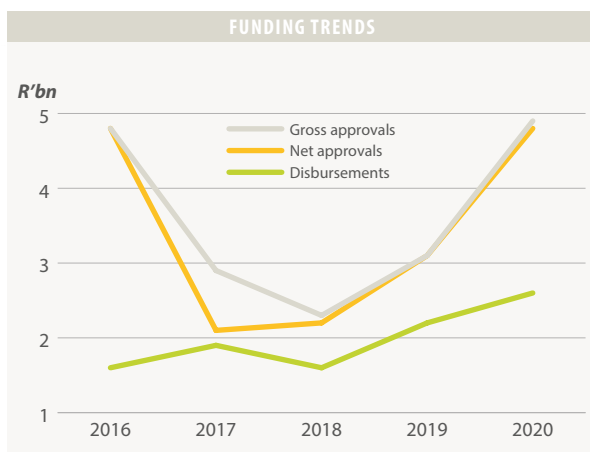
Outlook

This value chain was one of the few where production was not halted as a result of the Covid-19 pandemic. In the aftermath of the crisis, we expect opportunities to avail themselves for increased capacity to replace imported goods, an increased focus on food security, value addition, technological advances to increase yields, and transformation in the sector.

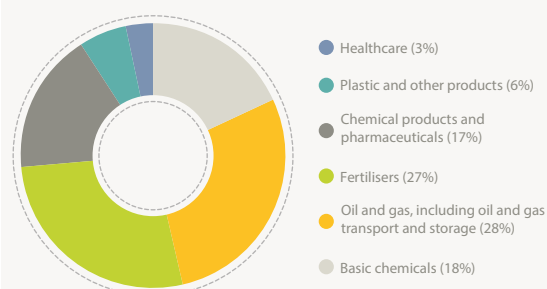
LEADING INDUSTRIAL CAPACITY DEVELOPMENT CHEMICALS AND PHARMACEUTICALS VALUE CHAIN



FUNDING ACTIVITY



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

2 031

2016-2019: **1 394 p.a.**



SAVED IN 2020

0

2016-2019: **347 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R143m

2016-2019: **R804m p.a.**



TO BLACK-EMPOWERED COMPANIES

R719m

2016-2019: **R1 044m p.a.**



TO WOMEN ENTREPRENEURS

(R22m)¹

2016-2019: **R214m p.a.**



TO YOUTH ENTREPRENEURS

(R12m)¹

2016-2019: **R135m p.a.**

¹ Negative values are as a result of cancellations of transactions approved in previous years.

Overview

This value chain includes a wide range of manufacturing sub-sectors, including those involved in the manufacturing of petroleum products, basic chemicals, fertilisers, agro-chemicals, paints, pharmaceuticals and other medical products and devices, soaps and detergents, plastic and other related products.

Amid a weak economic environment, production volumes for basic chemicals and the other chemicals sub-sectors contracted by 6% and 3.4% respectively in the 2019 calendar year. Production volumes in the coke and refined petroleum products sub-sector, which forms the bulk of this value chain, in terms of output, increased by 0.9%, while the production volume for plastic products increased by a modest 1%. All sub-sectors in the value chain recorded declines in employment levels in 2019.

Notwithstanding depressed domestic demand, the nominal value of exports for the refined petroleum products and other chemical products (which include pharmaceuticals and other medicinal products) rose significantly in 2019, with most of these sub-sectors' exports destined for the neighbouring countries. However, the nominal value of exports for the basic chemicals sub-sector remained relatively flat, while that of plastic products declined.

Our support for upstream industries in this value chain aims to enhance the competitiveness of downstream industries. These industries typically provide inputs into a wide range of other sectors and are integral to downstream sector competitiveness throughout the economy.

Funding activity

The R4.9 billion approved in the 2020 financial year was 56% higher than in 2019. The value of disbursed funding also



Sectoral Trends



CASE STUDY

MOZAMBIQUE LNG

The Mozambique Liquid Natural Gas (LNG) project started with the discovery of a vast quantity of natural gas off the coast of northern Mozambique in 2010.

Now, through cooperation and responsible project planning, the project is on track to deliver LNG in 2024. The project is owned by an experienced international sponsor consortium consisting of Anadarko, Mitsui, ONGC, ENH, Bharat, PTT and Oil India Limited. Anadarko – one of the largest independent exploration and production companies in the world, with industry-leading success in deep water exploration – will be the main operators of the project, due to their excellent reputation for mega-project management.

In August 2019, the IDC approved funding to participate in the project as part of a larger syndicated group of funders that includes global export credit agencies, commercial lenders and development financial institutions. The funds will be used mainly for the construction of an LNG facility in Cabo Delgado, Mozambique.

The project is regarded as a game-changer for the LNG market and has the potential to propel Mozambique to one of the top five global suppliers and increase the country's capacity to meet a growing global demand for liquid natural gas. LNG facilities consist of gas receiving, processing, treatment, and liquefaction facilities, as well as condensate storage facilities, domestic gas treatment facilities and condensate handling system. Gas fields are predominantly located approximately 40 km offshore and in water depths of approximately 1 500 meters.

The company's Managing Director, Ronan Bescond, says the project will deliver a range of social and economic benefits to Mozambique

and the Cabo Delgado region. "As a major energy operator, it is our responsibility to contribute to the development of our host countries, particularly in the regions where our sites are located. Youth inclusion and education is one of the pillars of our global social responsibility programme that aims to contribute to the sustainable development of our host communities," says Bescond.

In 2012, the project officially informed Mozambican authorities of gas discoveries with recoverable resources, and now the project is expected to produce 3.8 billion barrels of petroleum liquids every year.

 **JOBS CREATED** **1 000**



increased to R2.6 billion from R2.2 billion in 2019. The increased levels resulted from our participation in two LNG projects in Mozambique, the result of several years' effort to increase South African participation in regional gas projects. Various South African companies will directly benefit from these projects to supply equipment and services during construction and operations.

Other notable transactions include funding for participation in a project to manufacture fuel rods from coal fines and other waste, funding for a Black Industrialist to establish a magnesium oxide plant in Mpumalanga, and funding for the commercialisation of a novel medical device to collect urine samples. We also continued to support Foskor in its efforts to increase its competitiveness.

Development outcomes

The number of jobs expected to be created through funding approvals for 2020 decreased to 2 031 (2019: 2 258). This does not include jobs created in neighbouring countries through our funding for projects outside SA. Funding for Black Industrialists

reduced to R1.5 billion, while cancellations of projects approved in previous years involving women and youth exceeded new approvals.

We continue to engage with private and public sector players to improve the environment for industry development and identify growth opportunities.

Outlook

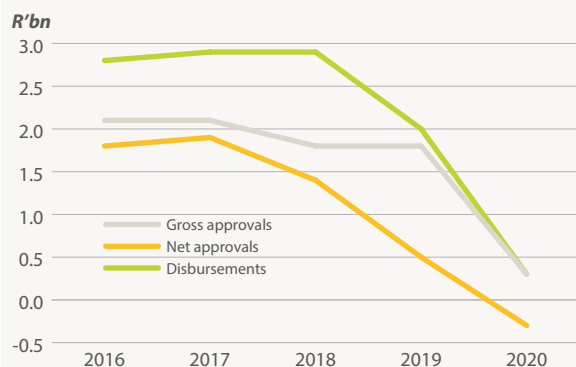
A large portion of the IDC's funding activity to assist businesses that produce and supply essential products to deal with the Covid-19 pandemic falls within this value chain and as such we expect to see increased levels of support to these industries. Over the medium- and longer-term, we continue to see opportunities for import replacement as well as export market development and acceleration of active pharmaceutical ingredient manufacturing capabilities. We will work closely with the dtic and other stakeholders for the development of the Chemicals Value Chain and Plastics Industry Master Plans and continue to assess opportunities for integration of regional value chains.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT INDUSTRIAL INFRASTRUCTURE

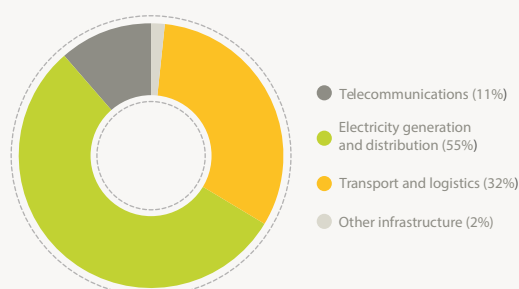


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

25

2016-2019: **1 270 p.a.**



SAVED IN 2020

0

2016-2019: **5 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

(R126m)¹

2016-2019: **R341m p.a.**



TO BLACK-EMPOWERED COMPANIES

(R495m)¹

2016-2019: **R1 156m p.a.**



TO WOMEN ENTREPRENEURS

(199m)¹

2016-2019: **R202m p.a.**



TO YOUTH ENTREPRENEURS

R79m

2016-2019: **R376m p.a.**

¹ Negative values are as a result of cancellations of transactions approved in previous years.

Overview

The IDC supports the development of electricity, water, telecommunications and logistics infrastructure projects that unlock the potential for industrial development.

South Africa continues to face massive infrastructure problems that are hampering its efforts to grow the economy and reduce unemployment. Challenges include electricity generation and distribution, water, and transportation infrastructure. Electricity produced in South Africa by Eskom reduced by 2% in the 2019 calendar year compared to 2018. This resulted in load-shedding continuing, with 2019 being the worst year since it was first implemented in 2007. Although the water crisis in Cape Town eased, several other areas in the country are facing ongoing challenges to ensure reliable water supply.

Given government's weak fiscal position and financial constraints at most SOEs responsible for the development of this infrastructure, solving the problems will require innovative approaches.

Funding activity

Despite the infrastructure challenges that the country faces, the IDC could not contribute meaningfully to the funding of infrastructure projects in 2020. The R322 million approved for new projects was 82% lower than in 2019 and continued the downward trend.

Cancellation of funding approved in previous years exceeded new approvals resulting in net negative funding approvals. Some 75% of new funding, was approved for electricity generation, 14% for transport and logistics, and 11% for telecommunications.



CASE STUDY

M TELECOMS

The telecommunications sector in South Africa is regarded as one of the most advanced in Africa, with high mobile penetration, growing internet penetration and significant growth in connectivity infrastructure over the past decade.

Incorporated in 2017, M Telecoms is a fully black, youth-owned company jointly owned and managed by Muzi Gamede as Managing Director and Mpumi Ndimande as Financial Director. The company provides ICT solutions with a focus on fibre-optic cabling, while its fibre-optic system serves as a back-bone to network systems and operations for network carriers.

M Telecoms' comprehensive turnkey solutions include the planning, implementation, testing, certification and construction of home, mall and business networks. Current contracts are with SA Digital Village and Vodacom, the latter for a five-year period, ending in March 2022, to undertake transmission work.

Given the lack of significant black-owned companies in the ICT sector, the IDC financed the company's expansion with working capital, which will add 50 new jobs to M Telecoms' current 144 employees. This investment is in line with the IDC's industrial development mandate of facilitating access to technologically advanced broadband infrastructure networks to increase the penetration of high-speed broadband in South Africa.

Supporting the development of technologically advanced broadband infrastructure networks to reduce broadband costs is a key IDC strategy. The focus is on sharing infrastructure, developing new technologies and increasing competition. The fibre technology employed by M Telecoms facilitates the expansion and access to high-speed broadband communications to underserved areas.

The IDC's investment in the company also supports black industrialists and companies with significant black youth shareholding to gain meaningful entry into South Africa's ICT economy and become a significant player in the industry.

With combined experience of 20 years in the telecoms industry, the two directors look forward to taking their company to the next level. "The IDC's support has opened up an exciting space for us. We are keen to grow our company and contribute to growing the industry and creating societal well being in our country,"



**JOBS
CREATED**

50



Development outcomes

Given the low levels of funding activity in this industry, the expected development outcomes were also disappointing. Cancellations resulted in a negative net funding approved for Black Industrialists, women-empowerment, as well as youth empowerment, with a negligible 25 jobs expected to be created through funding approved during the year.

Outlook

Without the necessary infrastructure to support development, South Africa cannot hope to achieve its goals to address unemployment and poverty. Government hopes to address infrastructure development backlogs by increasingly including the private sector in infrastructure development.

As the IDC, we see large opportunities for renewable energy generation, including electricity generation by companies for their own use, and telecommunications infrastructure. Part of the organisational restructure to support the IDC's LTSP included establishing two dedicated units to develop infrastructure. One unit will focus solely on energy, while the other pursues other infrastructure opportunities.

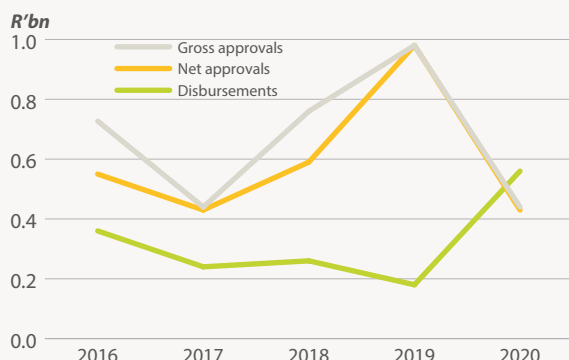
In responding to the radically changed operational environment, the IDC is reviewing funding commitments for transactions that have already been approved to ensure that projects continue to have a strong business case. In some instances, this is resulting in cancellations of funding for these projects.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT CLOTHING, TEXTILES, LEATHER AND FOOTWEAR

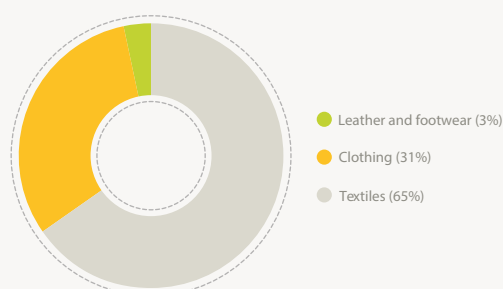


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

30

2016-2019: **1 067 p.a.**



SAVED IN 2020

0

2016-2019: **894 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R52m

2016-2019: **R88m p.a.**



TO BLACK-EMPOWERED COMPANIES

R178m

2016-2019: **R334m p.a.**



TO WOMEN ENTREPRENEURS

R72m

2016-2019: **R43m p.a.**



TO YOUTH ENTREPRENEURS

R1m

2016-2019: **R30m p.a.**

Overview

The clothing, textiles, leather and footwear industries are labour intensive and, therefore, instrumental in creating jobs in the South African manufacturing sector. Interventions by government and the IDC over a number of years to improve competitiveness in the sector have been negatively impacted by the downsizing or closure of some manufacturers due to the prolonged economic downturn as well as import competition, some of which is illegal. Despite this stagnation, some businesses are thriving and growing.

Weak domestic demand resulted in production in most sub-sectors showing negative trends in the 2019 calendar year. The textiles sub-sector recorded a 7.5% decline in production with that of wearing apparel reducing by 4.8% and leather and leather products reducing by 15.5%. Only the footwear sub-sector was able to increase levels of production, with output increasing by 3.3%, albeit after declines in previous years.

Employment in the textiles, wearing apparel, and footwear sub-sectors reduced by 0.2%, 2.5% and 11.3% respectively, while employment in the leather and leather products sub-sector increased by 9.1% despite lower production levels.

Funding activity

The upward trend in funding activity in the sector witnessed over the previous two years could not be sustained and the IDC saw the value of funding approved drop to R438 million (2019: R978 million). As a result of previous approvals, the value of funding disbursed increased to R558 million (2019: R177 million).

Eighty-nine percent of funding approved in 2020 was for the textiles sub-sector, with 10% for clothing and the remaining funding for leather and footwear products. The IDC is one of the



Sectoral Trends



CASE STUDY

KINGSGATE CLOTHING

The clothing manufacturing industry remains an important source of employment in the South African manufacturing industry. The IDC and the dtic have been working closely with companies operating in the sector to improve their competitiveness and retain and build local manufacturing capacity.

With some 44 000 people employed in the clothing industry, maintaining and increasing competitiveness of businesses that continue to operate in an industry that has been facing stiff competition from imports over a number of years is paramount to South Africa's challenge to reindustrialise and address growing unemployment. The R-CTFL Master Plan plans to build on the advances that have been made to improve the sector's sustainability.

Kingsgate Clothing was established in 1955 in Durban to manufacture shirts and school-wear. From humble beginnings, the company has grown over the years and today operates factories in Durban, Hammarsdale, Johannesburg, and Cape Town, employing more than 700 people directly and creating jobs for another 800 people through outsourcing of additional cut, make and trim operations. It is one of the largest clothing manufacturers in the country and is a supplier of choice to many retailers. With a large portion of the fabric and trim that it uses in its manufacturing operations being sourced from local producers, it also plays an important role in contributing to the sustainability of the local textiles industry.

Yusuf Vahed, the current CEO, has been involved in the day-to-day operations of this family-owned business since 1981 and his knowledge of the industry and the relationships that he has developed with key players play a large part in the company's success. The company has partnered with the IDC at various points

over the past 10 years to provide funding for expansions, upgrades of equipment, and to provide working capital that allowed it to fund its operations.

In the latest round of funding, in addition to providing working capital for the company to meet its growing order book, the IDC is providing funding that will allow the company to further increase its competitiveness by implementing a system to help it manage its stock and reduce costs. Parts of the business's operations were affected by electricity outages and the funding is also being used to purchase a generator that will allow these operations to run smoothly through these outages.



largest funders for the industry and most of the new funding approved was for continued support to existing clients.

Development outcomes

No large new projects received funding during 2020, with the result that the expected jobs impact was significantly lower than in previous years. Funding for Black Industrialists and women entrepreneurs increased to R52 million and R72 million respectively (2019: R37 million and R3 million), while funding to youth entrepreneurs declined to R1 million from R10 million.

The IDC is playing a significant role in assisting with the development of the industry, including its participation in the development and implementation of the Retail-Clothing, Textiles, Footwear and Leather (R-CTFL) Value Chain Master Plan, which was finalised and signed in 2019. Consultations are ongoing with the various stakeholders to achieve the outcomes of the R-CTFL Master Plan, these being improved manufacturing capabilities and capacity, increase in local sourcing of raw

materials and finished goods as well as stabilisation and growth of employment levels.

Outlook

The industry is experiencing a difficult period due to ongoing suppressed consumer demand and pressure on retailers. This is exacerbated by lockdowns. As local retailers recover and increase local sourcing, the sector is expected to improve. Increased diversification in global value chains and regional integration post-Covid-19 could result in opportunities to improve competitiveness and demand for this industry.

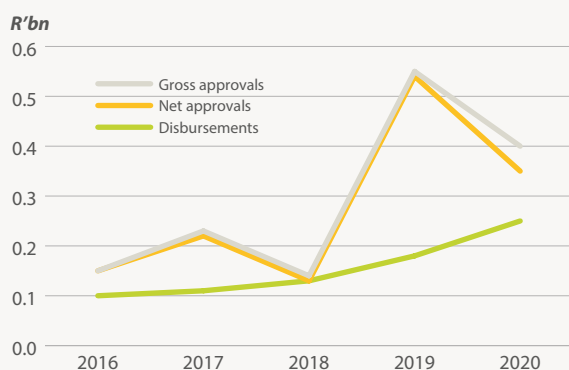
We will continue to support the dtic in the further development and management of the Clothing and Textiles Competitiveness Programme, while continuing to support the implementation of the R-CTFL Value Chain Master Plan, which is expected to fundamentally change the manufacturing landscape.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT NEW INDUSTRIES

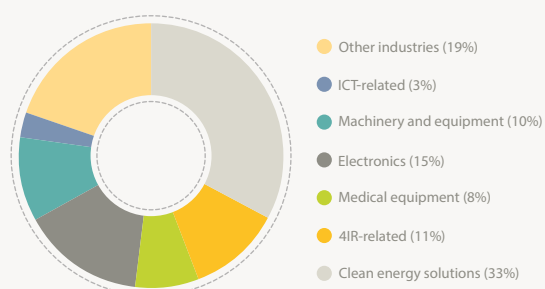


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

167

2016-2019: **355 p.a.**



SAVED IN 2020

3

2016-2019: **56 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R50m

2016-2019: **R58m p.a.**



TO BLACK-EMPOWERED COMPANIES

R56m

2016-2019: **R88m p.a.**



TO WOMEN ENTREPRENEURS

R65m

2016-2019: **R34m p.a.**



TO YOUTH ENTREPRENEURS

R63m

2016-2019: **R45m p.a.**

Overview

This IDC unit promotes the establishment of new industries as the foundation of South Africa's future economy. The New Industries unit's focus was on:

- The clean energy solutions industry, with a specific focus on the energy storage value chain
- 4IR-enabled industries, with a specific focus on the data industry
- The natural products industry.

Funding activity

Although the level of funding approvals at R403 million in 2020 declined from the R548 million approved in 2019, our support for these industries was still significant considering the long-term trend. The value of funding disbursed increased by 35% to R248 million.

The year saw continued support to establish South Africa in the global energy storage industry. Funding was approved for a project to manufacture vanadium-based electrolyte to supply manufacturers of vanadium redox flow batteries (VRFB). We also provided funding for the establishment of a small solar PV plant with attached VRFB storage capacity in Brits that will supply electricity to a mining operation. Funding was also earmarked for an award-winning local company that uses machine learning technology to assist manufacturing enterprises to reduce and eliminate defects and scrap rates in their processes.

Development outcomes

New funding approvals are expected to create and save 170 jobs compared to 2019's 1 081 jobs. Funding for Black Industrialists and women entrepreneurs also declined, with R50 million and R65 million approved for these two groups respectively (2019:



CASE STUDY

DATAPROPHET

Founded by like-minded individuals with complementary expertise in 2014, DataProphet develops unique software products that optimise manufacturing processes to reduce defects. Today, this Cape Town-based company is recognised globally as a leader in artificial intelligence (AI) for manufacturing.

"We understand manufacturing and that pre-emptive rather than real-time action creates lasting impact. We want to establish AI and machine learning competence in South Africa to create a globally competitive manufacturing industry, specifically in the foundry, automotive, milling, mineral processing and allied sectors. Ultimately, this will benefit the economy," says CEO and co-founder, Frans Cronje. In turn, local manufacturers can leapfrog global competitors and revitalised inactive sectors can help to reverse deindustrialisation.

