INTEGRATED REPORT 2023

Industrial Development Corporation

Partnering you. Growing the economy. Developing Africa

2023 PERFORMANCE OVERVIEW

R20.7 billion
(R16.0 billion in 2021/22)

29.4%

IDC FUNDING APPROVED

R17.8 billion
(R7.2 billion in 2021/22)

147%

IDC FUNDING DISBURSED

34 035
(27 130 in 2021/22)

25.5%

JOBS CREATED

R11.4 billion
(R6.6 billion in 2021/22)

72.7%

COMMITTED TO TRANSFORMATION FUNDING

R5.9 billion
(R2.7 billion in 2021/22)

118.5%

NET PROFIT (COMPANY)

R161.9 billion
(R170.8 billion in 2021/22)

5.2%

ASSET BASE (COMPANY)

CONTENTS

NAVIGATING THIS REPORT

FINANCIAL CAPITAL

INTELLECTUAL CAPITAL

SOCIAL CAPITAL

MANUFACTURED CAPITAL

HUMAN CAPITAL

NATURAL CAPITAL

ICONS DENOTING ASSURANCE

LA Denotes Limited Assurance

RA Denotes Reasonable Assurance

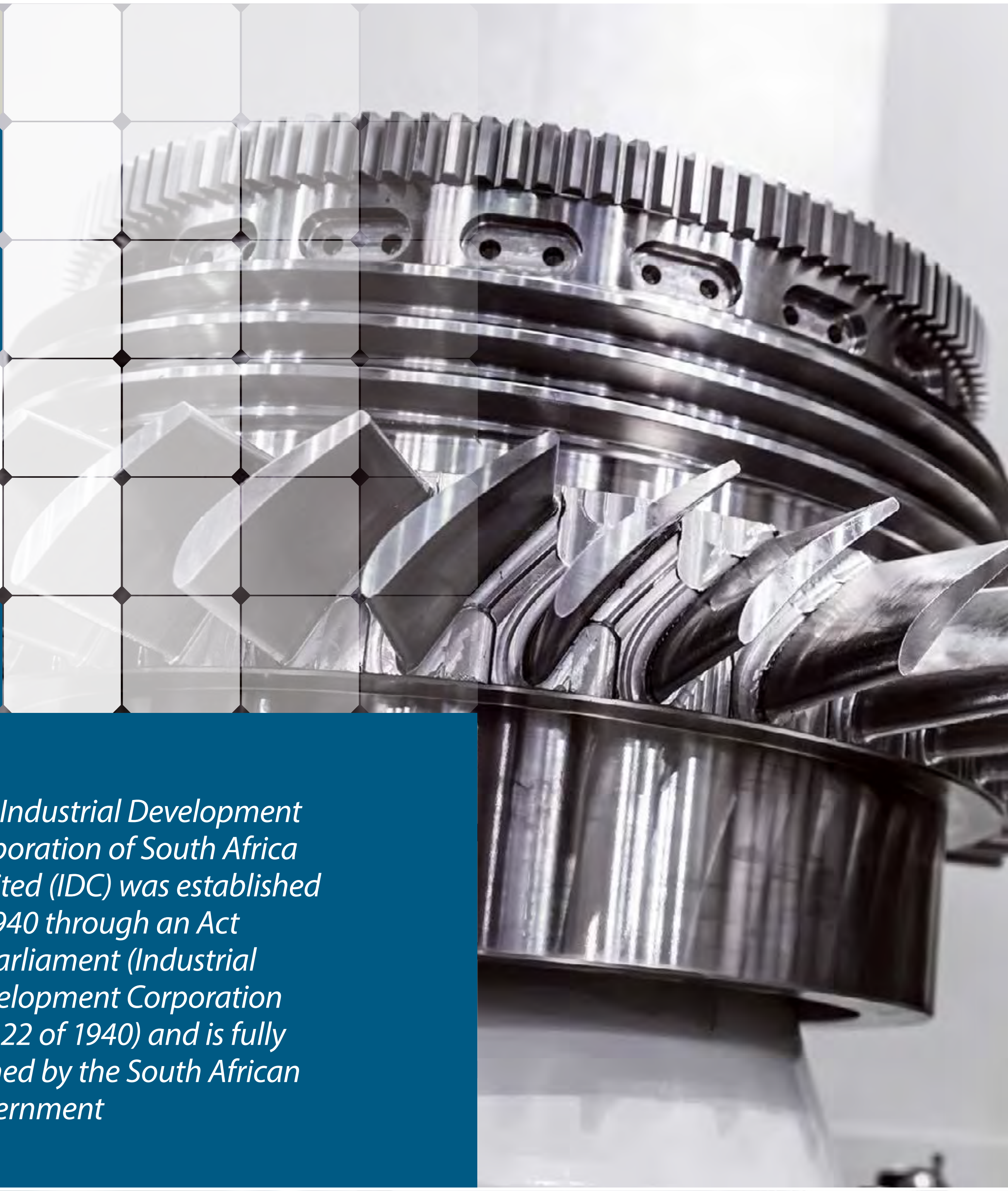
ICONS DENOTING AVAILABILITY OF ADDITIONAL INFORMATION

Additional information available at www.idc.co.za

Additional information available elsewhere in this report

ADDITIONAL ONLINE INFORMATION

- Group structure
- Board directorships
- Carbon footprint
- Social investment
- Human capital
- Procurement
- Special funding schemes
- Memberships
- King IV checklist
- Global Reporting Initiative table



The Industrial Development Corporation of South Africa Limited (IDC) 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

INTRODUCTION

ABOUT THIS REPORT

This integrated report covers the financial year 1 April 2022 to 31 March 2023. It incorporates significant events after this date and up to the date of Board approval. We report and provide information on our governance, material matters, risk and opportunities, performance, our impact and our outlook.

Integrated thinking

We aim to provide a balanced view to our stakeholders and present an account of the execution of our strategy and our value-creation process through our business model in the context of tradeoffs when using and affecting the six capitals. Our commitment to sustainable development aligns to the United Nations Sustainable Development Goals (SDGs) and the National Development Plan (NDP). For alignment, refer to the matrix on page 39.

Scope and boundary

The reporting boundary covers the Industrial Development Corporation of South Africa Limited (IDC or Corporation). The 'IDC group' includes IDC and all its subsidiaries, while the 'IDC mini-group' refers to IDC and its subsidiaries Findevco, Konoil and Impofin.

The group structure can be found in the online report. There were no significant changes to scope and boundary from the previous financial year and no restatements made unless otherwise indicated in the report.

As we apply the concept of double materiality, our integrated report contains financial information for the IDC group as well as non-financial information for the IDC and its major subsidiaries. Our carbon footprint report is available online.

TIMELINES		
Short term	**Medium term**	**Long term**