A funding injection from the IDC enabled DataProphet to finance its local development and commercialisation hub, which is pivotal to its global operations. This investment supports the IDC's commitment towards a 4IR-enabled data industry in South Africa with highly skilled data scientists and engineers and at least 50 new IT-related jobs.

DataProphet has received numerous accolades, including the Alconics Best Innovation in Deep Learning and Mercedes Benz SA Innovation Challenge Award. Recognised as a technology pioneer by the World Economic Forum, the company's Prescribe solution is making a significant and practical impact on factory floors worldwide with near 40% non-quality cost reductions.

Although relatively young, DataProphet's 40-strong team of mathematicians, statisticians and data scientists is recognised for demonstrable experience and expertise. Cronje is proud of the pervasive within DataProphet to help manufacturers achieve their smart factory ambitions. He regularly speaks at AI industry events to highlight the real value of machine learning technology in manufacturing.

The top use cases for AI listed by companies surveyed include automation and prediction. Use cases in question include a broad range of applications, from increasing employee productivity to predicting customer churn or consumer conversion rates and proactively managing machinery downtime.



**JOBS
CREATED**

24



R136 million and R120 million respectively). Funding for youth entrepreneurs grew by 79% to R63 million.

Throughout the year, we have been engaging with various industry and government forums dealing with the 4IR to increase South Africa's adoption of these new technologies.

Outlook

The Covid-19 pandemic resulted in an increased uptake of digital technologies. We expect this to continue resulting in opportunities for further development of, inter alia, digital communication technologies; artificial intelligence platforms; big data analytics; manufacture of devices for data generation; data centres for data storage, additive manufacturing, e-commerce, telehealth, etc.

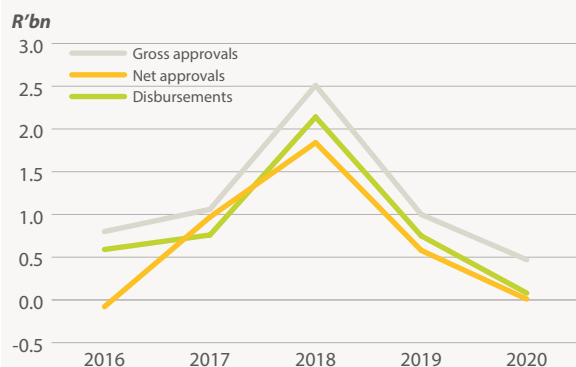
As part of the IDC's strategic alignment, the New Industries SBU is to cease functioning as a standalone unit. Many new technologies, including those related to 4IR, are being integrated into industries across the whole economy. As such, we are expecting business units throughout the IDC to accelerate funding for the adoption of new technology so as to improve competitiveness. Targeted initiatives will continue to be implemented in other relevant business units, where a more integrated approach will be followed to adopt new technologies in line with the direction of the specific industry. We are also expecting to mobilise more funding for the development and commercialisation of new technologies through third-party managed funds.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT OTHER MANUFACTURING AND RELATED INDUSTRIES

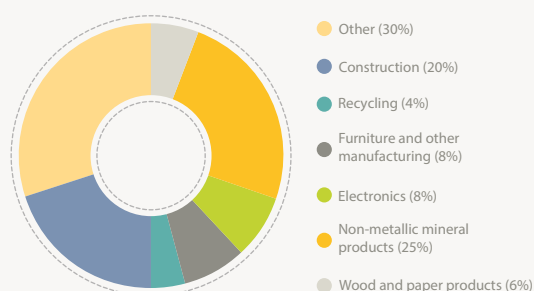


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

21

2016-2019: **2 102 p.a.**



SAVED IN 2020

848

2016-2019: **1 056 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R39m

2016-2019: **R239m p.a.**



TO BLACK-EMPOWERED COMPANIES

R307m

2016-2019: **R270m p.a.**



TO WOMEN ENTREPRENEURS

R32m

2016-2019: **R152m p.a.**



TO YOUTH ENTREPRENEURS

R3m

2016-2019: **R98m p.a.**

Overview

In addition to the support for the manufacturing industries covered in the previous sections, the IDC also funds the wood and paper, glass, rubber, cement, non-metallic minerals, electronics, furniture and other manufacturing industries.

The volume of production and employment for most of these sub-sectors reduced in the 2019 calendar year:

Change in volume of production and employment from 2018 to 2019

Sub-sector	Production	Employment
Wood and wood products	-5.5%	-6.3%
Paper and paper products	-3.4%	-3.2%
Rubber products	+0.6%	+0.9%
Glass and glass products	+3.5%	-0.4%
Non-metallic mineral products	-9.6%	-2.4%
Television, radio and communication equipment	-1.7%	-7.2%
Professional and scientific equipment	-7.7%	+0.3%
Furniture	-8.1%	-19.5%
Other manufacturing	+0.4%	-1.2%

Source: StatsSA

Funding activity

Relatively low levels of funding approved for these industries largely reflect the continued weakness of the domestic economy. In the 2020 financial year, R472 million was approved, just under half of what was approved in the previous year. The value of funding disbursed also reduced significantly. Sixty-eight percent



Sectoral Trends



CASE STUDY

ZK ROOF TILE MANUFACTURERS

ZK Roof Tile Manufacturers is a start-up concrete roof tile manufacturer that sought funding for the establishment of a new concrete roof tile manufacturing plant for the production of double roman roof tiles and ridges.

Registered in 2017 by a family group of Ms. Zohra Khan as a majority shareholder, Mr. Faheem Khan, Mr. Mubeen Khan and Mr. Ahmed Khan, ZK is thought to be the second largest concrete roof tile producer in Limpopo. The primary driver of demand in the roof tile market in Polokwane is the informal home improvements and expansions construction sector.

The IDC support of ZK Roof Tile Manufacturers will facilitate the creation of 67 direct jobs in the industrial area of Superbia, Polokwane, where the concrete-tile manufacturing plant will be based. The plant will also facilitate the cost effective supply of concrete roof tiles into the Polokwane area. This transaction is also in support of a 100% black-owned and 70% female-owned business and the establishment of a female black industrialist with decades of experience within

the construction space. The company will use IDC funding for the purchasing of equipment and plant facility, as well as expenditure as working capital.

Ms. Zohra Khan, who is the majority shareholder, has been in the construction industry for over 20 years. Over the years she has won multiple awards for her achievement including the Govan Mbeki award for Best Woman Contractor for 2017, 2016, 2012 and 2008. She fulfils the role of Managing Director and will also be responsible for obtaining new customers for ZK as well as maintaining customer relations.

The founding family say they have demonstrated their experience in this sector, through their current ownership and running of a construction company, which has been in operation for more than ten years.



of funding approved was for the non-metallic minerals industry. We approved funding for a roof tile manufacturer, and paper product manufacturers.

Development outcomes

Funding approved during the year is expected to create and save 869 jobs (2019: 1 294). Funding of R39 million was approved for Black Industrialists (2019: R65 million), R32 million was approved for women entrepreneurs (2019: -R15 million), and R3 million for youth entrepreneurs (2019: R47 million).

Outlook

Weak domestic economic conditions resulting in low investor confidence remain a challenge. We will, however, continue to pursue opportunities to develop and transform these sub-sectors.

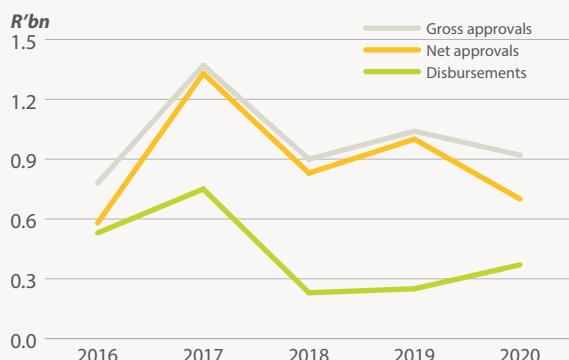
In responding to the radically changed operational environment, the IDC is reviewing funding commitments for transactions that have already been approved to ensure that projects continue to have a strong business case. In some instances, this is resulting in cancellation of funding for these projects.

LEADING INDUSTRIAL CAPACITY DEVELOPMENT MEDIA, TOURISM, ICT AND RELATED INDUSTRIES

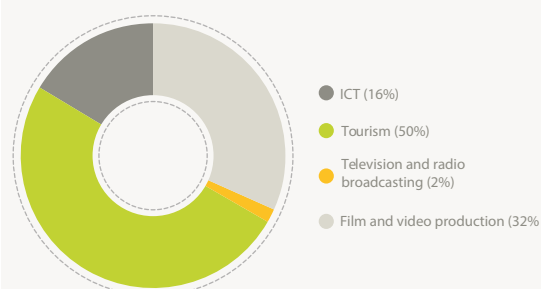


FUNDING ACTIVITY

FUNDING TRENDS



SECTORAL DISTRIBUTION OF FUNDING APPROVALS (2016-2020)



DEVELOPMENT OUTCOMES

JOBS EXPECTED TO BE CREATED AND SAVED IN SOUTH AFRICA



CREATED IN 2020

1 064

2016-2019: **1 438 p.a.**



SAVED IN 2020

30

2016-2019: **38 p.a.**

FUNDING IN 2020



TO BLACK INDUSTRIALISTS

R115m

2016-2019: **R632m p.a.**



TO BLACK-EMPOWERED COMPANIES

R520m

2016-2019: **R870m p.a.**



TO WOMEN ENTREPRENEURS

R184m

2016-2019: **R371m p.a.**



TO YOUTH ENTREPRENEURS

R226m

2016-2019: **R344m p.a.**

Overview

In addition to funding development in manufacturing industries, we also provide development finance for high-value services in the tourism, media and ICT industries. The media industry includes funding for film production, studio infrastructure, and radio and television broadcasting.

Funding activity

Funding for these industries decreased to R925 million in 2020, from R1 043 million in the previous year. Fifty-two percent of the funding was approved for projects in the tourism industry prior to the onset of the Covid-19 pandemic. Forty-eight percent of funding was for film and video production and 2% for ICT-related businesses.

Funding for media productions included an approval for a joint South African and British television production and another television series to be co-produced by South African, French, and British producers. Both are assisting local black producers. These international co-productions increase the marketability of the series while using local production capacity and support services.

Development outcomes

We expect our funding within these services sectors to create and save 1 094 jobs (2019: 2 000). Funding for Black Industrialists declined to R115 million, from R686 million in 2019. The funding of women and youth entrepreneurs reduced to R184 million and R226 million respectively (2019: R675 million and R460 million).

Outlook

The Covid-19 pandemic has brought the global tourism industry to a standstill. Despite this, short-term opportunities to utilise tourism facilities as temporary healthcare and isolation facilities



CASE STUDY

SCREAMER ELECTRONIC SERVICES

Telecommunications companies are adapting to widespread disruption, a maturing market and stiff competition. Investment in the sector is highly influenced by South Africa's economic growth, regulatory changes and technological developments.

Recognised as a leader in the telecommunications technical services business with major telco operator and telecoms equipment vendor clients in Africa and Europe, Screamer Electronic Services (SES) is the largest and most advanced reverse logistics company in southern Africa and the only B-BBEE telecommunications equipment service and repair company in South Africa.

The company, a legal entity under the ICT engineering Screamer Group, is one of two service operators with common shareholding and 62% black female ownership. The majority of SES employees, including qualified electronic engineers, are from previously disadvantaged backgrounds. SES specialises in receiving, storing and repairing high-end electronic products and offers clients electronic repairs, as well as reverse logistics, spare parts, warehousing and asset management.

Current and recent contracts include servicing and maintaining telecommunications equipment for Telkom and Vodacom, while a new business development involves a proof-of-concept with MTN to repair and maintain some of its telecommunications equipment. Funding from the IDC will enable SES to purchase the test equipment required to meet the service demands of the country's mobile network operators.

The IDC funding purchased specialised equipment for the group's second service operator, Screamer Telecommunications, a fully licensed internet service provider, to provide the residential and corporate markets locally with internet, voice and virtual private network services.

The IDC's investment in the Screamer Group attests to its commitment to black- and female-owned enterprise development and job creation

in South Africa. Funding this downstream service provider to the fibre optics infrastructure industry has a high prospect of creating a total of 225 jobs.

"As a progressive electronics services company, our vision of leading quality, innovation, equality and flexibility in our industry remains robust", says majority shareholder, Lindiwe Mokone.

 **JOBS CREATED** **225**



are being pursued, with some of our clients already providing such services. Over the medium-term, the IDC will continue to work with other stakeholders to establish South Africa as a top destination as travel starts to increase.

The media industry on the other hand has seen increased demand for content, especially from streaming services, as other forms of entertainment continue to be closely regulated to curb the spread of the virus.

The ICT industry is also expected to benefit from increased uptake of digital technologies.

The slowdown in the tourism industry is resulting in the cancellation of previously approved projects whose viability has been affected negatively.

DEVELOPMENT OUTCOMES

The IDC recognises that connecting previously marginalised people and places to the larger economy through inclusive, equitable, and sustainable transformation leads to meaningful and lasting change.

The IDC's holistic and integrated transformation strategy is multi-dimensional and addresses, inter alia:

- Access to economic opportunities
- Ownership of productive assets
- Income and wealth distribution
- Access to public goods, services and infrastructure
- More inclusive approaches to economic development through innovation
- Support for education through our CSI initiatives.

Performance highlights during the reporting period included:

- Support to women (including black women industrialists) and youth entrepreneurs
- Achieved a Level 2 B-BBEE rating for the Corporation on the back of improved ratings for enterprise and supplier development as well as skills development
- Participated in the consultative processes for the Green Paper on Social Economy
- Supported the nascent circular economy movement in South Africa
- Played a key role in the development of local and regional spatial equity strategies, including the township economy and mining town revitalisation efforts.

Black Industrialists and black-economic empowerment

Initiated in 2014, the IDC's Black Industrialist Programme promotes the long-term sustainability of Black Industrialists as those involved directly in IDC-funded industrial enterprises. The programme promotes and supports black entrepreneurs as manufacturers and owners in key sectors to drive economic growth and inclusive development. The emphasis is on entrepreneurial leadership, controlling or majority equity shareholding or financial interest, significant influence on strategic direction and executive participation or managerial control over operational activities.

In 2020, the IDC approved R3.1 billion in 37 transactions for Black Industrialists. The total value of approvals for Black Industrialists over the past five years, at R24.5 billion, exceeded the target of R23.0 billion that was set in 2016.

Spearheaded by the Technical Minmec Committee, government departments in the economic cluster are collaborating to support Black Industrialists, while the dtic and IDC are synchronising

efforts to implement the Black Industrialist Scheme (BIS). Nearly 80% of the dtic's BIS grant applications has the IDC as a co-funder, making the IDC a key role-player in funding for Black Industrialists.

In addition to funding for Black Industrialists, the IDC also provides funding to black-empowered companies, i.e. businesses that do not necessarily comply with all the criteria for a Black Industrialists but are black-empowered (more than 25% black shareholding) or black-owned (more than 50% black shareholding). Overall funding to companies with more than 25% black shareholding reached R42.5 billion over the last five years. This equates to 60% of all funding approved by the IDC over this period, R26.6 billion of this was for black-owned companies. In 2020, we approved R5.2 billion for black-empowered companies, R3.8 billion of which was for black-owned businesses.

Women entrepreneurs

During the year, the IDC partnered with the Agence Française de Développement (AFD) and other stakeholders to benchmark the development of a comprehensive and integrated strategy framework that supports women entrepreneurs. This will include, financial and non-financial support and strategies to identify existing women businesses, opportunities for backward-integration by women-owned businesses and preferential pricing schemes.

Women-empowered businesses received R11.7 billion in funding over the five-year period to March 2020, significantly higher than the R4.5 billion five-year target. During the past financial year, the IDC approved R2.2 billion in 21 transactions where women held more than 25% equity.

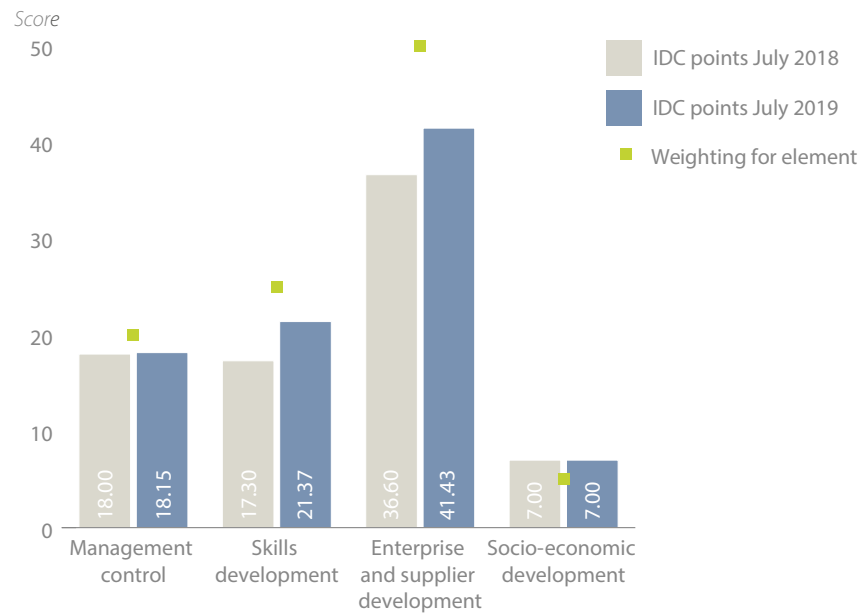
Youth entrepreneurs

Young women should also benefit from youth products and incentives to address the challenges of youth entrepreneurship. The IDC fosters participation by young people in the economy by enhancing youth entrepreneurship and accelerating the growth of youth-owned and -managed enterprises that contribute to the GDP growth rate and increase youth self-employment and innovation.

Cumulative approvals to youth-empowered businesses of R6.0 billion over the past five years exceeded the target of R4.5 billion set during the 2016 financial year.

Collaboration and partnerships within the enterprise development ecosystem are essential to leveraging support from private sector enterprise and supplier development programmes, SOEs, SOCs, DFIs, incubators and accelerators to sustain a youth pipeline.

SCORE BY ELEMENT OF THE B-BBEE CODES



Broad-Based Black Economic Empowerment (B-BBEE)

Broad-Based Black Economic Empowerment (B-BBEE) is aimed at restructuring the economy in a way that seeks to increase the participation of black people through entrepreneurial activity and in the workplace. The IDC takes a broad view on empowerment. We expect business partners to achieve at least a Level 4 B-BBEE status and advise and support those who need assistance to reach this level within a defined space of time.

As a B-BBEE facilitator, the IDC's shareholding in companies is recognised as black on a case-by-case basis. We manage companies' applications to utilise this benefit, which is restricted to distressed clients, new projects and new venture capital businesses. All applications are assessed by the dtic and promulgated by the Minister of Trade, Industry and Competition. During the 2019 financial year, we secured facilitator status approval for Cast Products SA and Sheraton Textiles. These two companies improved their B-BBEE compliance levels significantly and are monitored closely.

During 2019, the IDC's first B-BBEE evaluation under the Financial Sector Codes (FSC) impacted severely on its B-BBEE rating. An appropriate response to the re-evaluation of budgetary and other impacts of the codes on the IDC resulted in its current certification as a Level 2 contributor. Large gains were made for the skills development as well as enterprise and supplier development elements.

Workers' and community trusts

Aligned with government's B-BBEE objectives, the IDC pursues transformation by engaging our clients to include, where possible, workers and communities as shareholders in its transactions.

The IDC uses trusts as the preferred legal entity for workers and communities to acquire equity from IDC-funded companies. Workers' trust beneficiaries are mostly black workers employed permanently in a target company. Community trust beneficiaries live in close proximity to where IDC investments are located.

Overall, the IDC has established 110 workers' trusts and 45 Community Trusts. This includes 25 community trusts funded by the IDC under the REIPPPP.

The IDC facilitated the establishment and registration of 10 new trusts in 2020 and provided additional trustee training on, inter alia, corporate governance to three trusts to ensure that they are managed effectively.

Social investment

The IDC's social investment initiatives comprise funding for:

- Social Enterprises that apply business solutions to social problems. The goal for these enterprises is to innovatively enable financial self-sufficiency rather than sole reliance on grants and donations. Most of the surplus that these initiatives generate is reinvested to continue with their work.
- Special interventions that seek social outcomes, similarly mission- and solutions-driven, through partnerships (public, private, community and civil society) and collaboration

to bring disadvantaged and marginalised groups and communities into the supply- and value-chains of the formal economy through catalytic grant funding.

- Corporate Social Investment (CSI), which comprises non-commercial contributions to enable social upliftment and improve the lives of marginalised communities. This includes grant funding, in-kind donations and employee volunteering and giving to social causes.

By providing funding for these initiatives we:

- Facilitate, catalyse and prepare communities/marginalised groups to participate in the economy
- Sustain initiatives where market failure is endemic
- Seed first movers/investors to crowd-in others
- Reduce the risk of partner co-funding opportunities
- Signal perception, credibility and visibility.

The IDC invests approximately R60 million per annum in Social Enterprises and special initiatives and attempts to leverage and resource these programmes to support its normal business pipeline to maximise developmental outcomes. The IDC and the International Labour Organisation raised funds through the Government of Flanders for the dtic to draft a social economy policy and legislative framework for South Africa. A draft Green Paper has been developed with nationwide consultations ongoing. The IDC, having led the financing and support this sector, is central to this process. In drafting this policy, the IDC transactions in this space have served as case studies on which to base recommendations aimed at the specific conditions and experiences faced by social entrepreneurs in the South African context.