We view 2022/23 and 2023/24 as short term – approximately 18 months in which we implement initiatives to support our strategies.	Our medium-term view covers 18 to 36 months and stretches over three financial years, 2023/24 to 2025/26.	Our longer-term view stretches beyond 2025/26 and includes goals and strategies with a time horizon of more than three years.

Reporting structure

The report was compiled according to the International Integrated Reporting Council's International Integrated Reporting <IR> Framework, which was also used to describe the strategy development process. The report structure and information presentation are aligned with international standards and frameworks, and discussions about value creation are built on the six capitals identified by the International Reporting Council.

Our financial reporting complies with International Financial Reporting Standards (IFRS), the South African Companies Act Companies Act 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999, as amended (PFMA).

Our integrated reporting is guided by the Industrial Development Corporation Act, 22 of 1940, as amended (IDC Act) and internally developed policies and guidelines. We subscribe to the principles of good governance of the King Report on Corporate Governance for South Africa, 2016 (King IV) and apply the Greenhouse Gas Protocol to categorise and calculate CO_2e (carbon dioxide equivalent) emissions. We contribute to the achievement of the SDGs. We also refer to certain Global Report Initiative standards.

In 2021/22 our integrated report received a merit award for state-owned companies from the Chartered Governance Institute of Southern Africa. Our 2022/23 report builds on this achievement and we continue to improve our report.

Our suite of reports is available on our website and includes:

Integrated report

Details of our strategy and performance and the value created, preserved or eroded during the reporting period.

Assurance – management and governance oversight are followed by Board oversight and approval. Selected sustainability indicators are assured by internal audit and an external audit opinion by Nexia SAB&T and Deloitte.

Annual financial statements

Comprehensive information on the group's audited financial statements, prepared according to IFRS.

Assurance – internal controls, management and governance oversight are assured by internal audit and an unmodified external audit opinion provided by Nexia SAB&T and Deloitte.

Process disclosure and assurance

The Corporate Affairs Department, through the cross-functional integrated report working group, is responsible for the production of the integrated report. The working group comprises individuals from various functions and content is received from a range of sources across the organisation.

In this report we intend to address the information requirements of our key stakeholders, namely our existing and potential clients, strategic project partners, shareholder, lenders, employees and subsidiaries.