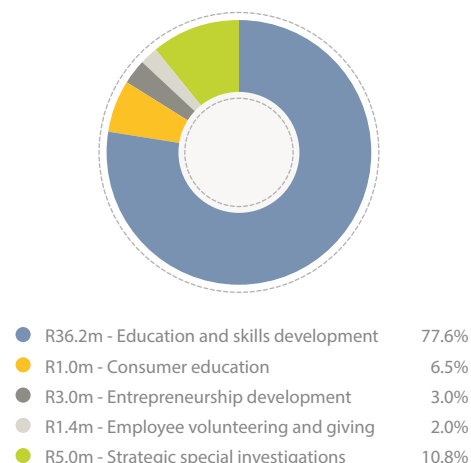
Since the inception of the €7 million Social Enterprise Programme in 2012, the IDC, in partnership with the Government of Flanders, has approved transactions of R180 million, created 3 000 jobs and supported 24 629 beneficiaries. In 2020, we approved R15.2 million in four transactions (2019: R3.0 million in one transaction) for social enterprises that created 90 direct jobs and supported 1 300 beneficiaries.

The Special Intervention Programme uses public, private and community partnerships to address socio-economic and developmental needs in targeted areas. This has resulted in many innovative and impactful initiatives in marginalised areas, such as townships and rural areas.

Since the programme's inception in 2012, the IDC has approved R292 million for 86 projects creating 3 478 direct jobs and supported 33 507 beneficiaries. During 2020, we approved R46.7 million for 13 Special Intervention transactions (2019: R51.0 million in 15 projects), which created 300 direct jobs and supported 1 550 beneficiaries. This included R23.7 million for six workers' trust and community trust transactions related to Early Realisation of Benefits initiatives where trusts benefit from cash flows before the company starts declaring dividends.

Our CSI initiatives emphasise support in areas aligned with Government's development priorities, as well as selected SDGs

CSI portfolio resources allocation



and the socio-economic development (SED) element of the B-BBEE scorecard.

During the 2020 financial year, we disbursed R46.6 million to support 35 initiatives (2019: R50.6 million to 28 initiatives), expected to reach more than 78 800 beneficiaries nationwide.

Education has been identified as a key enabler in building skills to grow the country's economy. Government's efforts to address education challenges and inequalities within the sector benefit from public and private entity support. The IDC's flagship CSI programme thus focuses on strategic support for education and skills development programmes. During the past year, 77% of our total CSI spend supported basic and higher education, respectively through our Whole School Development (WSD) and Technical and Vocational Education and Training (TVET) College support programmes.

During the past year, our WSD/Adopt-a-School Foundation partnership enabled fruitful collaboration in improving the infrastructure, ICT and other primary school interventions at the Corporation's 30 adopted schools. Collectively, the projects supported 1 040 educators and 32 230 learners and created 86 temporary employment opportunities for unemployed youth, as well as skilled and unskilled labourers, artisans in training at local colleges and unemployed parents from the communities where the schools are based.

The IDC has supported the TVET sector since the 2014 financial year. During 2020, the IDC assisted three TVET colleges with equipment, workshop renovations and curricula improvements to align the quality and relevance of its training with industry requirements and increase the employment prospects of students.

Our Entrepreneurship Development Portfolio (EDP) supports small businesses with entrepreneurship development and skills development/transfer opportunities to generate income and increase their ability to become self-sustainable. The portfolio is aligned with the IDC's developmental mandate but distinct from the Corporation's other commercial enterprise activities.

The EDP projects are biased towards women and the youth, specifically those in marginalised communities. Developing their entrepreneurial skills helps to alleviate poverty and contributes to addressing unemployment, especially among the youth.

During the review period, we supported eight entrepreneurship projects in five provinces, which created 277 permanent jobs. The alignment of our plans with the trends, changing priorities and technological advances of 4IR also added an ICT/technology-based element to the EDP theme for the year.

Entrepreneurial activity in South Africa lags behind that of other developing countries. The IDC recognises this challenge and the critical role of the small business sector to growing a healthy economy. In 2019, we developed a consumer education strategy, aligned with our entrepreneurship and SMME development mandate, to increase the knowledge and understanding of individual and small business consumers about products and services in the financial sector. The IDC also partnered with LEAP Entrepreneurial Development and rolled out the Improve Your Business programme, which supported 180 emerging black-owned SMMEs in three provinces (Eastern Cape, Free State and Mpumalanga).

Access to formal education and practical work experience for newly qualified graduates is a key priority at the IDC. We have allocated more than R40 million over and above the initiatives discussed earlier to transform and accelerate youth development and supported over 350 young people through bursaries, learnerships, apprenticeships and graduate programmes. A significant number of graduates who completed their

development journey have found gainful employment, either at the IDC or in the open labour market.

Social investment response to the Covid-19 pandemic

The Covid-19 outbreak in South Africa and global concern at the alarming rate at which the virus had spread in other countries resulted in the declaration of a state of disaster in South Africa with a national lockdown for citizens and severe disruption to economic activity.

The IDC responded swiftly by partnering with the respected Gift of the Givers and approving R5 million to assist with:

- Establishing temporary medical facilities with beds, protective wear and all equipment necessary for testing and quarantine
- Providing affordable testing
- Providing N-95 protective masks, hand sanitisers, disinfectant, sterile gloves, disposable sterile gowns, goggles, visors, ventilators and related equipment
- Drilling boreholes at schools and hospitals and delivering clean water for drinking and hygiene.

The IDC donated R25 million to the government-established Covid-19 Solidarity Fund. An additional R115 000 was contributed by employees by 24 July 2020. Other initiatives included participating in various cross-sectoral and multi-stakeholder initiatives to mitigate the impact of the crisis and assist in preparing for post Covid-19 realities.



CASE STUDY

LIKE MOUNTAINS

The IDC facilitated the funding of Like Mountains, a rose geranium production farm.

Like Mountains rents a piece of land from a community that received land from the government through the land reform programme. Over the next three years, six young female farmers will be trained to grow essential oil plants and will be given a secured market for their produce. They will also have 33% shareholding in Wilde Natural Oils, the marketing company selling the oil.

The funding was used to establish a 20-hectare rose geranium plantation and to set up the oil production plant. As a certified organic essential oil producer and distiller that employs mostly women, the company endeavours to align with Unesco's 'Man in Biosphere' programme, which aims to improve human livelihoods and the equitable sharing of benefits, while rehabilitating managed ecosystems and protecting natural spaces.

Like Mountains has also started a skills development programme that will establish six young female farmers as contracted growers over the next three years. By specialising in the cultivation and distillation of indigenous essential oils, Like Mountains promotes an innovative approach to economic development that is socially and culturally appropriate, and environmentally sustainable. The project employs 18 permanent workers.



**JOBS
CREATED**

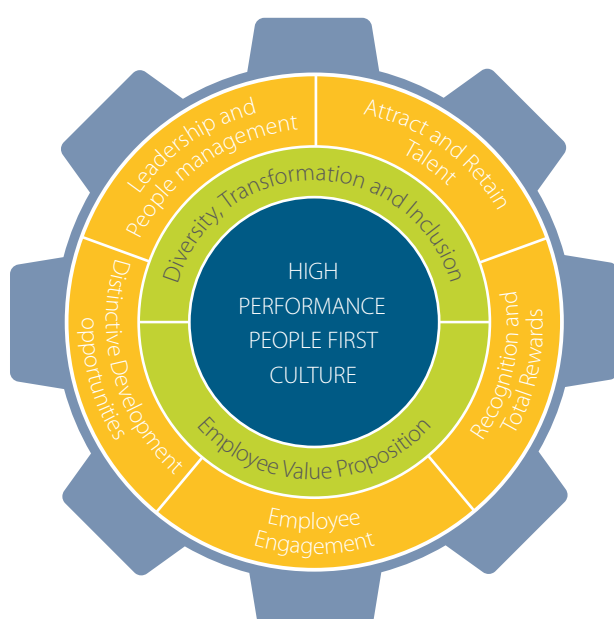
18



OUR PEOPLE

The IDC is privileged to have experienced and knowledgeable people who pursue our strategic intent to fulfil our mandate. The focus of the Corporation's people agenda is on enabling a high-performance business culture. As indicated in the High-performance People-First Culture diagram, our human capital strategy and operational plans are aimed at fostering an environment where people are engaged, passionate, capable and committed to prioritising the overarching goals and matters material to our business.

Enabling a high-performance organisation



A high-performance organisation is characterised by a culture that fosters, recognises and rewards performance excellence consistently. As such, our people strategy is directed at creating a working environment in which employees can thrive and excel.

The strategy is informed by our recently reviewed business strategy and operating model that drives long-term sustainability and is aimed at supporting and enhancing operational excellence.

In line with the 'structure follows strategy' best practice paradigm, our focus during the last quarter of the reporting period was on articulating a macro operating and leadership structure to drive and sustain our business. Going forward, the focus will be on structuring and capacitating our people effectively towards greater efficiency, enhanced collaboration, mandate-focused and -prioritised delivery and enhanced and improved customer-centricity.

The business realignment process called for employees to be receptive to change and agile in altering their mindsets to operate differently. While this caused operational strain, employees responded cautiously, yet optimistically, in acknowledging the necessity of change for business growth. The uncertainty inherent in any change process did, however, affect employee morale and stability in the workplace. Our focus in the year ahead will be on supporting the IDC to navigate its realigned business reality, while pursuing a progressive people strategy to embed the attributes of a high-performance organisation.

Instilling a high-performance, 'People-First' culture and work environment

The IDC's constructive business culture, as a key strategic enabler, is defined by leadership and employee behaviour that displays

Headcount as at 31 March 2020 by race, gender and level

Indicator	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	2	-	2	2	3	-	-	1	-	-	10
Senior management	12	3	4	16	18	-	1	3	-	-	57
Professionally qualified and mid-management	84	11	19	29	53	6	13	12	6	4	237
Skilled technical	111	11	5	12	130	14	16	15	5	2	321
Semi-skilled and discretionary decision making	33	-	-	1	135	14	4	14	-	-	201
Unskilled and defined decision making	8	-	-	-	1	-	-	-	-	3	12
Total permanent staff	250	25	30	60	340	34	34	45	11	9	838

accountability, responsiveness, collaboration, proactivity and integrity, as well the ability to embrace change and innovation and lead selflessly, by example. This is exemplified further by employees who live our values of professionalism, partnership and passion with a strong customer-orientation.

Despite the uncertainties in our work environment during the past year, our continued efforts to embed a 'People-First' business culture resulted in a 61% achievement against our key focus area targets in our corporate culture transformation journey, through:

Organisational realignment, which aims to address

- Hierarchy and bureaucracy that create a silo mentality and process and customer focus inefficiencies
- Short-termism, which led to reactive approaches to achieving strategic imperatives where a short-term target approach does not support the long-term sustainability of the IDC.

Leadership alignment, which aims to address

- Trust deficit realities
- A leadership style not aligned with our envisaged leadership brand
- Limited levels of accountability.

Improved employee engagement, which aims to address

- Lowered levels of morale and trust
- Inadequate platforms for staff to engage management
- Inadequate consultative approach on matters that impact employees the most.

In the year ahead, our focus will be on reviewing process efficiencies, embedding our leadership transformation imperatives and reviewing performance management to ensure that it is aligned with and supports the organisational realignment process. This aims to cultivate, measure and drive high-performance constructively, to enhance our business performance levels.

Attracting and retain talent

Existing and prospective IDC employees are our ambassadors. Our aim is to have employees who are committed and connected to our purpose. This requires a dynamic, compelling and competitive employee value proposition (EVP) to attract and retain talent.

A recent research study identified generational EVP attributes that are important to employees. We established a work-stream to analyse, categorise and prioritise the respective attributes and developed a project plan for review, approval and implementation. The categories consist of immediate/low hanging, medium (3-6 months) and long-term (6-12 months) focus areas. During the reporting period, we used opportunities

to enhance employee recognition and social connection. In the year ahead, we will focus on enhancing a culture-aligned value proposition.

As at 31 March 2020, the Corporation's diversified workforce consisted of 838 (2019: 846) employees, with a marginal year-on-year decrease of 0.9% in our employee complement.

Our employee profile is available in the online version of this report. In total, 71% (2019: 68%) of our employees are involved directly in delivering the IDC's operational objectives (client-facing and support). We also maintained the capacity in our regional and satellite offices to support our regional footprint.

Staff demographics

		31 Mar 2019	31 Mar 2020
		Male	Male
		Female	Female
African (71%)	261	Male	260
	339	Female	347
Coloured (8%)	27	Male	25
	38	Female	35
Indian (7%)	32	Male	31
	32	Female	34
White (14%)	66	Male	60
	51	Female	46
Total	846	838	
(Current Male:Female ratio - 45%:55%)			

During the reporting period, the voluntary turnover of individuals in critical roles decreased to 5.6% (2019: 6.4%).

Going forward, our focus will be on acquiring additional capacity with the unique capabilities and skill sets that the Corporation requires to realise its long-term sustainability plan. Once the realignment process has been concluded, we will conduct a comprehensive skills audit to affirm the proficiency of employees in critical and strategic roles. We will also focus on goal-directed development to retain high-performing employees and increase access to 'business-ready' skills for our talent mobility requirements.

Recognition and Total Rewards

The IDC's philosophy on remuneration and benefits is designed to attract and retain high-performing employees. Total remuneration consists of:

- A guaranteed package based on cost-to-company with a cash portion and compulsory benefits, such as a retirement fund and medical aid
- Short-term incentives that consist of two components and are awarded when predetermined performance objectives and targets are met. A non-pensionable allowance is payable at a performance score of '3' and a performance incentive at a performance score of '3.5' and above. All permanent employees, irrespective of job level, are eligible to participate
- A long-term, three-year incentive scheme to support employee retention in critical leadership, management and professional roles. Administrative and support bands are not included in the long-term incentive scheme. As the Corporation did not achieve the long-term performance measures that inform long-term incentives, this has affected our recognition and retention efforts.

During the reporting period, we engaged with employees and benchmarked best practice and market trends in total reward offerings and associated benefits for our EVP. The aim is to enhance our engagement and retention efforts, create competitive reward and recognition platforms that meet the needs of our diverse generational mix of employees and provide them with greater choice and flexibility in accessing what is important to them.

The total rewards policy objectives are to retain current and attract future talent by:

- Offering competitive packages
- Rewarding high-performance that aligns rewards and performance
- Providing employees with flexibility to better suit their personal needs
- Creating simple and straightforward reward programmes with a clear link between performance and reward
- Leveraging non-financial recognition and promoting work-life balance
- Promoting and positioning the IDC as an employer of choice
- Aligning recognition and reward with individual performance and contribution.

The revised variable pay scheme was implemented in 2019 to align our reward offering with business and market incentive trends. Incremental changes to the Corporation's variable pay scheme further enhanced the principle of performance-based reward. Most notably, the following changes were implemented:

- Increasing the variable pay percentage from 3.3% to 6% of annual guaranteed package for employees on administrative and support levels. All other levels remain unchanged
- Ensuring the recognition of high-performing individuals by removing the team qualifier gatekeeper score as a criterion for incentive scheme eligibility
- Including corporate and team performance scores to drive collective corporate responsibility and team-based behaviour and accountability, which intuitively implies that the better the corporate and team performance outcomes, the greater the variable incentive benefit
- Ensuring that exceptional performers are recognised and rewarded appropriately by aligning the individual performance score to achieve the maximum possible incentive more appropriately with what is realistically possible.

As future enhancements are made in the forthcoming year, such as aligning performance management principles, practices and philosophy, we foresee that the Corporation's performance-based culture will enhance its overall reward and recognition practices.

Other reward and recognition considerations

In the year ahead, we will conclude a review of the IDC's reward and recognition practices to ensure the relevance, agility and alignment of our reward programmes (remuneration, incentives, benefits, recognition) with industry best practice, the new world of work and our long-term sustainability goals. This will enhance our remuneration philosophy and enable a tailor-made employee retention strategy.

In addition to enhancing the Corporation's EVP, as indicated above, we will prioritise the implementation of broader monetary and non-monetary employee recognition. The focus will also be on enhancing remuneration and benefits as part of our overall EVP.

The Corporation manages a provident fund on behalf of all employees. The total market value of the fund as at 31 March 2020 was R908 million (2019: R1 031 million). In addition, employees appointed before 1 March 1997 also benefit from post-retirement medical aid. Voluntary buy-out programmes have reduced the number of beneficiaries and, relatedly, the liability. Currently, there are 138 (2019: 143) beneficiaries with a total liability to the Corporation of R157.7 million (2019: R182.6 million).

Ensuring the health and wellness of our employees

The IDC adopts a holistic approach to promoting and maintaining employee health and wellness. This encourages behavioural change and ensures that employees benefit from the necessary physical, mental, emotional, and financial wellbeing support.

One of our main wellness offerings is the Employee Wellness Programme that has been led, over the years, by a professional external employee wellness service provider. During the reporting period, Universal Corporate Wellness provided IDC employees with:

- Life management support services that entail psychosocial support to cope with health and life events
- A professional, 24/7 toll-free telephonic counselling service for employees and immediate family living under the same roof
- Professional on-site or off-site face-to-face counselling
- Managerial consultancy services
- Online employee health and advisory functionality
- An annual Wellness Day awareness and support event,

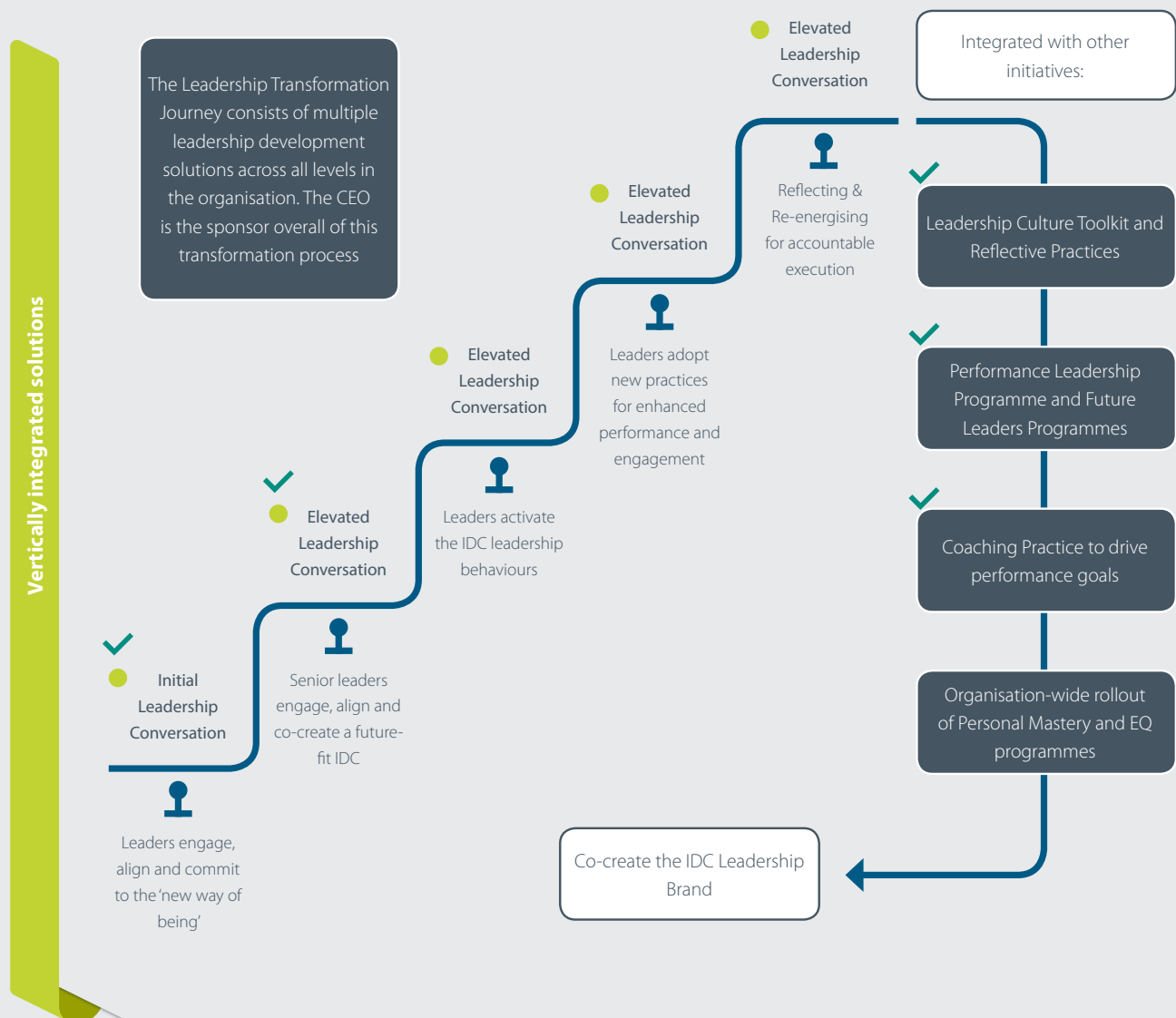
Driving employee engagement and commitment

During the reporting period, we introduced an employee engagement framework. This entails regular and more frequent leadership/employee bilateral consultations; monthly division-level engagements to enhance top-down and bottom-up communication and a formal, tailored and benchmarked employee engagement survey. The latter will be conducted within approximately 12 months of embedding culture transformation and enhanced leadership capabilities and value proposition.

The year also saw a significant transition in the employer/union relationship, with the IDC recognising the Public Servants Association (PSA) as the official trade union to engage with management on behalf of its members. On 31 March 2020, the PSA recorded 528 active members or 63% of the IDC workforce.

LA

THE LEADERSHIP TRANSFORMATION JOURNEY IS A LEADER-LED PROCESS



This relationship has seen the IDC taking significant strides in meeting its objectives, especially those related to organisational realignment.

Managing employee conduct as a responsible employer in a dynamic and professional environment requires decisive action. In addition, substantive and procedural fairness is integral to dispute resolution and required legislatively. During past-year, we addressed and resolved 18 internal disciplinary matters, an increase over previous years. This affirms the IDC's commitment to embedding a culture of transparency, fairness and zero tolerance to any form of misconduct, non-compliance or fraudulent behaviour.

The Corporation also respects the rights of employees to challenge disciplinary sanctions through external bodies, such as the Council for Conciliation, Mediation and Arbitration and labour courts, and will adhere to and abide by such processes and findings. In the year under review, 10 matters appeared before such bodies. Although none of these resulted in an adverse outcome against the IDC, when these do occur it allows us to reflect on our practices and take action, where necessary, to improve our processes.

The management team is being equipped to promote, lead, own and manage employee conduct, compliance, disclosure without fear, responsibility for fiduciary duties and a culture of zero-tolerance towards misconduct. In the year ahead, we will roll out effective employer/employee relationship management and capacitate all employees to operate in a dynamic business environment.

Facilitating a leader-led people management culture

Leadership development is integral to embedding the IDC's high-performance culture, where its 'People-First' objective is mirrored, driven and embodied by its leadership. The Leadership Strategy and Transformation Journey approved during the previous financial year aims to build and enhance leadership capability in the short-, medium- and long-term.

During the year under review, we built the foundation for elevated leadership conversations that instil personal mastery and mindful and present leadership. This foundation rests on the following principles and practices:

- Dialogue and engagement, formal and informal
- Presence and inspiration to action
- Reflection and recognition of lessons learnt and the need for differentiated engagement in a multi-generational workforce
- Coaching practice that becomes embedded
- Instil in people a sense of achievement, belonging and commitment to our purpose and their presence
- Needs-based development, including management, mentoring and executive development programmes
- Culture toolkit that equips leaders to drive, own and lead
- Crucial accountability training to drive crucial and difficult conversations that will create our desired culture

- Performance leadership programme, customised to equip leaders to drive a high-performance culture (36 leaders participated, with an additional 14 scheduled to participate in 2021).

In a leader-led organisational culture, leaders need to achieve self-mastery to appreciate fully the effect of their behaviours and actions to lead effectively as a coach and execute situational leadership appropriately. We developed and benchmarked a customised 360° leadership survey to create the 'DNA' of a leadership brand where leaders receive comprehensive and reflective feedback on their behavioural attributes in leading their teams.

During the 2021 financial year, we will focus on clearly articulating and co-creating a non-negotiable IDC leadership brand and providing our leaders with customised and bespoke development.

Providing distinctive development opportunities to support and enable employees

The IDC promotes and fosters people development to capacitate a skilled and talented workforce that will enable us to grow our business and fulfil our mandate. We provide employees with distinctive, needs-based, innovative and fit-for-purpose learning solutions to build the capabilities required to achieve our business objectives.

Our investment in employee development entails:

- Developing operational, technical and behavioural competencies
- Implementing function-specific and legislative training to ensure compliance and the continued promotion of professional development
- Building knowledge management capability that supports the retention, transfer and protection of the IDC's intellectual property and promotes knowledge-sharing and harvesting.

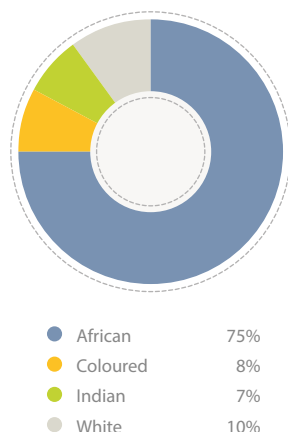
Our development supports the use of experiential, social and formal learning that is self-directed. We developed a functional competency framework to define critical operational competencies. Key employees were evaluated against the framework and initiatives introduced to close the identified gaps. These included business development, technical report writing, operations training, compliance and behavioural skills training. We also facilitated an ethical awareness drive through a series of modules cascaded from an organisational focus to group sessions and various team-specific customisations that related to their functions.

The IDC facilitated 12 Communities of Practice sessions to enhance social learning and retain, transfer and protect knowledge using technologies that capture, manage, share and find information. The sessions covered various topics, attracted at least 405 participants and provided us with 25 new lessons learnt recordings. In addition, we harvested critical knowledge from 62 retirees, resident experts and former employees. These initiatives serve to accelerate problem-solving, develop and transfer quality

Number of employees trained

Indicator	LA 2020	2019	2018
Total number of employees trained	495	304	375
- Female	272	176	206
- Male	223	128	169

Employees trained by race



knowledge and provide new insights into mitigating risk and enhancing business practices and turnaround efficiencies.

During the past year, 153 employees pursued formal academic studies in, inter alia, business management, marketing, law, finance and development finance, through our bursary programme (2019: 109 bursars). Twenty-seven percent of the bursars are enrolled for Masters-level qualifications.

Enhancing diversity, inclusion and transformation

A diverse workforce broadens perspectives and enhances performance. Diversity includes gender, race, age, disability, experience, religion, values, beliefs and sexual orientation. Transformation, diversity and inclusion are key strategic pillars in the Corporation.

We strive continuously to maintain an employee profile representative of the broader society. Our overall equity representation of designated groups increased by 1.6 percentage points to 92.8% (2019: 91.2%). In support of gender diversity, 54.8% of all IDC employees are women (2019: 54.4%). Forty percent our Executive Committee are women (2019: 45%) and 45% of other senior leadership positions are female (2019: 43%).

We support workplace needs, including specialised facilities and technology for employees living with disabilities. The percentage of people with disclosed disabilities in our workforce declined slightly to 1.3% (2019:1.5%). As a Corporation we are cognisant that our premises should be accessible for people with disability. A review of our disability audit was undertaken and key actions implemented at IDC's head office. In the year under review all

walkways, signage and parking facilities were reconfigured for easy access and mobility. In addition, emergency evacuation routes and lighting were upgraded to accommodate people with disabilities. Furthermore, our premises were redesigned, where required, to ensure that entrances and reception areas and serving areas such as the canteen had height-appropriate counters and related furnishings. In the year ahead, the lifts will be upgraded and be made user friendly for people with disabilities. Going forward, we will focus on improving the representation of this group across all organisational levels, as well as integrating them into the IDC culture.

We will review our three-year 2020-2022 Employment Equity Plan in the light of our recent organisational realignment to set realistic transformation goals that address representivity in line with the economically active population profile of South Africa. Our priority is to ensure a truly South African entity that embraces and displays transformation as an enabling business imperative.

Working in a Covid-19 environment

Following the outbreak of the Covid-19 pandemic in South Africa, the IDC Exco encouraged all non-critical employees to work from home from 19 March 2020. This was followed by the nationwide lockdown, which started on 26 March. Employees were provided with the necessary equipment and IT tools to allow them to continue working from home productively. These include provision of laptop computers, mobile data cards, remote access to the IDC's internal network, voice over IP software that allows office phones to be routed to mobile phones or laptops, virtual meeting and online collaboration tools.

In addition, for critical employees that were required at the office, transport was arranged, and they were supplied with personal protective equipment.

During lockdown Level 5, on average, five employees were at the office. This increased to 15 during Level 4 and during Level 3 an average of 22 people worked from the office daily. The number of people providing security and cleaning services has also been reduced.

At the IDC's head office and regional offices, several measures have been put in place to ensure the safety of critical staff. Personal protective equipment is being provided and sanitisers are available in all common areas. Cleaning of offices continues, and fogging takes place twice a month. Temperature screening is being performed for all employees, contractors and visitors and social distancing is enforced through markers being placed in high-traffic areas.

As at 15 September, 14 employees tested positive and all recovered.

Management approaches also needed to change, with frequent check-ins, management by deliverables as well as regular team meetings being held.

COMMITTED TO GOOD GOVERNANCE

IDC values

The IDC is committed to the highest ethical standards and strives to conduct its business according to the principles of good governance. Sound governance practices, based on accountability, transparency, ethical conduct, fairness, responsibility and social development, are entrenched throughout the business.

The IDC's values of passion, partnership and professionalism are central to our approach to corporate governance and reflected in our business conduct and interactions with our stakeholders. Our values underpin our culture, practices, processes, frameworks and corporate governance structures.

Our corporate governance structures enhance sound and prudent management, provide oversight of the IDC's business and support, as well as enhance the ability of the Board and executive management to exercise their fiduciary duties effectively and efficiently in a fair and transparent manner.

Key governance enhancements

During the year under review, we emphasised reinforcing an ethical culture within the Corporation by training employees on ethics and risk policies and embarked on a culture transformation

journey. A comprehensive review of the key policies under our Ethics Policy Framework is currently underway.

Corporate governance considerations remain integral to due diligence and post-investment support for subsidiaries and investee companies. Improving clients' corporate governance practices is part of our developmental mandate and we offered governance support to several subsidiaries.

Key enhancements achieved during the past financial year are reflected in the table below.

Key governance enhancements for 2020

Subsidiary and investee company governance reviews	We continued to review and enhance the corporate governance systems of IDC subsidiaries and investee companies
Ethics awareness training	The IDC Gift Policy was explained to employees who were requested to reaffirm their commitment to the IDC Code of Ethics and Business Conduct
Enhanced data and information management and security	We implemented the Protection of Personal Information Act (POPIA) roadmap for service providers and subsidiaries in line with the Data and Information Management Policy.

GOVERNANCE STRUCTURE

Board of Directors

Responsible for the performance of the Corporation while retaining full and effective control

Board Audit Committee

Monitors the adequacy of financial controls and integrity in financial reporting

Board Human Capital and Nominations Committee

Develops compensation policies, resourcing plans and performance goals

Board Investment Committee

Considers transactions mandated to it by the Board and reviews related party transactions

Board Risk and Sustainability Committee

Governs risk and ensures responsible stewardship of the Corporation's assets and sustainability

Board Social and Ethics Committee

Promotes corporate fairness, transparency, development and good citizenship and manages the Corporation's exposure to reputational risk

Chief Executive Officer

The CEO is assisted by the Executive Management Committee and its subcommittees and is responsible for the day-to-day management of operations and the implementation of Board-approved strategies

Board of directors

Responsibilities

Members of the Board assume collective responsibility for:

- Acting as the focal point and custodian of corporate governance by providing ethical and effective leadership
- Determining strategic direction, identifying key risk areas and monitoring key performance indicators
- Integrating sustainability into business strategy, risk and performance to create business opportunities
- Ensuring compliance with the applicable laws and adherence to non-binding rules and standards
- Stewarding the IDC.

An annual work plan against agreed Board objectives and goals is in place to ensure that the Board attends to business in a structured and orderly manner throughout the year.

Directors have full access, at any time, to senior management through the Chairperson, CEO or Company Secretary. Senior management provides regular presentations at Board meetings and directors may request to be briefed by senior management on specific matters.

Composition

The Board of Directors is appointed by the shareholder and constituted to represent an appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role objectively and effectively achieve strategic objectives.

The size of the Board is determined by the IDC Act, 97 of 1986, which permits a minimum of five and maximum of 15 directors, who are appointed by the Shareholder. The Board structure is unitary and the majority of members are non-executive.

As at 31 March 2020, the Board comprised one executive and 10 non-executive members, of whom six are female and five (including the CEO) are male. The Chairman and CEO positions are held separately to ensure a clear separation of responsibilities.

Changes to the Board

Ms M More retired from the Board on 3 February 2020. There were no other changes to the Board during the reporting period.

Terms in office

The non-executive Board directors have been in office for the periods indicated below:

- Ms Mabuza: 8.5 years
- Ms Bethlehem: 11.5 years
- Mr Dames: 8.5 years
- Mr Godsell: 8.5 years

- Mr Kriel: 4 years
- Dr Magwentshu-Rensburg: 8.5 years
- Ms Mnaxasana: 5.5 years
- Ms More: 4 years
- Ms Mthethwa: 8.5 years
- Adv Orleyn: 5.5 years
- Dr Zalk: 10.5 years

Board meetings and attendance

The Board meets at least seven times a year and holds a strategy session at least once a year. Special Board meetings are convened when necessary. During the reporting period, the Board met 15 times and a Board strategy session was held in September 2019.

The Board Charter requires directors to attend Board meetings well prepared. The attendance of members at Board meetings during the reporting period is tabulated below.

Board attendance

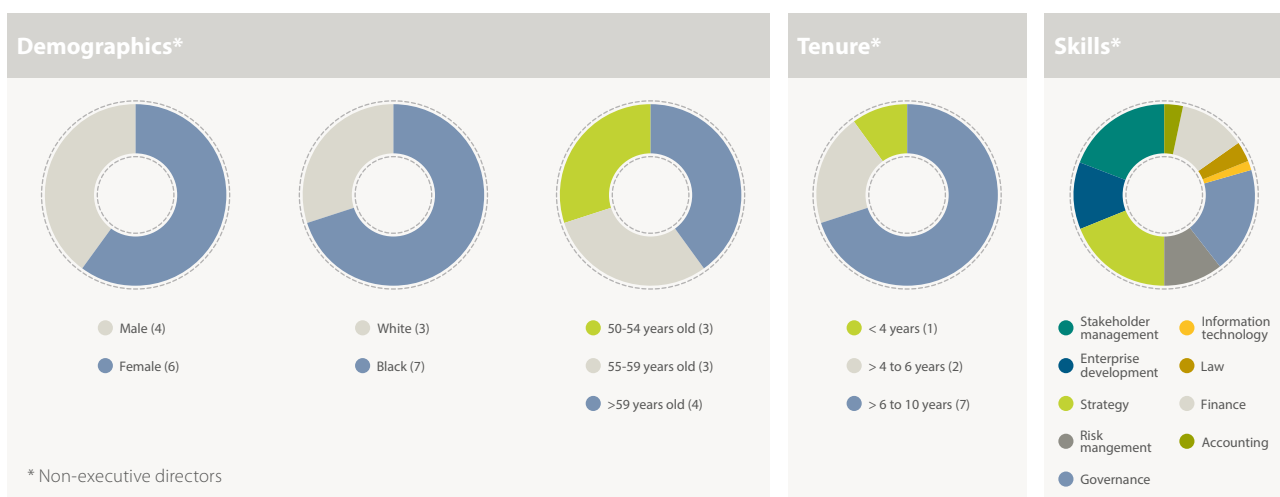
Member	Attendance
BA Mabuza	15/15
TP Nchocho	15/15
LI Bethlehem	14/15
BA Dames	15/15
RM Godsell	14/15
AT Kriel	8/15
Dr SM Magwentshu-Rensburg	14/15
NP Mnaxasana	14/15
M More ¹	0/15
PM Mthethwa	14/15
Adv ND Orleyn	11/15
Dr NE Zalk	15/15

¹ Ms More was on a leave of absence from the start of the reporting period and retired from the Board on 3 February 2020.

Board Charter

The charter sets out the Board's responsibilities, which include adopting strategic plans, defining materiality clearly, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls, as well as the communication policy and director selection, orientation and evaluation.

The Board Charter allows Board and subcommittee members to obtain independent professional advice when necessary to carry out their duties for the expense of the Corporation. When necessary, advisers can attend Board and subcommittee meetings.



Board committees

The Board established five subcommittees to support the execution of its duties. The Board delegates authority to the subcommittees through terms of references (ToR) that enable independent judgment, assist the balance of power and discharge the Board's duties effectively. The ToR is aligned regularly with legislative developments and governance best practice.

Each subcommittee chair is a non-executive director. Subcommittee members are appointed by the Board except the members of the Board Audit Committee, who are appointed by the shareholder at the AGM. Subcommittees report to the Board at Board meetings about their deliberations, conclusions and recommendations.

Conflicts of interest

The Conflict of Interest Policy is in place to manage potential conflicts of interest. Members must declare interest at each Board, subcommittee or Executive Committee meeting or meeting of any other committee responsible for considering transactions. Members must disclose potential conflicts and if required, recuse themselves from deliberations on conflicted matters. Members can also declare a conflict of interest to the Company Secretary in compliance with section 50(3) of the Public Finance Management Act, 1 of 1999 and section 75(4) of the Companies Act, 71 of 2008, as well as the IDC Guidelines on Conflict of Interest and Conflict of Interest Policy.

Qualities for Board membership include ethical standards and a sound business sense. The Board Charter requires members to act in the best interests of the Corporation at all times. The Board's Code of Conduct requires Board and subcommittee members to behave ethically when carrying out their fiduciary duties to comply at all times with relevant laws and regulations, audit and accounting principles and the Corporation's governing documents and codes of conduct.

Induction of new directors and ongoing training

New directors participate in a comprehensive induction programme to ensure they are well-briefed and know about

the Corporation's mandate, structure, operations, policies and industry-related issues to fulfil their duties and responsibilities.

The Company Secretary is responsible for administering the induction programme. Training and information sessions are provided periodically to ensure that Board members are kept abreast of economic, regulatory and industry trends.

Directors' requests for information on specific matters are prioritised to ensure that their knowledge is sufficient to exercise their duties with care, skill and diligence.

Board evaluations

The effectiveness and performance of the Board and its subcommittees are evaluated periodically against their respective mandates. The Company Secretary collates and communicates the feedback to the subcommittee chairs for appropriate action. The Board and subcommittees were not evaluated independently during the reporting period.

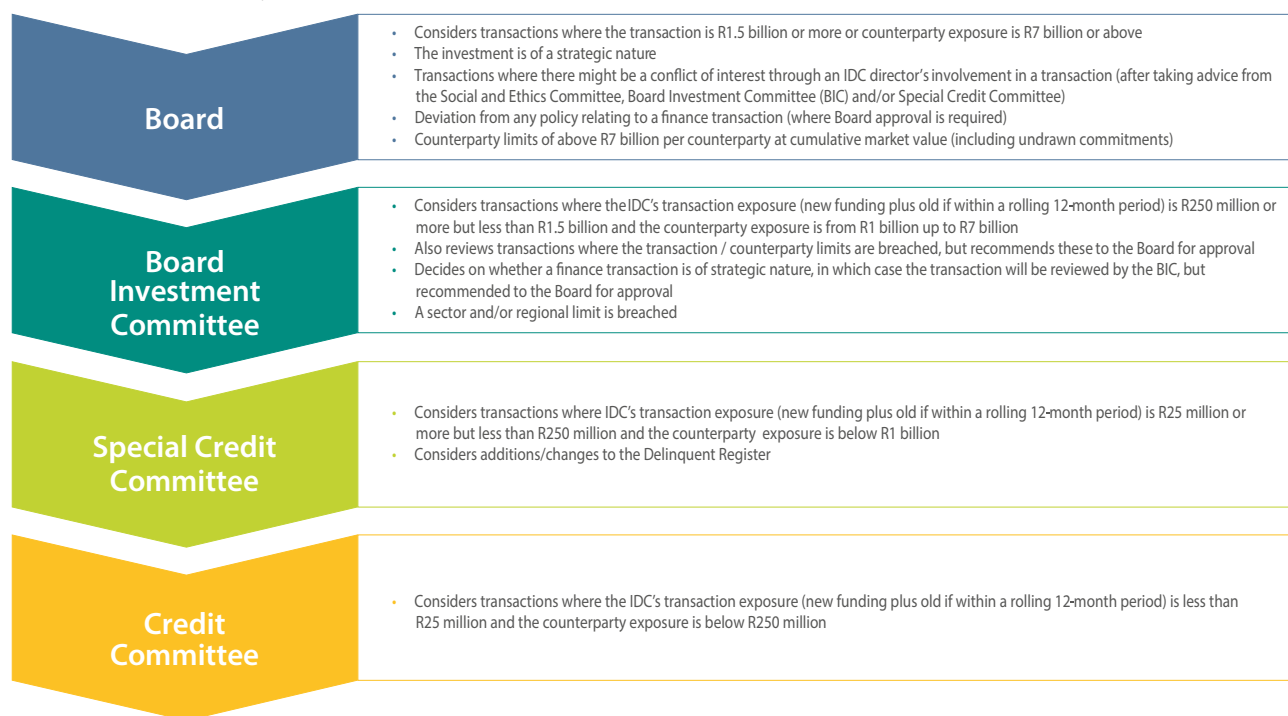
During the past year, the Board addressed issues identified in the previous comprehensive evaluation. These included the introduction of continuing professional development programmes for directors and the dissemination of regular briefings on changes in risks, laws and the environment.

Board remuneration

The Board Human Capital and Nominations Committee advises on the remuneration of Board members. Non-executive directors are remunerated for the meetings they attend at rates approved by the shareholder. No performance-based remuneration or retainer fees are paid to directors.

The remuneration paid to the IDC's non-executive directors during the reporting period is set out in the table on the next page.

Credit granting authority



Directors' remuneration

Name of director	2020	2019
	R'000	R'000
BA Mabuza	1 298	1 895
LI Bethlehem ¹	427	523
BA Dames	671	613
RM Godsell	457	547
AT Kriel	316	470
Dr SM Magwentshu-Rensburg	620	791
NP Mnxasana	627	807
M More	-	396
PM Mthethwa	459	460
Adv ND Orleyn	533	634
Dr NE Zalk ²	-	-

¹ This director does not derive direct financial benefit from services rendered to the IDC. Fees are paid directly to employer.

² Dr NE Zalk is employed by the dtic and does not earn directors' fees for services rendered to the IDC, nor are fees paid to his employer.

The Chief Executive Officer

The CEO's contract stipulates a notice period of three months. The CEO's contract expires at the end of 2023. The CEO currently holds no significant directorship apart from IDC mini-group positions. Succession planning is in place for the CEO's position.

Company Secretary

The Company Secretary provides the Board with professional and independent guidance on corporate governance and its legal duties. In addition to coordinating the functioning of the Board and its subcommittees, the Company Secretary acts as a

central source of information and advice to the Board on matters of ethics, adherence to good corporate governance principles and compliance with procedures and applicable statutes and regulations.

The Company Secretary is not a director of the Corporation and acts independently from the Board. In accordance with good governance practice, the appointment and removal of the Company Secretary is a matter for the Board.

During the period under review, Mr P Makwane fulfilled the dual role of Company Secretary and General Counsel of the Corporation. The two roles have since been separated and the Corporation will appoint a Group Company Secretary.

Delegated level of authority

While the Board has the authority to delegate powers to subcommittees and executive management, it remains accountable to the Shareholder. A Board-approved Delegation of Authority Framework is in place and reviewed and updated regularly.

The delegation of authority document has recently been reviewed. The Board delegated the management of day-to-day operations to the CEO, who is assisted by the Executive Management Committee and its subcommittees. Each committee has a clearly defined mandate set out in a written terms of reference.

The credit granting authority diagram above depicts the powers and authority delegated to the Board and executive committees responsible for credit approvals. Approval thresholds are in place for each credit-granting committee.

An ethical culture

Governing and managing ethics

The Board is responsible for providing ethical leadership by setting the appropriate example and tone through the implementation of appropriate policies and practices. The Board, through its Social and Ethics Committee, oversees the establishment of ethical norms and their public disclosure.

The IDC has a well-developed system of processes and controls that embed policies and practices to deal with ethics-related risks. Our Ethics Policy Framework consists of:

- a Code of Ethics and Business Conduct with standards for ethical behaviour within the Corporation and in dealings with customers, suppliers and service providers
- a Fraud Policy, which assures stakeholders that no form of fraud, theft or corruption is tolerated
- a Procurement Policy, with ethical standards for an equitable and transparent procurement system
- a Gifts Policy, which regulates the receipt of gifts by employees from clients and suppliers
- a Whistleblower Policy, which guides employees in the disclosure of information about unlawful or irregular conduct, as referred to in the Protected Disclosures Act, 26 of 2000.

Employees, customers and other stakeholders can access an anonymous tip-off hotline to report unethical behaviour. An external service provider administers the hotline and stakeholders are encouraged, through awareness campaigns, to report fraudulent, unethical or corrupt activities. During the reporting period, 14 matters were reported via the tip-off hotline.

When a report is received, a preliminary investigation establishes probable case. If warranted, further investigation follows and the process concludes with the appropriate remedial recommendations.

Key focus areas

Despite consistent efforts by the Corporation to curb the scourge of unethical conduct, some clients and employees, noticeably and more boldly, took marginal and unethical decisions to defraud the Corporation. In mitigation, we continue to consistently and frequently communicate our zero-tolerance to fraud, tighten controls to prevent asset misappropriation and the temptation to behave unethically and react swiftly to allegations of unethical conduct.

Future focus areas

The Covid-19 pandemic and current operating environment gave rise to significant governance challenges. The urgency of dealing with these challenges highlighted the criticality of directors exercising care, diligence and skill in assessing and minimising risk in extreme situations. The sustainability of the Corporation, its subsidiaries and investee companies will be a priority in the next financial year.

Despite a clear commitment to ethics within the Corporation, compliance to rules is critical. The risk of conflicts of interest

and unethical behaviour by employees, suppliers and business partners remains high. We will continue to prioritise efforts to embed a culture of ethical conduct where employees will comply naturally, and without hesitation, with our Code of Ethics and Business Conduct.

Ethics in procurement

The IDC's Procurement Policy provides implementation guidelines for a procurement system that is fair, equitable, transparent, competitive, cost-effective and aligned with Section 217 of the Constitution of the Republic of South Africa.

This policy requires Procurement Committee members and all other persons involved in the procurement process to declare their interests at every meeting that deals with bid evaluation and adjudication proceedings. Procurement Committee members with conflicted interests are required to recuse themselves from decision-making processes.

Background checks on all bidding entities and their shareholders include verifying supplier references listed in the National Treasury List of Restricted Suppliers and considering court cases, criminal records, politically exposed persons, credit checks, media reports for potential business or reputational risk for the IDC. Suppliers are required to declare relatives employed at the IDC.

Procurement compliance

During the reporting period, we applied compliance controls rigorously to strengthen due diligence processes that validate supplier information received through the procurement process. Compliance controls discourage supplier fronting practices and the misrepresentation of information.

The Procurement Policy conforms with the directives of the B-BBEE Act, 53 of 2003, and its Codes of Good Practice reserve the IDC's right to cancel a contract and claim damages where fronting and related offences are detected. We report suspected fronting practices to the dtic through the office of the BEE Commissioner.

Environmental, social and governance

Our environmental, social and governance (ESG) practices are aligned with the IDC's commitment to good corporate citizenship and sustainable and responsible socio-economic development. The Board Social and Ethics Committee effects oversight of all ESG activities to ensure compliance with ethical business practices.

Environmental and Social Policy

Adherence to this policy guides our actions in terms of:

- Responsible environmental, health and safety management that conforms to statutory requirements and best practices
- Improved environmental, health and safety performance assistance for our business partners
- Resource utilisation that is socially responsible and environment-friendly
- Responsible management of carbon liabilities and exposure and the promotion of bankable green projects that demonstrate social responsibility

- Ethical considerations in promoting trade and activities only with minimal adverse environmental and social impacts
- Set targets to monitor and improve the IDC's environmental, health and safety performance to attract investment and improve internal ESG activities.

Environmental and social due diligence framework

The IDC uses an environmental and social review framework with an internationally accepted project classification system that determines project type, impact and scale for our due diligence process. This includes an analysis of case histories, the environmental and social impact occurrence likelihood in certain industries and a project's scale and timeframe.

After determining a project's environmental and social risk category, we assess the client's environmental and social performance against local legislative requirements. Most of the 2020 transactions were classified as Category B (medium risk), while more transactions than usual in the mining sector were classified as high risk (Category A). All high risk transactions are monitored annually.

None of the assessed companies received an unacceptable E&S performance rating. Projects with poor performance ratings undertook to improve performance within agreed time periods.

Environmental and social risk monitoring of existing clients and subsidiaries

More than 75% of our business partners (including significant subsidiaries) were assessed and received acceptable risk category ratings. Clients who recorded fatalities during the reporting period were rated poorly and were assisted to investigate the fatalities. Generally, monitoring progress against performance improvement undertakings has impressed upon clients the need to comply with the IDC's Environmental and Social Policy.

During the forthcoming financial year, we will focus on assisting significant IDC subsidiaries to improve their environmental and social performance. Most of them are finding it difficult to determine their carbon footprint, which poses a significant risk to compliance with the Carbon Tax Act, 15 of 2019.

As a water-scarce country, droughts remain a risk for South Africa. The IDC uses the WWF Water Risk Filter to monitor water-related risk in the mining and agriculture sectors. We also recognise the significant impact of climate change and support projects that focus on reducing greenhouse gas emissions through our responsible investment and financing strategies. A review is currently underway to determine the IDC's position on financing new coal projects.

Carbon footprint

Improving climate performance has been integral to the IDC's mainstream climate change strategy. Our commitment to mitigating the effects of climate change drives our investment lending in projects that promote the transition to a low carbon economy and accounts for our climate change actions.

Our carbon profile is aligned with ISO 14064 (part 1-3) and informed by financial control. During the reporting period, we reduced our carbon emissions by 20%, to 5 134 Mt CO₂e, relative to the 2014 base year.

Our greenhouse gas emissions are well below the 0.1 Mt CO₂e carbon tax threshold. Some of our material business partners are energy intensive, with greenhouse gas emissions that exceed the 0.1Mt CO₂e threshold.

At the time of compiling this report, activity data for subsidiaries were not available or were unverifiable due to the Covid-19 pandemic. Accordingly, climate change information for subsidiaries has been excluded from the disclosure. Further details are available on our website.

GHG emissions data (tCO₂e)

Activity	2014 Baseline	2018	2019	2020
Scope 1				
Fleet cars	68	84	89	82
Generator fuel	9	24	17	29
Aircon gas (R22)	98	215	65	76
Jet fuel ¹	230	0	0	0
Refrigeration gas (R134a)	2	35	1	92
Refrigeration (410)	0	0	8	12
Subtotal (Scope 1)	407	358	172	292
Scope 2				
Electricity	6 043	6 145	4 852	4 842
Subtotal 1 (Scope 1 and 2)	6 450	6 503	5 025	5 134
Scope 3				
Subtotal 2 (Scope 3)	3 804	4 516	3 491	1 584
Total IDC (Scope 1, 2 and 3)	10 254	9 856	11 019	6 718
Emissions intensity (IDC scope 1,2,3)	12.38	13	11	8
Emissions intensity (IDC scope 1, 2)	7.79	7.66	6.46	6.13
Emissions per m ² (IDC only)	0.29	0.26	0.2	0.2

¹ Recalculation triggered due to disposal of Kindoc Airways

Occupation health and safety

The IDC is committed to the safety, health and wellbeing of its employees, as well as the contractors and visitors at all our occupied premises. Maintaining high-performance health and safety standards is a top priority.

During the past year, for the third consecutive year, we recorded no 'Fatalities or Lost-time Incidents' and only six minor injuries.

The IDC reacted effectively to the Covid-19 lockdown measures announced by Government on 23 March 2020 through its existing emergency response structures. The decision taken a week before the national lockdown to work remotely and the development of new guidelines for reducing the impact of Covid-19 and minimising the potential spread of the virus among employees was timely and enabled us to include pandemic event prevention measures in our existing Emergency Preparedness and Response Plan. These measures include sanitising all IDC offices and strict behavioural (social distancing) and procedural guidelines (what to do when an employee falls ill at work) for employees in critical roles who are required to work from the IDC offices.

The nationwide lockdown created the opportunity to assess the effectiveness of business-continuity strategies and the need for additional training. We will continue to create safety awareness among all employees, as well as strengthen the capability of the Emergency Response Team through refresher training and implement emergency evacuation drills in conjunction with the local emergency services.

As at the end of September 2020, most employees are still working from home. As at 15 September, 14 employees tested positive for the virus and all recovered.

Engaging subsidiaries on significant environmental social matters

The IDC facilitated dedicated company compliance engagements with the following subsidiaries during the reporting period:

- **African Chrome:** The removal of the last source of contamination at the African Chrome site in Brits has been scheduled to start in the first quarter of the next financial year. The IDC spent R13 million on the care and maintenance of the site during the year.
- **Columbus JV:** An amount of R41 million was spent to manage the Columbus landfill site in Middelburg effectively.

Principles for responsible banking, monitoring impact and the ESG task team

An assessment of our alignment with the UNEPFI Principles for Responsible Banking indicated a strong resonance between the IDC's development mandate and existing ESG practices, as well as the SDG objectives and the Paris Agreement.

We introduced a management dashboard that is dedicated to measuring the carbon intensity of the IDC's portfolios. This

dashboard will be operational from 1 April 2020.

In the year ahead, we plan to undertake dedicated stakeholder engagements on ESG and will establish an internal ESG task team to improve our ability to create sustainable value.

Foskor

Foskor is classified as a Category A, high environmental and social risk IDC subsidiary. A series of fatalities at the plant in recent years pointed to operational safety challenges due mainly to non-compliance with monitoring the implementation of safety policy procedures along the operational value chain. Foskor is expected to disclose its greenhouse gas emission to the Department of Environmental Affairs and determine its carbon tax liability according to the Carbon Tax Act, 15 of 2019.

The IDC monitors Foskor's greenhouse gas emissions as part of our own carbon footprint and is exploring more stringent measures to closely monitor Foskor's adherence to the safety policy. Foskor's current legal approach to gypsum effluent disposal may also not be acceptable in the long term and we are exploring innovative approaches in this area to ensure sustainability.

Fraud prevention

Prevention, detection and response to fraud and corruption are integral to being a responsible corporate citizen. The ways in which we deal with these matters are discussed in the Combined Assurance section on page 67 of this report.

Responsible investment

The IDC as an institutional investor

We believe that businesses must take responsibility for the impact of their activities on people and the environment. Ethical investment combines the ethical, social and environmental considerations of investors with their financial objectives. As an institutional investor, we follow an ethical investment approach, in which we use our investment to bring about positive social and environmental changes.

Responsible Investment Policy

Our Board has approved a Responsible Investment Policy as part of the global movement towards incorporating sustainable financing into conventional business agendas. The policy reflects the values of the IDC and identifies activities, listed in an exclusions list, for which the IDC will not provide funding based on ethical considerations. Matters listed in the exclusions list include activities related to the production or trade in arms, gambling, tobacco and transactions where environmental impact assessments have not been concluded or geological reports are not available.

Implementation of the policy contributes to the prevention of long-term financial, social and reputational risks to the Corporation.

Subsidiaries and investee companies

We regard the governance of subsidiaries and investee companies as a critical element of the value creation process. We accordingly seek to promote good governance practices in all the entities in which we invest.

The extent of our influence on subsidiaries and other companies in which we have an ownership share is determined by the size of our shareholding in each entity. We have a large measure of influence over wholly-owned subsidiaries and less influence over companies where our investment is limited to a minority shareholding or a loan. As far as we can, we take care to ensure that all our clients have effective and fit-for-purpose governance structures in place.

Governance frameworks

As part of its responsibility to govern responsible investing, the IDC's Board has approved a Corporate Governance Framework for IDC subsidiaries and investee companies. The aim of the framework is to establish a uniform governance structure that enables effective governance oversight and, where applicable, ownership control.

The framework is a tool for adequate oversight over our subsidiaries and investee companies. It enables the IDC, as an institutional investor, to be aware of the material risks and issues that have an impact on our investee companies and the industries in which they operate.

The Board also approved an additional framework for the IDC's financing subsidiaries. Currently, the IDC has one financing subsidiary, the Small Enterprise Finance Agency SOC Limited (sefa). This framework guides governance in credit approvals by entities that are subject to the PFMA.

Technology and information governance

The new normal

At the beginning of 2020, the Corporation rolled out state-of-the-art collaboration, communication and mobile end-point technology solutions to support its workforce for remote working. We continue to implement digital technology solutions to enable and facilitate business continuity under Covid-19 business operating conditions.

Artificial intelligence - strategic business imperative

The Corporation is currently on an ongoing digital transformation process to harness its adoption of 4IR technologies. Artificial intelligence-driven and high-performance technology solutions as part of the strategic business imperative are being evaluated for implementation to enable, support and optimise business operations, strengthen cyber-security controls, and predictive analysis for decision-making.

Strategic initiatives

During the year under review, the key IT strategic initiatives that were accomplished include:

- Implementation of business pipeline management solution to effectively provide the appropriate business loans funding while managing the portfolio risks
- Implementation and upgrade of high-performance network infrastructure to improve operational efficiency, digitisation, cyber-security, collaboration, high service availability, digital reach and access to IT services while enabling the Corporation for disruptive technology implementation
- Strengthening cyber-security posture through the implementation of advanced artificial intelligence-driven threat protection cyber-security solutions and hardening of IT infrastructure.

Business process re-engineering

The Corporation's business process re-engineering and optimisation programme is in the process of implementing asset and liability management, debt collection, and anti-money laundering technology solutions to improve and strengthen the corporate risk management controls and processes, optimise the debt collection process, and improve compliance with legislation and regulations.

IT legacy system

The IT legacy system upgrade project is in progress with the objective to enable and support the digitisation of business processes, improve high-availability, maximise return on investment and minimise operational expenditure.

Combined assurance

Combined Assurance Model

The Board and its subcommittees promote a common approach to governance and risk management that is based on the IDC's Integrated Risk Management Framework. The framework supports the Corporation's strategy and sets the risk management standards.

We adopted a framework-based Combined Assurance Model that provides assurance about the IDC's management of its key strategic risks. The model is based on a three-lines-of-defence notion as depicted in the diagram below.

First line of defence – management

This involves functions that own and manage risk as part of their day-to-day activities (i.e. line management) and entails operational management processes, such as systems and procedures development, management review, risk ownership and control self-assessment.

Each SBU is expected to maintain and review its operational risk register on an annual basis.

Although this line of defence generally lacks independence and objectivity, its value comes from those close to the business and involved in day-to-day operations.

Second line of defence – internal assurance

This involves functions that oversee risk and provide guidance and robust challenge to the management teams.

These functions are responsible for the oversight of management activities and are separate from those responsible for delivery but not independent of the organisation's management chain, e.g. the risk management and compliance functions.

Third line of defence – external assurance

This relates to independent and more objective assurance about the adequate design and effectiveness of the IDC's systems, controls, governance and risk management processes with a focus on the role of the Internal Audit function and other external assurance providers (i.e. external auditors, regulatory and supervisory bodies).

The mandate and activities of the various lines of defence, namely the Risk Management Department, Compliance and Regulatory Affairs Department and Internal Audit Department, are explained in the rest of this section.

Governance oversight

The primary objective of the Board subcommittees tasked to oversee assurance-related matters (the Board Audit Committee and Board Risk and Sustainability Committee) is to evaluate the effectiveness of the IDC's Combined Assurance Model and activities against the identified key risks. The committees also review the combined assurance results to ensure that appropriate assurance activities, such as operating controls over key risks, are executed effectively.

Combined Assurance Policy

In 2018, the Board Risk and Sustainability Committee (BRSC) and Board Audit Committee (BAC) approved a Combined Assurance Policy that had been codified from the adopted Combined Assurance Framework. Combined assurance integrates and coordinates an organisation's assurance activities

by understanding its risk exposure and the assurance providers in its governance structure.

According to King IV, combined assurance optimises assurance cover for the key risks that could affect the organisation, as identified by management and internal and external assurance providers. King also provides guidelines for achieving and reporting on combined assurance to the Board.

Combined Assurance Forum

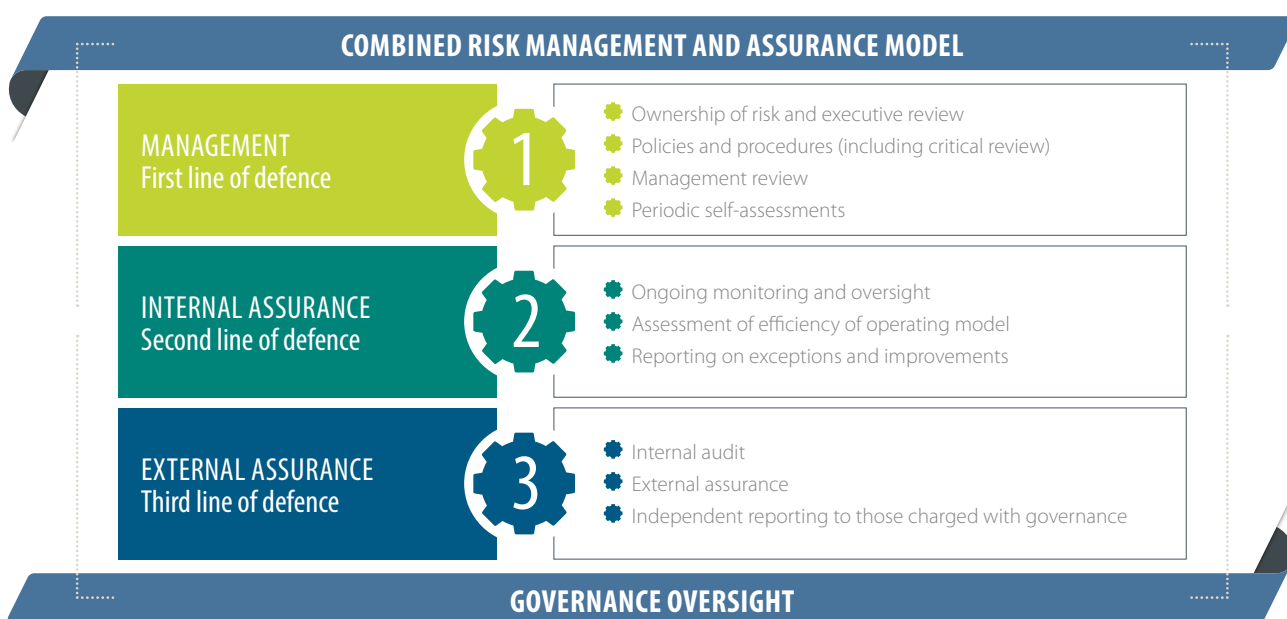
This forum consists of the Internal Audit, Risk Management and Compliance and Regulatory Affairs departments and is chaired by the Chief Risk Officer (CRO). Its mandate is to administer the IDC's Combined Assurance Model by, inter alia, compiling annual combined assurance plans and reports, implementing BAC feedback and responding to related matters.

Focus areas

During the reporting period, the BRSC and BAC considered the forum's inaugural 2019 Combined Assurance Report and encouraged management to enhance the internal control environment to mitigate strategic risks. The subcommittees also requested the forum to increase reasonable assurance on key strategic controls, specifically for credit, investment and developmental risks.

The BRSC and BAC also approved the IDC's Annual Combined Assurance Plan to mitigate risk, following a Board review of the identified strategic risks for the 2020 financial year.

The Forum developed and use a Combined Assurance Dashboard to track assurance activities against the approved plan. The Risk Management, Compliance and Regulatory Affairs and Internal Audit departments, assisted by external auditors, carry out assurance activities. The BRSC, BAC and Executive Management will receive a report on these activities during the 2021 financial year.



Future focus areas

As stipulated in the 2020 Combined Assurance Plan, the forum will submit a consolidated 2020 Combined Assurance Report on the outcomes of the various assurance activities to Executive Management and the BRSC and BAC during the 2021 financial year.

Due to the emerging risks that affected the IDC's operations during the last quarter of the reporting period, the forum will consider the following as part of its assurance activities in the 2021 financial year:

- The impact of Covid-19, including the need for enhanced cybersecurity and digitisation of certain processes for employees who work remotely; continued sustainability in the face of an adverse economic climate and the effect of lockdown restrictions and suspension of business activities on clients; and business continuity risk
- The impact of additional credit downgrades, rising borrowing costs (debt) and low returns on investments on the IDC's financial sustainability and its ability to raise capital
- The impact of the IDC's strategy and organisational realignment on the IDC's culture and ability to fulfil its mandate.

Risk management – second line of defence

Annual risk assessment

The Operational Risk and Sustainability Department employs different methods during the risk assessment process to identify strategic risks that will prevent the IDC from achieving its strategic goals. These methods range from one-on-one interviews to the distribution of surveys and workshops with the Board, Executive Management and the employees.

During the 2020 financial year, we facilitated risk workshops with divisional executives, as well as SBU and department heads to review and validate risks currently included in the IDC risk register. We identified new risks from the revised corporate strategy during a separate workshop and contracted an external professional to conduct an environmental scan to identify existing and new key risks associated with DFIs to provide the IDC with a holistic perspective on current strategic risks.

The risks are captured on an integrated governance, risk management, compliance and audit software solution. The system is also used by the Compliance Department and Internal Audit Department for greater alignment.

Strategic risks

Through our risk assessment process, we identified several strategic risks that could have a material impact on achieving our objectives. These risks are shown on page 18.

Operational risk and business continuity management

Assessments

Given the changing risk landscape, we review the risk and control self-assessments (RCSAs) of all units in the IDC annually. RCSAs are integral to the Operational Risk Management Framework as a dynamic and iterative process that identifies and assesses key operational risks and controls. We report all key operational risks and risk indicators that exceed set levels, as well as action plans and operational loss incidents/events, to the Operational Risk and Business Continuity Forum for deliberation and recommendations to the IDC's Executive Committee.

We also review business continuity plans annually and test critical continuity plans to ensure a fit-for-purpose response to any disaster that might occur.

Due to the continued increase in Covid-19 virus cases in South Africa, the IDC decided on 18 March 2020 to invoke our business continuity strategies and activate the Crisis Management Team to ensure employee health and safety. This proactive step enabled the IDC to prepare employees to work from home with minimal disruption to the business, while only those in critical roles continued to work from the IDC's head office.

Credit risk management

Credit risk processes

Our credit and investment risk management process is well-entrenched and entails robust engagement with various internal departments and stakeholders. Our core credit risk processes consist of:

- A multi-disciplinary due diligence team including operational support resources
- An independent credit and investment risk assessment by the Risk Management Department
- Robust credit and investment tools to help manage the risk
- Credit approval committees that include the executive management team, external members and independent non-executive directors
- Our Post-Investment Management Department, which manages the portfolio from the first disbursement until final settlement. A dedicated and experienced team is assigned to monitor and manage the IDC's subsidiaries and significant investments
- A business turnaround team that manages the accounts of clients under restructuring and supervision.

The Chief Risk Officer reports to the Executive Committee and the Board Risk and Sustainability Committee on a quarterly basis on the overall performance of the IDC's portfolio, including the key risk metrics such as concentration risk, breaches of prudential risk limits, impairments and non-performing exposures. The engagement with the Board Risk subcommittee provides input to adopting an ingenious approach to manage the portfolio risk of the Corporation.

Impairments

The 2020 financial year was a challenging period for our clients, who were negatively impacted by the technical recession and the protracted economic downturn. The recession is expected to deepen, which will invariably have a severe impact on production activity, business confidence levels, investment plans and employment.

The expected credit loss increased from R15 billion in 2019 to R20.6 billion in 2020, with a resultant impairment ratio of 32% (2019: 26.3%). The impairment charge to the income statement increased from R4.8 billion in 2019, to R9.6 billion in 2020. A significant increase in credit risk in some of the larger exposures contributed to the sharp increase in expected credit loss.

Non-performing loans

The non-performing loans (NPL) ratio increased from 22% in 2019 to 26% in 2020. The level of NPLs remains an area of concern and client-specific interventions to remedy the non-performing status are being implemented. There are some high-value exposures that had migrated into the NPL category and due to the inherent complexities, the projected timeline for a suitable resolution has taken longer than expected.

Management's response

The Corporation has implemented a bespoke approach to manage the top 20 impaired exposures to facilitate a turnaround. These exposures are reported to the Board Risk and Sustainability Committee. The advent of the Covid-19 pandemic creates an additional complexity insofar as expediting the turnaround strategies.

A Distressed Deferment Forum was established in response to the Covid-19 pandemic to manage the associated credit related risks.

The Portfolio Management Technical Committee chaired by the CEO has been formed to monitor performance of the significant investments. The management team will adopt a sector-specific approach to ensure it continues to execute its developmental mandate without putting its own financial sustainability at risk.

Future focus areas

An increased focus is on managing the Corporation's asset quality and the concentration risk to protect the IDC's balance sheet in an environment that poses significant challenges in the short-to medium term.

The Corporation will review the configuration of its balance sheet to reduce concentration and reliance on certain income streams.

The prevailing risk appetite levels are under review to ensure alignment with the current environment and the IDC's mandate. Covid-19 has given rise to new opportunities around the strategic imperative for companies to diversify their sources of supply. The IDC will capitalise on the presented opportunities without compromising risk appetite.

Liquidity risk management

Liquidity risk is governed by the Liquidity and Liquidity Risk Premia Policy. The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions within the Board-established prudential guidelines and policies that relate to liquidity risk exposures.

Liquidity stress testing

The IDC uses liquidity coverage ratios (LCRs) to test liquidity stress. The LCRs are used to weigh potential liquidity outflow exposures under stressed scenarios (net stressed outflows) against the available counterbalancing capacity (available high-quality liquid assets). The stress scenarios are aligned with the Corporation's risk profile and take into account that currency convertibility and the ability to raise funding, including foreign currency funding, is not guaranteed.

Early warning indicator methodology

The IDC's early-warning methodology is based on a set of early-warning indicators that are considered appropriate for the Corporation. As such the red, amber or green status (RAG status) of each indicator is tracked using both quantitative and qualitative trigger levels that indicate:

- Green: Business as usual
- Amber: Potential liquidity problems that currently do not threaten the IDC's financial standing
- Red: Potential liquidity problems that may threaten the IDC's financial soundness.

Contingency Funding Plan

The IDC's Contingency Funding Plan (CFP) aims to mitigate, as far as possible, the impact of liquidity stress on the IDC mini-group. The CFP has established a robust and operational governance framework to:

- Link liquidity stress testing and contingency planning
- Articulate mechanisms for monitoring early warning signs
- Itemise the IDC's contingency funding sources
- Define CFP escalation processes
- Outline responsibilities for managing the Corporation through a liquidity stress
- Identify the names and contact details of people instrumental in implementing the CFP.

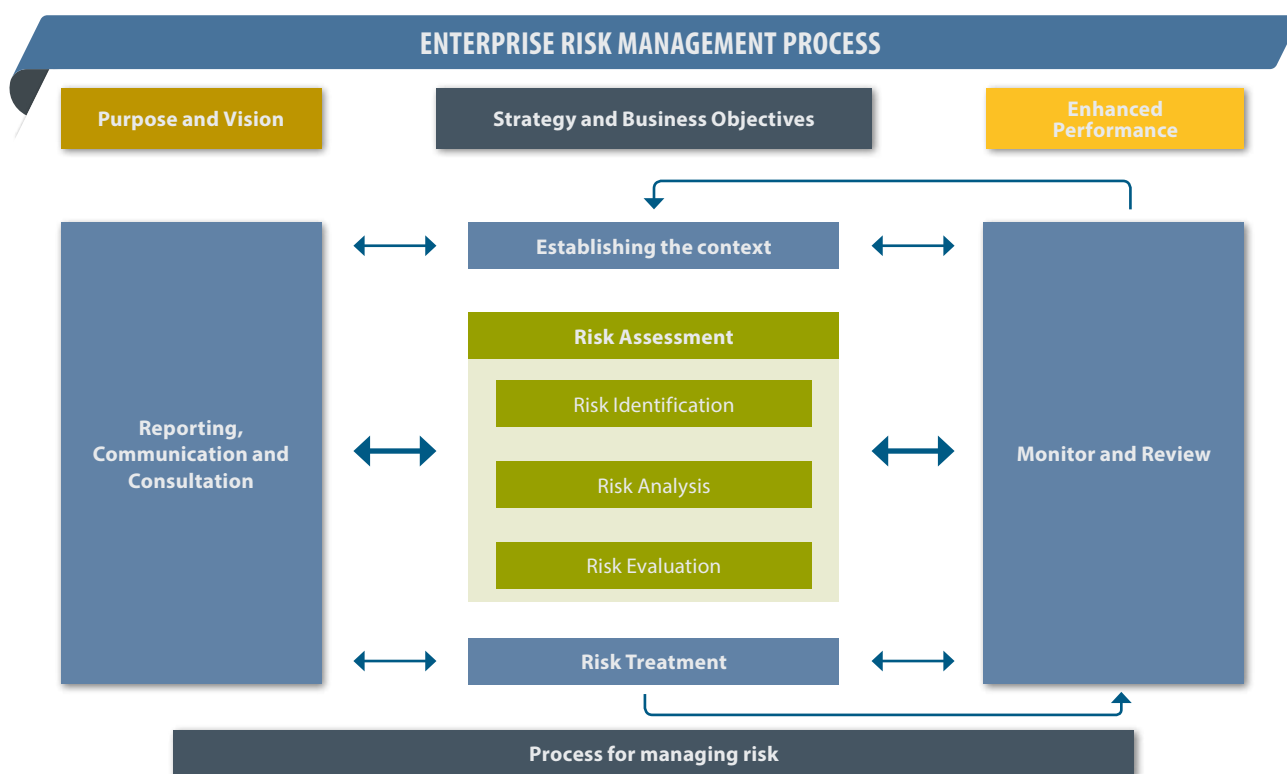
As the delegated authority accountable for managing liquidity risk, ALCO is responsible for managing the Corporation through a liquidity stress event. Operationally, the heightened management information required by the committee, as well as the execution of approved management actions, primarily involves daily liquidity management, funding liquidity management and liquidity risk management.

We arrange liquidity crisis simulation workshops at least annually and the identified shortcomings are incorporated into the CFP.

Compliance – second line of defence

Governing and managing compliance

The Board Charter requires the Board to ensure ethical business conduct and compliance with all relevant laws, regulations,



audit and accounting principles and codes of conduct. While compliance management in the IDC has been delegated to management, the Board monitors and reviews compliance process reports submitted to the Social and Ethics, Audit and Risk and Sustainability subcommittees.

The Compliance and Regulatory Affairs Department performs the day-to-day compliance tasks and assists the Board to create a business environment conducive to an ethics-based compliance culture. We also assist business units to identify and assess the regulatory risks in their operations and develop compliance risk management plans to mitigate and control risk. We monitor regulatory risks continually and report these to the relevant stakeholders.

Key focus areas

During the year under review, the Board oversaw the implementation of processes and controls to meet the requirements of the newly promulgated Financial Intelligence Centre Amendment Act, 1 of 2017. The department has completed the procurement of an automated customer onboarding and post-investment monitoring system to support the risk-based approach; to improve efficiencies and the quality of said activities.

We adopted a risk-based approach to customer due diligence in accordance with the requirement that accountable institutions should identify, assess and understand their anti-money laundering and combating of terrorist financing risks, as this will allow for a more efficient classification of their clients in terms of high, medium and low risk.

Other initiatives during the past year included the heightening of awareness in respect of the Financial Intelligence Centre

Amendment Act, 38 of 2001 (FICAA); the Public Finance Management Act, 1 of 1999 (PFMA), the Protection of Personal Information Act, 4 of 2013 (POPI).

Future focus areas

Our priorities for the year ahead include the implementation of an anti-money laundering control and sanctions programme, as well as operationalising the customer onboarding and post-investment monitoring system. We expect full system functionality by 2022.

Internal Audit – third line of defence

Governing and managing Internal Audit

The Internal Audit Department is the third line of defence in the IDC's Enterprise Risk Management Framework.

The Internal Audit Department provides independent, objective assurance to the Board that the internal control system and governance and risk management processes are adequate and effective in mitigating the most significant risks that threaten the achievement of strategic objectives. On request, the department provides ad-hoc assistance to the IDC subsidiaries. All other responsibilities are detailed in a charter approved by the Board Audit Committee.

Key focus areas

The department implemented a risk-based internal audit plan, informed by the IDC's risk register, the IDC Corporate Plan and key emerging risks highlighted by external and internal audit experts, to fulfil its mandate. The department also has a dedicated team responsible for forensic matters.

The IDC maintains internal controls to provide reliable financial and performance information with reasonable assurance that transactions are legally compliant and assets protected adequately against material loss and recorded fully and correctly. The control environment architecture was adequate to manage most of the identified operational risks effectively. Internal audit recommended improvements to the due diligence process, including managing collaterals in line with IFRS9 requirements.

Management is committed to enhancing the control environment and the working committee is assessing financial models for different industries, as well as enhanced due diligence systems and procedures. Going forward, a steering committee will facilitate data verification and collateral valuation.

Internal Audit submitted quarterly progress reports to the Board Audit Committee and Executive Management on management actions to deal with weaknesses. During the reporting period, management resolved 118 (74%) of the 159 findings, while 19 (12%) that had not fallen due by financial year end still have to be assessed by Internal Audit. Management requested a revised due date for the 22 (14%) unresolved findings given unavoidable delays. These included the implementation of new systems or processes, such as organisational realignment and the new strategy, as well as lockdown restrictions that affected the verification and inspection of IDC securities for valuation purposes.

LA

Internal Audit provided financial crime awareness training to 310 employees and a leaflet on fighting financial crime together to all employees to increase their awareness about financial crime. We also hosted an event during the International Fraud Awareness Week, to which we invited all head office personnel. The programme included three renowned forensic specialists.

Possibly due to the campaign, employees are becoming more aware of crime. Cases reported and investigated during the past year increased to 36 (2019: 24), of which 13 related to internal matters and 23 to incidents at business partners.

LA

Key operational areas are investigated for corruption risks. Seven out of 16 (44%) high-risk areas were assessed during the year.

Future focus areas

In the new financial year, Internal Audit will workshop the lessons learnt from the various commissions of Enquiry (Zondo, PIC) with employees to highlight potential compromising situations and how to deal with them. We also intend to expose Exco to training on the Prevention and Combating of Corrupt Activities Act (PRECCA), 12 of 2004.

The IDC's new strategy identified new audit areas, such as third-party managed funds, customer-centricity, digitisation and deal development automation. This will assist management to entrench a systematic and disciplined approach to evaluating and improving effective risk management, controls and governance. Business realignment and process efficiencies, will help the IDC achieve its long-term strategy.

In addition to assurance services, we will continue to support and advise employees to deal with the new or interim procedures and processes that have resulted from Covid-19. In response to initiatives such as automation, we will evaluate the emerging risks of implementing newer operating models and business practices.

It is incumbent on Internal Audit to keep abreast of key developments in the profession, such as disruptive 4IR technologies, cybersecurity, increased regulatory requirements (i.e. POPI) and the impact of macro- and micro-economic risks on organisational sustainability. Going forward, we will continue to provide the required level of assurance and value-adding services to all our stakeholders.

BOARD COMMITTEE REPORTS

Board Audit Committee (BAC)

Committee Chairperson: Ms NP Mnxasana

Committee Terms of Reference

The BAC is a statutory committee constituted in terms of Treasury Regulations 27(1)(10)(b) and (c) of the Public Finance Management Act, 1 of 1999 (as amended) and section 94 of the Companies Act, 71 of 2008 (as amended). The committee assists the Board in discharging its integrated reporting and combined assurance duties and oversees the finance function in consultation with the office of the Chief Financial Officer, internal audit, risk management as it relates to financial matters and external audit.

Composition and Attendance

The committee consisted of five members during the period under review, with four non-executive directors and one co-opted member. The Chief Executive Officer, Chief Financial Officer and a representative from the Auditor-General's office are permanent invitees to committee meetings.

The committee held six meetings during 2020. Committee members and their meeting attendance during the reporting period are indicated below.

BAC membership and attendance

Member	Attendance
NP Mnxasana (Chair)	6/6 meetings
RM Godsell	4/6 meetings
Dr SM Magwentshu-Rensburg	6/6 meetings
BP Mathidi ¹	0/6 meetings
M More ²	0/6 meetings
R Pitot ³	6/6 meetings

¹ Co-opted member of the committee from 3 February 2020.

² Ms More was on a leave of absence from the start of the reporting period and retired from the Board on 3 February 2020.

³ Co-opted member of the committee.

External Auditors

The committee:

- Monitored the effectiveness of the skills, independence, audit plan execution, reporting and overall performance of the external auditors
- Nominated and recommended to the shareholder registered auditors, SNG-GT and Nexia SAB&T, for appointment to the IDC
- Ensured that the appointment of external auditors complied with the Companies Act, 71 of 2008, and any other legislation relevant to such an appointment
- Consulted and agreed with executive management regarding the engagement letter, terms, audit plan, scope of work and audit fees for the financial year ended 31 March 2020
- Considered the extent of reliance by the external auditors on internal audit and any significant gaps between the internal and external audits.

Internal Audit

The Internal Audit department has a functional reporting line to the committee Chairperson, an operational reporting line to the CEO and full access to other BAC members. During the period under review, the committee:

- Approved the Internal Audit Three-Year Rolling Plan
- Oversaw internal audit in the implementation of audits in risk-based audit plan to evaluate the efficacy of risk management and internal controls
- Monitored the progress of key management actions to address adverse internal audit findings
- Assessed the independence and effectiveness of the internal audit function.

Financial Statements and Integrated Report

The committee:

- Reviewed the financial statements of the Corporation and the IDC Group for compliance in all material respects with the IFRS and the requirements of the Companies Act, 71 of 2008, and the PFMA, 1 of 1999
- Reviewed and discussed the audited Annual Financial Statements included in this Integrated Report with the external auditors, the Chief Executive Officer and the Chief Financial Officer
- Reviewed the external auditors' report and management's response
- Reviewed any significant adjustments based on external audit queries and accepted unadjusted audit differences
- Reviewed areas of significant judgments and estimates in the Annual Financial Statements
- Received and considered reports from the internal auditors.

Integrated and Sustainability Reporting

In exercising oversight of the Corporation's Integrated Report and sustainability reporting process, the committee:

- Assessed the consistency of information disclosed in the Integrated Report with the Annual Financial Statements and information contained in operational reports
- Assessed the reliability and consistency of the sustainability information, in all material respects, against the financial results

- Considered the conclusions of the external assurance provider.

Finance function

The committee has noted the current performance and future requirements for the financial management of the Corporation and concluded that the current team led by the Chief Financial Officer has the appropriate skills, experience and expertise required to fulfil the finance function. The committee satisfied itself of the appropriateness of the expertise and experience of the financial management team as a whole.

Going concern

The committee concurred that the going concern assumption for the preparation of the consolidated Annual Financial Statements was appropriate and sound, following a review of management's documented assessment of the Corporation and IDC Group as a going concern.

Activities and focus areas

Aligned with the key functions outlined in its terms of reference, the committee:

- Evaluated regularly, the appropriateness, adequacy and efficiency of accounting policies and procedures
- Monitored the identification and rectification of weaknesses and breakdowns of systems and internal controls
- Monitored the adequacy and reliability of management information and efficiency of management information systems
- Reviewed quarterly, interim and final financial results, statements and reporting for proper and complete disclosure of timely, reliable and consistent information
- Reviewed legal and compliance matters with a potential significant impact on the financial statements
- Assessed combined assurance from the external auditors, internal auditors and management to ensure that the combined assurance was adequate to address all material risks
- Monitored the effectiveness of internal controls and compliance with the enterprise-wide risk management framework to ensure that the reliability of financial records for preparing the consolidated Annual Financial Statements
- Discussed and resolved significant or unusual accounting issues
- Reviewed management reports regarding the adequacy, efficacy and efficiency of credit monitoring, related impairments and impairment provisions for it to discharge its obligations satisfactorily
- Reviewed and monitored the appropriateness of all key financial performance indicators to ensure that decision-making capabilities are maintained at high levels
- Reported to the Board on the effectiveness of the Corporation's internal reporting controls
- Considered and supported the 2021-2025 Corporate Plan as well as the Corporation's budget and borrowing mandate for the period ending 31 March 2020.

Conclusion

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- The internal controls of the group had been effective in all material respects throughout the year under review
- These controls ensured that the group's assets had been safeguarded
- Proper accounting records had been maintained
- Resources had been utilised efficiently
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

We are of the opinion that the financial statements for the year ended 31 March 2020 comply with the relevant provisions of the PFMA, 1 of 1999 (as amended), and the IFRS and fairly present the results of the operations, cash flow and financial position of the Corporation.

We complied with all King IV principles, including integrated reporting, as evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2020. The committee is satisfied that it has complied in all material respects with its legal, regulatory and other responsibilities.

The BAC recommended this Integrated Report to the Board for approval.

Board Human Capital and Nominations Committee (BHCNC)

Committee Chairperson: Mr BA Dames

Committee Terms of Reference

The BHCNC assists the Board to develop the Corporation's compensation policies, plans, performance goals and specific compensation levels. The committee annually manages the Board's evaluation of the CEO's performance and assists with Board oversight of people-related matters to ensure a robust and focused people agenda for the Corporation. The committee emphasises leadership transition and succession planning, as well as overall remuneration and human resource policies for all IDC employees.

Composition and Attendance

During 2020, the committee consisted of five non-executive directors, including the Board Chairperson as a committee member. The CEO and Divisional Executive: Human Capital are permanent invitees to committee meetings.

The committee held four scheduled and four special meetings during the reporting period. Attendance for the meetings is shown below.

BHCNC membership and attendance

Member	Attendance – Scheduled Meetings	Attendance – Special Meetings
BA Dames (Chair)	4/4 meetings	4/4 meetings
RM Godsell	3/4 meetings	4/4 meetings
BA Mabuza	4/4 meetings	4/4 meetings
A Kriel	2/4 meetings	1/4 meetings
Adv ND Orleyn	3/4 meetings	2/4 meetings

Activities and focus areas in scheduled meetings

The committee:

- Reviewed and approved short- and long-term performance targets
- Noted update reports on the implementation of the IDC's strategy
- Received regular updates on the recognition of the Public Service Association (PSA) as a staff representative trade union
- Provided input into the Integrated Transformation Strategy to address past imbalances and create a sustainable culture of inclusion and received update reports on its implementation
- Noted and monitored the implementation of the Human Capital Strategy and Operational Plan for the reporting period to enhance the IDC's employee value proposition and ensure a highly engaged workforce and change to an agile environment
- Approved a leadership assessment system as part of a three-year leadership transformation journey to create vertically integrated experiences for greater leadership effectiveness through a shift in mindset, skillset and toolset
- Noted the outcome of a gender parity analysis that indicated the average male annual guaranteed package as 32% higher than that of female employees, due mainly to more males employed at senior levels and more females employed at lower levels in the Corporation
- Noted update reports on succession planning for critical staff as an area that requires strengthening within the Corporation
- Recommended the appointment of directors to the boards of key subsidiaries and investee companies
- Continued to oversee the implementation of the Remuneration Philosophy and Policy.

Activities and focus areas in special meetings

- Provided guidance in resolving staff petition issues regarding non-payment of the 2017 short-term Incentive and long-term relationship building
- Provided guidance on human capital principles and mechanisms to implement the IDC's strategy to ensure that organisational structure and processes are aligned with strategy realisation and the exit of some employees from the Corporation through a voluntary severance package or early retirement
- Reviewed the performance contracts of Divisional Executives and provided input into the development of a job profile for the Chief Operating Officer as part of the realignment of organisational structure to strategic priorities.

Future focus areas

Our efforts to enable a high-performance culture and facilitate and entrench leadership capacitation and development are an ongoing priority. As a committee, we remain mindful of the need to retain our talent through an enhanced employee value proposition that includes continuously aligning the IDC's total rewards strategy with the Corporation's overall objectives.

Conclusion

During the year, BHCNC exercised its responsibilities in providing oversight over issues related to the introduction of the labour union at the IDC, remuneration, performance management, succession at the senior management level and the organisational realignment.

Board Investment Committee (BIC)

Committee Chairperson: Dr SM Magwentshu-Rensburg

Committee Terms of Reference

The BIC is an equity and credit-granting committee with delegated authority to consider transactions where the IDC's transaction exposure (taking into account new approvals and all approvals granted in a particular rolling 12-month period) is R250 million or more but less than R1.5 billion and the counterparty exposure between R1 billion and R7 billion. Transactions exceeding these limits are submitted to the Board for approval.

The committee also reviews transactions where the transaction or counterparty limits are breached and considers strategic transactions for recommendation to the Board. Transactions where sector or regional limits are breached are also referred to the committee.

Composition and Attendance

The committee consisted of six members during the period under review, of whom all are non-executive directors and the Board Chairperson is a committee member. All Board members and the CEO are permanently invited to attend committee meetings, as well as any other person whom the committee invites.

The committee held nine meetings during the reporting period. committee members and meeting attendance are indicated in the table below.

BIC membership and attendance

Member	Attendance
Dr SM Magwentshu-Rensburg (Chair)	9/9 meetings
BA Mabuza	6/9 meetings
NP Mnxasana	7/9 meetings
PM Mthethwa	7/9 meetings
Adv ND Orleyn	7/9 meetings
Dr NE Zalk	8/9 meetings

Activity

In addition to its ordinary business as indicated above, the committee met jointly with the Board Audit Committee and the Board Risk and Sustainability Committee to consider several reports about the operating environment and portfolio performance. The committee:

- Noted an update report on the Corporation's liquidity risk position based on an impact assessment of the liquidity requirements under the current Covid-19 stress environment and the need for a focus on cash preservation to fund allocation and future borrowings
- Provided input into the IDC's strategic response to changes in the operating environment, where management identified key critical enablers and dependencies for economic recovery and sector growth over the medium-term that will require close collaboration between the IDC and other key stakeholders in the sequencing of interventions
- Noted that work was underway to develop more stringent funding norms aligned with the operating environment
- Approved 11 transactions amounting to R5.4 billion, including guarantees and amendments to existing facilities. These transactions are expected to create 4 885 jobs.

Conclusion

The BIC is satisfied that we fulfilled our responsibilities in accordance with our terms of reference for the reporting period.

Board Risk and Sustainability Committee (BRSC)

Committee Chairperson: Ms LI Bethlehem

Committee Terms of Reference

The BRSC assists the Board with its risk responsibilities to ensure that an effective risk management policy and plan is implemented to enhance the Corporation's ability to achieve its strategic objectives and that risk disclosure is comprehensive, timely and relevant.

Composition and Attendance

The committee consisted of five non-executive directors during the reporting period, including the Board Audit Committee Chairperson. The CEO and the Chief Risk Officer are permanent invitees to committee meetings and the Chairperson may, at her discretion, invite other Board members, executives or employees to attend and be heard at committee meetings.

The committee held four meetings during the reporting period. Committee members and meeting attendance are indicated below.

BRCS membership and attendance

Member	Attendance
LI Bethlehem (Chair)	4/4 meetings
BA Dames	4/4 meetings
A Kriel	2/4 meetings
PM Mthethwa	4/4 meetings
NP Mnxasana	4/4 meetings

Activities and focus areas

The committee:

- Considered strategic risks and their impact on the achievement of the Corporation's strategic goals and objectives and assessed the adequacy of strategies and action plans formulated to mitigate identified risks and the combined assurance provided
- Noted the deteriorating quality of the IDC book and in particular the significant number of non-performing loans and investments and worked with management to:
 - Monitor the progress in turnaround strategies for individual transactions
 - Review and improve the investment and loan guidelines of the corporation
- Held a workshop to discuss the status of the top 20 impairments and gave specific direction on the management of these exposures. Proposed possible solutions including enhanced risk sharing through strengthening partnerships with commercial financiers and other DFIs to achieve the desired developmental returns and improve the IDC's risk profile
- Requested a comprehensive assessment of the risk impact relating to unreliable electricity supply on the IDC's book and its ability to implement its development agenda
- Approved management's recommendations on the IDC's Africa portfolio limits and noted, with concern, the relative underperformance of the Africa portfolio compared to the South Africa portfolio
- Recommended a Board workshop to review the IDC's investment strategy in the rest of Africa with a recommendation focus on the southern African market
- Provided guidance on managing performance and the Corporation's investment portfolio under challenging economic conditions and global uncertainty related to Covid-19
- Approved the revised Debt Funding Policy that guides debt funding sourcing initiatives as determined by the Corporate Plan and latest annual financial budgets. The main amendments to the policy related to considerations about the drivers of debt funding activities through capital allocation programmes and loan redemption debt servicing.
- Conducted the annual Corporate Treasury counterparty limits review in which local large bank limits for rand deposits and investments were increased to accommodate lower exposures expected of foreign bank branches and possible larger portfolio balances, including third-party funds.

Future focus

The committee and the Board continue to be concerned about the Corporation's financial sustainability, the deteriorating portfolio performance and negative developments in the macroeconomic environment. The committee identified key indicators to monitor the situation on a quarterly basis.

Conclusion

The BRSC is satisfied that it fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Board Social and Ethics Committee (BSEC)

The committee is committed to driving an ethical culture across the Corporation; maintaining the Corporation's standing as a good corporate citizen; and mitigating the Corporation's exposure to reputational risk. We will continue ensuring decent work and working conditions for our employees; providing opportunities for inclusive economic participation; contributing to community development; protecting our environment; monitoring our transformation progress, and complying with relevant legislation and codes.

Committee Chairperson: Adv ND Orleyn

Committee Terms of Reference

The BSEC is a statutory committee constituted in terms of Section 72 read with Regulation 43 of the Company Act. It assists the Board in discharging its duties relating to the oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

The Board also delegated oversight of the collections and other legal processes instituted by the IDC against Oakbay Resources to the BSEC.

Composition and Attendance

The committee had six members during the period under review, consisting of four non-executive directors and two executives, being the Corporation's General Counsel and the Divisional Executive: Corporate Affairs. The CEO, COO and CRO are permanent invitees to the meetings of the committee, and other executives are invited to join meetings when matters within their respective areas of responsibility form part of the agenda.

The committee held four meetings during the reporting period.

BSEC membership and attendance

Member	Attendance
Adv ND Orleyn (Chair)	4/4 meetings
A Kriel	3/4 meetings
M More ¹	0/4 meetings
Dr NE Zalk	4/4 meetings
Z Luthuli ²	3/3 meetings
P Makwane	4/4 meetings

¹ Ms More was on a leave of absence from the start of the reporting period and retired from the Board on 3 February 2020.

² Employment contract expired on 31 December 2019.

Activities and focus areas

The committee dealt with several matters including the following:

Ethical Culture

- During the past year, matters reported for forensic investigation increased from 24 in 2019 to 36, of which 13 related to internal incidents and 23 to incidents at business partners.
- Preliminary investigations were conducted into all matters referred for forensic investigation, and the appropriate action was taken where necessary, including the referral of matters to law enforcement agencies.
- It is of concern that despite the extensive awareness training conducted, there was an increase in matters of concern involving staff members.
- The key themes on matters investigated related to non-disclosure of business interest, gross dishonesty, dereliction of duty and fraud.

Reputational Risk

- Mitigation strategies included corporation-wide training on related policies.
- Regarding matters related to clients, the misallocation of funds transferred into clients' accounts as working capital remained high. Initiatives to curb this behaviour included a review of the disbursement process, increasing the frequency of post-investment audits as well the creation of a platform where external stakeholders will be able to report suspicions of fraud.
- The committee considered and provided guidance on the mitigation of reputational risks on four transactions deemed to have significant exposure for the Corporation through the involvement of politically exposed persons (PEPs).
- Enhanced due diligences were conducted on the affected PEPs to ensure that reasonable steps have been taken to mitigate the reputational risk to the Corporation.
- The committee received regular updates on reputationally sensitive litigation matters. At the end of the reporting period, the amount owed by the 26 clients under this category was approximately R2.1 billion, which represented 43% of the recoveries book.
- The quantum of the amount subject to legal action and the low probability of recovery was concerning to the committee.
- The committee continues to receive regular progress reports on the litigation instituted by the IDC, claiming arrears amounting to R37.5 million and payment of an amount of R250 million, which had been converted into equity.

Director Conflicts of Interest

- During the past year, the committee considered one transaction, Newco Project SPV, in which an IDC director, Ms P Mthethwa, had a potential conflict of interest.
- In the transaction, Mr K Buthelezi, who is Ms Mthethwa's brother, was involved in the project through the Emthunzi Trust.
- It was found that the Emthunzi Trust is a family trust set up for the immediate family and descendants of Mr Buthelezi

and does not involve Ms P Mthethwa as a beneficiary or in any other capacity.

- The committee was satisfied that the transaction had been assessed on its own merits and that there was no undue influence on the transacting team.

Broad-Based Black Economic Empowerment

- During the period under review, the Corporation achieved an audited Level 2 B-BBEE rating as calculated in terms of the amended Specialised Financial Sector Codes (FSC), which was an improvement over the Level 4 B-BBEE score achieved in the previous year.
- The rating was based on measurements against four scorecard criteria, namely management control, skills development, enterprise and supplier development and socio-economic development.
- The Corporation generally performed well on each of the elements that were assessed.
- Possible areas of improvement included increasing the training spend on employees with disabilities as well as on supplier development.
- A detailed report on B-BBEE is provided on page 51 of this report.

Social Development

- During the past year, the main areas of CSI expenditure were education, and social and community development, and 90% of the CSI beneficiaries were black women and youth.
- Several CSI initiatives were identified through proactive sourcing and partnerships with other development finance institutions and state-owned companies (SOCs) to enhance impact.
- Initiatives to enhance localisation included engaging with other SOCs on supplier development programmes to identify opportunities for localisation and to explore opportunities across the supply chain.
- There were intensified efforts to develop the value chains upstream and downstream as opposed to direct equity investments.
- Further details on the Corporation's development outcomes are provided on pages 50 to 53 of this report.

Employee Relations

- During the past year, the focus was on the resolution of staff grievances relating to short-term incentives and performance ratings.
- A settlement was reached between management and employees on the payment of a short-term incentive in respect of the 2016/2017 financial year.
- The employer/employee relationship is transforming following the unionisation of employees through the Public Servants Association of South Africa (PSA).
- On transformation, the focus was on addressing the attraction and retention of female employees as well as people with disabilities on the management band, through the identification of suitable roles across the organisation and targeted recruitment practices.
- Skills development initiatives continued to focus on leadership development and operational, functional and

behavioural skills development for employees, and an employee bursary scheme for formal qualifications.

- The Corporation remains compliant with all relevant labour legislation and is committed to employment practices that ensure the provision of a decent and supportive work environment.

Compliance

- The committee oversees the administration of the IDC's PEP Policy and approves the list of transactions. These continue to be published on the IDC's website.
- During the past year, the committee approved the Compliance Coverage Training and Annual Awareness Plan and considered anti-money laundering (AML), Sanctions and Financial Intelligence Centre Act, 38 of 2001 (FICA) status reports.
- The compliance coverage plan focused mainly on high-risk legislation in the areas of tax and finance, AML, mining and beneficiation, labour and intellectual property.
- The regulator's report on the financial intelligence centre inspection conducted on the IDC was finalised and no material findings were highlighted in the report.
- No material areas of non-compliance with legislation and regulations or non-adherence to codes of best practice, relevant to the areas within the committee's mandate, were brought to the committee's attention.
- The general control environment remained effective. However, enhancements were required to improve efficiencies, turnaround times and post-investment monitoring.

Sustainable Development

- The committee reviewed the Corporation's environmental, health and safety risks that pertain to its subsidiaries and business partners and noted, with concern, the number of

business partners who did not comply with EHS regulations.

- Various initiatives had been implemented to enhance compliance by the IDC's business partners with EHS regulations as part of ongoing post investment monitoring and support.
- The committee also considered a report addressing the risk associated with investing in carbon-intensive industries over the long-term and noted that work on reviewing the Corporation's strategic orientation and policy position on carbon-intensive industries such as mining was underway.
- Generally, clients were not prepared for the implementation of carbon tax and there was an initiative to assist clients through client education and ensuring that the IDC's funding processes are aligned to the legislation.

Stakeholder Relations

- As part of the Corporation's efforts to improve customer experience, an independent survey was conducted on unsuccessful applicants. While the results indicated certain areas of excellence, poor service, onerous application requirements and the lengthy response times were highlighted as the key areas requiring improvements.
- The concerns raised in the survey were being addressed as part of a broader culture organisational culture improvement project.
- The committee approved a Client Complaints Management Policy, which will ensure a consistent approach to client complaint management across the organisation.

Conclusion

During the year, BSEC provided oversight over initiatives aimed at intensifying an ethical culture, protecting the IDC's reputation, monitoring the Corporation's standing as a good corporate citizen, and stakeholder relations.

ENSURING FINANCIAL SUSTAINABILITY

The year under review has been one with significant challenges. The South African economy has faced a number of challenges, including recession, a sovereign downgrade, a weakened exchange rate to major currencies and softened demand for locally manufactured goods as well as impacts in other sectors of the economy. The significant impact that Covid-19 has had and continues to have on our economy is yet to be determined but sets the background for a DFI such as the IDC to take a lead in stimulating growth in a sustainable way. The IDC's portfolio concentration and exposure to the resources industry have also resulted in significant volatility in the balance sheet up to and including year-end. As reflected in the financial results, profitability is under pressure and the expectation is that this pressure will continue for the short- to medium-term.

The IDC continues to be a going concern and remains financially sustainable. The Corporation has sufficient liquidity to meet current obligations and remains confident that, for the foreseeable future, it will be able to raise funds and leverage its balance sheet for new advances into the economy.

The IDC's financial sustainability is a material matter to those charged with governance. One of the ways sustainability is ensured is through the management of impairments on both the debt and equity books. Given the orientation of the IDC's book as a DFI towards more riskier investments and the stringent application of IFRS 9, combined with a subdued local economy and the early impact of Covid-19, the 2020 financial year saw a significant increase in impairments.

The 2021-2025 Corporate Plan places a requirement for the IDC to prioritise financial sustainability. The countercyclical nature of any DFI will require a careful balance of resources to protect sustainability and the health of our book as well as funds being injected into the economy to boost activity. Through a number of internal projects, and with Board oversight, this careful balance is being managed robustly.

Unprecedented turbulence impacting financial performance

The IDC (Company) performance was impacted by a number of economic setbacks during the period. These included the sovereign downgrade by Moody's in March 2020, the confirmation of the South African economy being in official recession, substantial market volatility as evidenced by the JSE All Share Index declining sharply as well as the early impact of the Covid-19 epidemic and the resultant stall of economic activity. An oil price war as well as complications with its Lake Charles project resulted in the collapse of the Sasol share price – which negatively impacted the IDC balance sheet. There has since been a recovery in the Sasol share price post year-end, resulting in a healthier gearing position. The subdued economic conditions were also felt by the wider IDC Group.

The Group made a consolidated loss of R3.8 billion in the 2020 financial year compared to the profit of R720 million in 2019. This decrease in profitability is discussed below.

Five-year financial overview – extract from the company's annual financial statements

Figures in rand million	2020	2019	2018	2017	2016
Statement of financial position					
Cash and cash equivalents	7 043	9 233	5 726	6 660	6 183
Loans and advances	28 199	29 094	28 564	25 095	23 451
Investments	75 603	116 706	105 959	100 329	91 430
Property, plant and equipment	53	58	54	54	166
Other assets	1 612	363	1 671	1 789	1 195
Total assets	112 510	155 454	141 974	133 927	122 425
Capital and reserves	53 851	93 097	87 785	83 825	78 000
Other financial liabilities	56 038	54 125	46 723	42 553	38 987
Other liabilities	2 621	8 232	7 466	7 549	5 438
Total equity and liabilities	112 510	155 454	141 974	133 927	122 425
Statement of comprehensive income					
Operating profit/(loss)	(1 858)	1 749	4 006	4 658	1 452
Finance costs	(2 563)	(2 573)	(2 492)	(2 679)	(1 300)
Non-administrative income/(loss)	-	-	378	(378)	-
Profit/(loss) before taxation	(4 421)	(824)	1 892	1 601	152
Taxation	1 305	354	201	194	25
Profit/(loss) for the year	(3 116)	(470)	2 093	1 795	177

Five-year financial overview – extract from the Group's annual financial statements

Figures in Rand million	2020	2019	2018	2017	2016
Statement of financial position					
Cash and cash equivalents	8 776	9 809	6 156	7 699	6 865
Loans and advances	29 099	27 162	30 660	25 802	23 928
Investments	57 956	93 801	81 488	78 266	71 586
Property, plant and equipment	7 084	7 343	8 148	12 384	10 626
Other assets	6 716	6 492	10 506	5 685	8 343
Total assets	109 631	144 607	136 958	129 836	121 348
Capital and reserves	60 704	95 602	92 023	88 097	84 717
Non-controlling interest	(514)	(299)	84	193	102
Other financial liabilities	41 236	39 486	33 217	30 367	27 984
Other liabilities	8 205	9 818	11 634	11 179	8 545
Total equity and liabilities	109 631	144 607	136 958	129 836	121 348
Statement of comprehensive income					
Operating profit/(loss)	(3 764)	2 327	5 017	3 963	823
Finance costs	(2 747)	(2 825)	(2 433)	(2 607)	(1 317)
Income from equity accounted investments	1 005	644	419	963	557
Non-administrative income (loss)	-	-	378	(378)	-
Loss from discontinued operations	-	-	(538)	(362)	-
Profit(loss) before taxation	(5 506)	146	2 843	1 579	63
Taxation	1 717	574	381	621	160
Profit/(loss) for the year	(3 789)	720	3 224	2 200	223

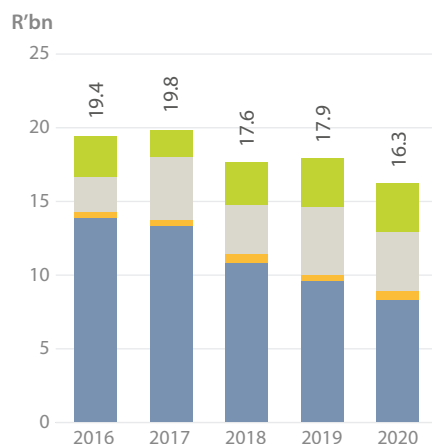
Group revenue

Group revenue contracted 9.1% from R17.9 billion in the 2019 financial year to R16.3 billion in the current year. This decline was mostly driven by a 26% reduction in Foskor's revenue, a 10% reduction in Group interest income as well as the decision by Sasol to cancel dividends that would have fallen into the 2020 financial year. While interest accrued for the 2020 financial year increased year on year, IFRS 9 adjustments for expected credit losses, a reduction in the repo rate (and associated prime rate) of 150bps between the 2019 and 2020 reporting dates and finally, lower than planned disbursements impacted the interest revenue negatively.

Foskor's decline in revenue stems from production interruptions as a result of a 46-day strike and resultant plant breakdowns

Normalised Group Revenue

■ Manufacturing, mining and other income ■ Fee income
■ Interest received ■ Dividends received



Manufacturing, mining and other income for 2017 and 2018 was normalised to include the revenue of SCAW, GMSA and CPSA, which were disclosed as discontinued operations.

upon the resumption of operations. This resulted in stockpiles dwindling and the inability to sell certain products for some time. Further to this, commodity prices were under significant pressure during the year; rock prices being \$4 p.t. lower than budget and fertilisers \$59 p.t. lower than budget.

Sefa saw a 19% decline in revenue when compared to the prior year. The decline was driven by IFRS 9 adjustments on stage 3 loans, which require the suspension of related interest, as well as lower disbursements for the year. Rental income from the property portfolio was 10% lower in the year under review.

Grinding Media South Africa revenue was 12% lower compared to the 2019 financial year as the supplier to the mining industry battled pricing pressure from cheaper imports.

Group operating profit and loss

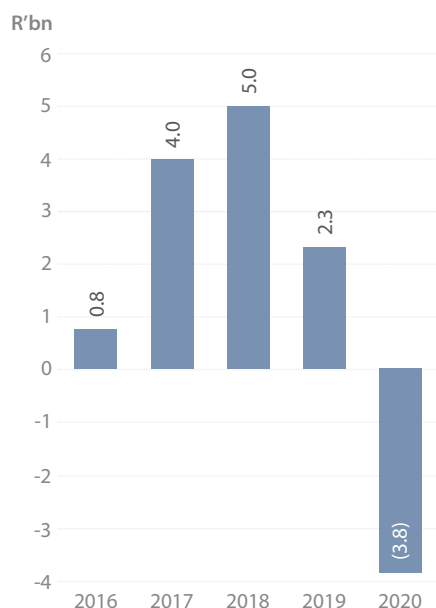
The Group reported a consolidated operating loss of R3.8 billion during the 2020 financial year. This decline is the result of a number of factors discussed below.

The subdued economic environment weighed heavily on IDC clients and their ability to service their loans, with a resulting increase in impairments. The very nature of a DFI requires that a balance be achieved between the need to protect the balance sheet and to stimulate growth in the economy. Impairments (expected credit losses) and write-offs grew from R4.8 billion in 2019 to R9.6 billion in 2020 at company level. The impairments charge is the largest contributor to the Group loss of R3.8 billion at year end.

The cost of borrowing has continued to rise as the quality of the book has deteriorated. These losses were partly offset through the IDC's hedging strategy, in the face of the weakening exchange rate between the rand and major currencies.

At subsidiary level, Foskor's operating loss was impacted by a year-end impairment on the CGU (cash generating unit) assets of R599 milion. Sefa also saw an increase in impairment levels.

Group operating profit/(loss)

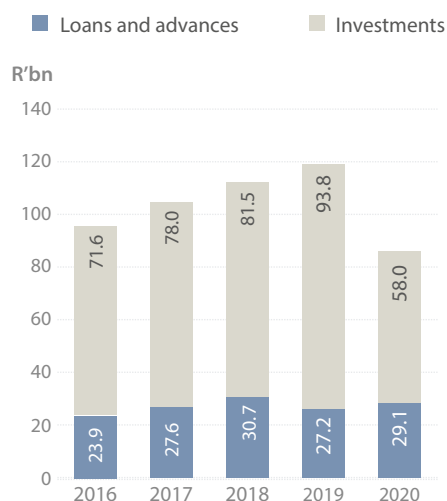


Loans, advances and investments

Approvals of R11.8 billion for the year tracked lower than the prior year's of R13.1 billion, which indicates the subdued nature of the South African economy during the period under review. This, combined with an increase in the provision for expected credit losses of R5.5 billion, negatively impacted the value of the SPPI book (debt instruments) recognised on the balance sheet.

The revaluation of investments to fair value resulted in a decrease in the fair value of the equity and non-SPPI book of R38.5 billion, as a result of the collapse in Sasol's share price and the weakening of the unlisted equity book. Kumba's share price also declined at year-end, driven by that entity's inability to export products to overseas markets under lockdown.

Group loans, advances and investments



The factors that have been outlined above have placed pressure on the Group financial position and gearing as illustrated below. With strong volatility in commodity prices and the Group being significantly exposed to the resources sector, the need to diversify is ever present. The IDC has committed to diversifying the portfolio over the medium term to reduce concentration risk towards commodities.

Group borrowings

Borrowing activity during the year amounted to R7.2 billion with repayments of R7.4 billion. A large portion of the borrowing was raised from local lenders through public bonds, bilateral facilities with commercial banks and multinational DFIs. During the year under review, the commercial loans concluded had increased in tenure to match the assets financed.

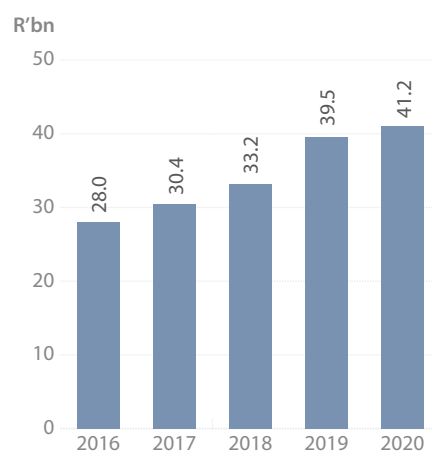
The bonds issued were under the IDC Domestic Medium-Term Note (DMTN) programme. Pre-Covid-19, the capital market had surplus liquidity. Investor confidence was at its highest and it was reflected by oversubscription at bond auctions coupled with reverse enquiries from investors, indicating their confidence in the IDC's creditworthiness and financial standing.

The IDC tapped the bond market three times during the year under review.

The IDC's future funding strategy seeks to diversify its funding sources. This strategy will also be informed by local and international market conditions, pricing and available liquidity in financial markets. The IDC will, therefore, continue to tap into the traditional sources such as bond issuances, commercial banks (both local and international) and (DFIs, while searching for new funding sources.

DFIs and other foreign commercial banks continued to be a good source of funding, providing much-needed long tenure borrowings. These include Kreditanstalt für Wiederaufbau (KfW), African Development Bank (AfDB), Agence Française de Développement (AFD)/Proparco, European Investment Bank (EIB), China Development Bank (CDB) and China Construction Bank (CCB).

Group borrowings



The Public Investment Corporation (PIC), acting on behalf of the Government Employee Pension Fund, supported the green efficiency strategy by providing a longer tenor private placement bond. The Unemployment Insurance Fund (UIF), in its quest to reduce unemployment, partnered with the IDC to provide funding to assist companies that would save and create new jobs. This was facilitated by the PIC. This diversified pool of funding provides the IDC with flexibility to raise borrowings as and when required, depending on market volatility at the time. The IDC continues to meet its financial obligations emanating from these funding sources, while maintaining excellent relationships with our lenders and investors.

The IDC continues to diversify its sources by tapping the capital market through the issuance of public and private placed bonds. Private bonds have, however, carried themes or strategic initiatives with parties who would like a joined effort in support of developmental initiatives.

The downgrade of the South African sovereign at the end of the financial year to below investment grade had a negative impact on the IDC's credit rating as the IDC's rating is pegged to the sovereign's rating. The IDC's credit rating was downgraded by a further notch subsequent to year end due to the perceived reduced likelihood of the government being able to support SOEs. The impact thereof would be realised in the forthcoming year with ratchets on some borrowings having to be added to current cost of funding. Furthermore, this will shape the capital market landscape as it would influence the supply and demand for borrowings.

Total assets, capital and reserves as well as the debt/equity ratio

The decline in the asset base from R144.6 billion in 2019 to R109.6 billion is mostly attributable to the collapse in the Sasol share price – the cumulative value lost on this one investment amounted to R22 billion for the year under review. Valuations

of the unlisted book declined, evidencing the strong economic pressures that are currently being faced by our business partners. Expected credit losses increased by R5.5 billion.

The consequential decline in reserves resulted in an increase in the gearing ratio to levels of 77.2% at mini-group level. Gearing has subsequently improved following strong recovery in Sasol and Kumba's share prices.

Impairments (IDC Company)

In 2019 IFRS 9 replaced IAS 39 resulting in changes in the classification and measurement of financial assets and impairment provisioning methodologies. In terms of IFRS 9 total impairments consist of two components:

- Expected credit losses (ECLs) or loss allowances on financial assets/debt instruments carried at amortised cost
- Negative fair value adjustments on debt instruments carried at fair value.

The total impairment level for the 2020 financial year on both the loan and equity books amounted to R20.6 billion, up R5.5 billion compared to the balance at the end of the 2019 financial year.. This is attributable to deterioration of the book, as a result of the weakened economy and the early signs of the financial impact of Covid-19. The impairment ratio (SPPI) weakened from 26.3% at the end of 2019 to 32% at the end of the current year.

The IDC's risk appetite thresholds for impairments are continually reviewed and the Executive Management team and Board Risk and Sustainability Committee receive quarterly reports on impairments and related credit risk measures.

Write-offs (IDC Company)

The IDC writes off investments when all avenues of recovery have been exhausted. During the year under review, R2.4 billion was written off versus R2.3 billion in 2019. The write-offs were provided for through the IFRS 9 ECL forward-looking approach.

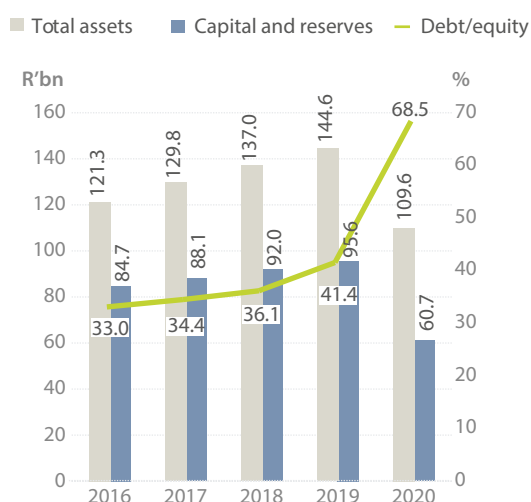
Although the probability of recovery reduces post write-off, recovery efforts continue in the legal services environment. Write-offs are reflected on a net basis, post recoveries.

The trend in write-offs over the past five years is illustrated in the following chart.

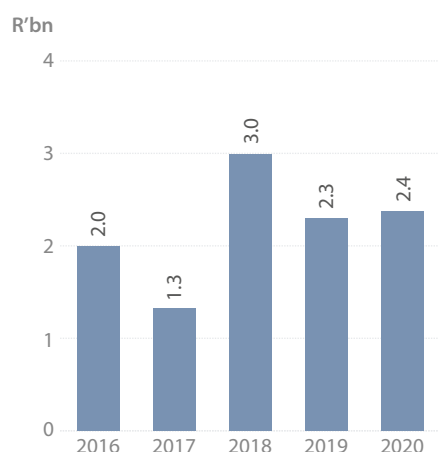
Financial risk management

The Executive Management team and Risk Management Department together with the finance team ensure that financial risks are robustly and effectively managed. The various risks and their management are discussed below.

Group assets, capital and reserves and the debt/equity ratio



Write-offs



Liquidity risk

Liquidity risk refers to an inability by the Group to meet its obligations promptly for all maturing liabilities, increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or do so at materially disadvantageous terms (market liquidity risk).

Liquidity risk is governed by the Asset and Liability Management Policy. The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions related to liquidity risk exposures.

Sources of liquidity risk include:

- Unpredicted accelerated drawdowns on approved financing or call-ups of guarantee obligations.
- Inability to roll and/or access new funding.
- Unforeseen inability to collect what is contractually due to the Group.
- Liquidity stress at subsidiaries and/or other SOEs.
- A recall without due notice of on-balance sheet funds managed by the Group on behalf of third parties.
- A breach of covenant(s), resulting in the forced maturity of borrowing(s).
- Inability to liquidate assets in a timely manner with minimal risk of capital losses.

The Corporate Treasury manages liquidity on a day-to-day basis within Board-approved treasury limits to ensure that:

- sufficient, readily available liquidity to meet probable operational cash flow requirements for a rolling three-month period is available at all times and
- excess liquidity is minimised to limit the consequential drag on profitability.

Liquidity coverage ratios aim to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected, yet plausible, liquidity stress events. Two separate liquidity stresses are considered. Firstly, an acute three-month liquidity stress that impacts strongly on both funding and

market liquidity and secondly, a protracted 12-month liquidity stress with a moderate effect on both funding and market liquidity. Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Group's listed equity investments after applying forced-sale discounts.

Structural liquidity mismatch ratios aim to ensure adequate medium to long-term liquidity mismatch capacity by maintaining a stable funding profile. This is done by restricting, within reasonable levels, potential future borrowing requirements as a percentage of total funding-related liabilities. A robust funding structure reduces the likelihood of deterioration in the Group's liquidity position should sources of funding be disrupted. The structural liquidity mismatch is based on conservative cash flow profiling with the added assumption that liquidity, in the form of high-quality liquid assets, is treated as readily available (i.e. recognised in the first-time bucket).

Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. In respect of market risk, the Group is exposed to interest rate risk, exchange rate risk and equity price risk. Market risk is governed by the Asset and Liability Management Policy and ALCO provides the objective oversight and makes delegated decisions related to market risk exposures.

Interest rate risk

Interest rate risk is the risk that adverse changes in market interest rates may cause a reduction in the IDC's future net interest income and/or economic value of its shareholders' equity. The IDC's interest rate risk is a function of its interest-bearing assets and liabilities.

The primary sources of interest rate risk include:

- Repricing risk: as a result of interest-bearing assets and liabilities that reprice within different periods. This includes the endowment effect due to an overall quantum difference between interest-bearing assets and liabilities.
- Basis risk: as a result of the imperfect correlation between interest rate changes (spread volatility) on interest-bearing assets and liabilities that reprice within the same period.
- Yield curve risk: as a result of unanticipated yield curve shifts (i.e. twists and pivots).
- Optionality: as a result of embedded options in assets (i.e. prepayment) and liabilities (i.e. early settlement), which may be exercised based on interest rate considerations.

The sensitivity to interest rate shocks and/or changes in interest-bearing balances is measured by means of earnings and economic value approaches. The former quantifies the impact on net interest income over the next 12 months and latter gauges the impact on the fair market value of assets, liabilities and equity.

Exchange rate risk

Exchange rate risk is the risk that adverse changes in exchange rates may cause a reduction in the IDC's future earnings and/or its shareholders equity.

In the normal course of business, the IDC is exposed to exchange rate risk through its trade finance book and exposure to investments in and outside Africa. The risk is divided into:

- Translation risk, which refers to the exchange rate risk associated with the consolidation of offshore assets and liabilities or the financial statements of foreign subsidiaries for financial reporting purposes.
- Transaction risk, which arises where the IDC has cash flows/ transactions (i.e. a monetary asset or liability, off-balance sheet commitment or forecasted exposure) denominated in foreign currencies whose values are subject to unanticipated changes in exchange rates.

Any open (unhedged) position in a particular currency gives rise to exchange rate risk. Open positions can be short (we need to buy foreign currency to close the position) or long (we need to sell foreign currency to close the position) with the net open foreign currency position referring to the sum of all open positions (spot and forward) in a particular currency. For purposes of hedging, net open foreign currency positions are segmented into the following components:

- All exposures related to foreign currency denominated lending and borrowing.
- All foreign currency denominated payables in the form of operating and capital expenditure, as well as foreign currency denominated receivables in the form of dividends and fees.

Equity price risk

Equity price risk is the risk that adverse movements in equity prices may cause a reduction in the value of the Group's investments in listed and/or unlisted equity investments and, therefore, includes future earnings and/or value of shareholders' equity.

Sources of equity price risk include:

- Systematic risk or volatility in relation to the market as a whole.
- Unsystematic risk or company-specific risk factors.

The investment portfolio's beta is used as an indication of systematic, non-diversifiable risk. Due to the long-term nature of

the Group's investments, unsystematic risk is managed through diversification.

Sensitivity analyses were performed on the Group's equity portfolio to determine the possible effect on the fair value should a range of variables change, such as cash flow, earnings and net asset values. These assumptions were built into the applicable valuation models.

Our asset and liability management and risk management practices, together with regular scenario planning, assist management to ensure that this objective is achieved.

Future performance

The world is facing one of the most challenging economic crises since the great depression. The economic impact that Covid-19 has had through most nations shutting down their economies and stalling trade and the shock to demand yet to be quantified and the effects will be felt for the short to medium term. In order to ensure sustainability, the IDC will continue to lend responsibly but ensure that it fulfils its mandate as a DFI. The impact of Covid-19 will be felt by IDC, its subsidiaries and client base and profitability is expected to remain under significant pressure. The IDC is already mobilising Covid relief funding and will continue to support the local industrial growth and capacity building as best it can.

To fulfil the 2021-2025 Corporate Plan, disbursements will be funded through a combination of internally generated funds as well as funds sourced from the capital markets. Borrowing levels are expected to increase in line with the growth in expected disbursements – but will all be done under the proviso of ensuring a sustainable IDC.

The IDC has implemented an internal LTSP to lift organisational performance and emerge more efficient and effective. This plan aims to ensure that the IDC improves long-term performance, ensures developmental impact is focused and remains financially sustainable.

ASSURANCE REPORT

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

To the Directors of the Industrial Development Corporation of South Africa Limited.

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as

described below, and that are presented in the Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2020 (the Report). This engagement was conducted by a multi-disciplinary team including specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We have been engaged to provide a limited assurance on the following selected KPIs. The selected KPIs described below have been prepared in accordance with IDC's reporting criteria and the reporting boundary is IDC's operations.

Scope of limited assurance engagement				
Perspective	Theme	Indicator	Measurement Description	Unit of Measure
Developmental Impact	Industrial Capacity Development	Funding approved	Total value of funding approved by IDC (R'm)	Rand Value (ZAR)
	Jobs	Expected direct jobs created/saved (approved)	Expected direct jobs created/saved for funding approvals with agreements signed (Number)	Number (#)
	Economic Empowerment and Transformation	Value of funding to Black Industrialists (approved)	Value of funding approvals with agreements approved for transactions benefiting black woman industrialists (R'm)	Rand Value (ZAR)
	Socio-economic Development	Special enterprises/interventions funded	Number and value of special enterprises/interventions funded	Number (#) and Rand Value (ZAR)
Human Capital	Human Capital	Collective bargaining	Percentage of employees covered by collective bargaining agreements at the end of the reporting period	Percentage (%)
		Retention - % turnover	Retention - % turnover of employees occupying critical roles	Percentage (%)
		Average number of hours training	Training of employees by level, gender, and employee category	Number (#)
			Impact of Skills Development on transformation	Text Claim
Governance, regulation & risk management	Governance, regulation & risk management	Governance, regulation & risk management	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number (#) and Percentage (%)
		Communication and training on anti-corruption policies and procedures	Communication and training on anti-corruption policies and procedures	Text Claim
Customer Expectations	Customer Expectations	Customer satisfaction index	Customer satisfaction survey results	Number (#)
Partners	Partners	IDC memberships	IDC memberships	Text Claim

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the accompanying IDC reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to the Report users.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement techniques which can result in materiality and the accuracy of data are subject individual assumptions and judgments. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

Further, because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the International Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Where the information relies on the factors derived by the independent third parties, our assurance work would not include an examination of the derivation of those factors and other third-party information.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firms apply the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures

regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of IDC's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgment and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at IDC.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether IDC's selected KPIs have been prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph for the year ended 31 March 2020 are not prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.



Nexia SAB&T

Registered Auditor

Ayisha Ramasike CA (SA)

Director

Chartered Accountant (SA)

Registered Auditor

28 September 2020

Nexia SAB&T

119 Witch-Hazel Avenue

Centurion Techno Park

Centurion

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OTHER MATTERS

Our report includes the provision of limited assurance on (IDC memberships, Collective bargaining, Special enterprises/ interventions funded. We were previously not required to provide assurance on these selected KPIs in prior years.

The maintenance and integrity of the IDC's website (www.idc.co.za) is the responsibility of IDC management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on IDC website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of IDC in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than IDC, for our work, for this report, or for the conclusion we have reached.



Sizwe Ntsaluba Gobodo Grant Thornton Inc.

Registered Auditor

Fikile Zwane

Director

Chartered Accountant (SA)

Registered Auditor

28 September 2020

Sizwe Ntsaluba Gobodo Grant Thornton Inc.

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GLOSSARY

4IR	Fourth Industrial Revolution	GDP	Gross Domestic Product
AFD	Agence Française de Développement	GHG	Greenhouse Gas
AfDB	African Development Bank	GMSA	Grinding Media South Africa
AGM	Annual General Meeting	GRI	Global Reporting Initiative
AI	Artificial Intelligence	HC	Human Capital
ALCO	Asset and Liability Committee	HCNC	Human Capital and Nominations Committee
ALM	Asset and Liability Management	IAS	International Accounting Standards
AML	Anti-Money Laundering	ICT	Information and Communication Technology
BAC	Board Audit Committee	IDC	Industrial Development Corporation
BAIC	Beijing Automobile International Corporation	IFRS	International Finance Reporting Standards
B-BBEE	Broad-based Black Economic Empowerment	IIRC	International Integrated Reporting Council
BEE	Black Economic Empowerment	IMC	Investment Monitoring Committee
BHCNC	Board Human Capital and Nominations Committee	IPAP	Industrial Policy Action Plan
BIC	Board Investment Committee	IIRC	International Integrated Reporting Council
BIS	Black Industrialist Scheme	ISAE	International Standard on Assurance Engagements
BRSC	Board Risk and Sustainability Committee	ISO	International Organisation for Standardisation
BSEC	Board Social and Ethics Committee	IT	Information Technology
CCB	China Construction Bank	JSE	Johannesburg Stock Exchange
CCMA	Commission for Conciliation, Mediation and Arbitration	JV	Joint Venture
CDB	China Development Bank	KfW	Kreditanstalt für Wiederaufbau
CEO	Chief Executive Officer	LCR	Liquidity Coverage Ratio
CFP	Contingency Funding Plan	LNG	Liquefied Natural Gas
CO₂	Carbon dioxide	LTSP	Long-term Sustainability Project
CO₂e	Carbon dioxide equivalent	NDP	National Development Plan
COO	Chief Operations Officer	NPL	Non-Performing Loans
CRO	Chief Risk Officer	OE	Organisational Effectiveness
CSI	Corporate Social Investment	OEM	Original Equipment Manufacturer
CTFL	Clothing, textiles, footwear and leather	PEP	Politically Exposed Person
DFI	Development Finance Institution	p.t.	per ton
dtic	Department of Trade, Industry and Competition	PFMA	Public Finance Management Act
ECL	Expected Credit Losses	PIC	Public Investment Corporation
EDP	Entrepreneurship Development Portfolio	PIP	Prominent Influential Person
EE	Employment Equity	POPI	Protection of Personal Information
EIB	European Investment Bank	POPIA	Protection of Personal Information Act
ESG	Environmental, Social and Governance	PRECCA	Prevention and Combating of Corrupt Activities Act
EVP	Employee Value Proposition	PSA	Public Servants Association of South Africa
Exco	Executive Committee	RAG	Red, Amber or Green
FICA	Financial Intelligence Centre Act	RCSA	Risk and Control Self-Assessment
FICAA	Financial Intelligence Centre Amendment Act	R-CTFL	Retailer, Clothing, Textiles, Footwear and Leather
FSC	Financial Sector Code	REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
FY	Financial Year		

SA	South Africa
SDG	Sustainable Development Goal
sefa	Small Enterprise Finance Agency
SENS	Stock Exchange News Service
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro-sized Enterprises
SOC	State-owned Company
SOE	State-owned Enterprise
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicle
StatsSa	Statistics South Africa
TVET	Technical Vocational Education and Training
UIF	Unemployment Insurance Fund
UNEP	United Nations Environment Programme
UNEPFI	United Nations Environment Programme Finance Initiative
UNEPFI PRB	UNEPFI Principles for Responsible Banking
VRFB	Vanadium Redox Flow Battery
WSD	Whole School Development
WWF	World Wide Fund for Nature

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LI Bethlehem

BA Dames

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A Kriel

Dr SM Magwentshu-Rensburg

NP Mnxasana

PM Mthethwa

Adv ND Orleyn

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