The information and disclosures in this report are based on the principles of materiality. The IDC Board and management confirmed the issues that significantly affect the IDC's ability to create value in the short-, medium- and long term. The report is structured around seven material issues, details of which are on page 48.

1. **Sustainable industrial development**
2. **Financial sustainability**
3. **Socio-economic development**
4. **Client expectations**
5. **Governance, risk and compliance**
6. **Human capital**
7. **Partners**

Financial information and certain non-financial performance indicators have been assured using our combined assurance model. The IDC's external auditors Deloitte and Nexia SAB&T, supported by the IDC internal audit team, issued an unqualified audit opinion on the assurance of the group audited financial statements. Selected performance information, in line with International Standards for Insurance Engagements (ISAE3000), was assured at a limited assurance level. Our risk, audit and compliance functions and activities are aligned to ensure the integrity of our reporting. The Board approved this report on 14 September 2023.

The Board, supported by the Board Audit Committee, is responsible for internal control, which identifies, evaluates, manages and provides reasonable assurance against material misstatement and loss. Using the Board-approved risk management process, management identifies key risks and implements internal controls.

The Internal Audit Department provides independent, objective assurance to the Board that the governance processes, management of risk and internal control system are adequate and effective in mitigating significant risks.

Outlook and forward-looking statements

During the compilation of this report, the Board presented its views on the outlook for the IDC and its predicted performance based on forecasts of local and global economic conditions. The challenges, opportunities and uncertainties we anticipate while pursuing our strategy and the effects on our business model and performance expectations are discussed in the report in the leadership commentaries and the section on the external environment.

Forward-looking statements were informed by the IDC corporate plan and are subject to risk and uncertainty. These and other factors could cause actual performance to be materially different from future results.

BOARD APPROVAL

The IDC Board, with the support of its Board committees, acknowledges responsibility for the integrity and completeness of the integrated report. It is the Board's opinion that this report addresses the material issues that have an influence on the Corporation's ability to create and preserve value. The Board considers the content of this report to be accurate, reliable, balanced, complete and prepared in accordance with the International Integrated Reporting Framework.

BA Mabuza
Board Chairperson
14 September 2023

TP Nchocho
Chief Executive Officer
14 September 2023

MINISTER'S FOREWORD

Funding approvals increased to R20.7 billion for the year, up from R16 billion in the previous corresponding period. The 29% increase in approvals represents the highest nominal amount ever approved by the IDC.

Faced with significant headwinds, global and local, the SA economy showed remarkable resilience in the past year, though growth levels remained subdued and robust growth prospects are tied to resolution of key domestic constraints, particularly energy and transport logistics.

On the upside, the global shift to new energy sources provides new opportunities for South Africa and the region, given the significant resource base of critical minerals – and the opportunity to leverage these for African industrialisation. The steady progress with finalising the conditions required to implement the African Continental Free Trade Agreement, provides a boost to investment prospects. The SA Investment Conference first 5-year cycle has seen significant progress with securing investment pledges in both greenfield and brownfield projects, resulting in R1.5 trillion in commitments. Implementation of the investment has seen a number of projects completed, including large new auto investments (in the new C-class Mercedes model, Toyota's Corolla Cross vehicle and both the Ford Hilux and the new Isuzu D-Max bakkies), pharmaceuticals (production of Covid and other vaccines in SA), expansion of production of paper pulp, steel products and many others.

On the downside, slowing growth in key trading partners, coupled with growing geopolitical tensions and extreme weather events, are factors that impact on South Africa's export performance and global business confidence.

A number of steps have been taken to place the SA economy on a higher growth path, including significant new investment in energy, regulatory reforms, sector strategies and a growing focus on manufactured exports.

The role of the IDC is to assist with the structural transformation of the economy, through:

- Support for South Africa's industrialisation drive, with expansion of manufacturing output, jobs and exports (particularly to other African countries) and assisting industry to move up the value chain, mastering increased complexity of production as a strategy to capture greater value-addition in the local economy;
- measures that help shift economic activities to lower carbon emissions and promote growth in the new green technologies and sectors; and to embrace the potential of digitalisation and new technologies; and
- enabling greater levels of economic inclusion with growth of black industrialists in the economy, and broader participation by workers, women and youth as shareholders in companies.

The IDC performance has shown growth off the previous year's base. Funding approvals increased to R20.7 billion for the year, up from R16 billion in the previous corresponding period. The 29% increase in approvals represents the highest nominal amount ever approved by the IDC.

Disbursements for the year increased considerably, to R17.8 billion from the low base of R7.2 billion in 2021/22. This reflects improvements in the IDC's origination and coverage activities supported by better operating efficiencies including improved ways of work. Most of this funding is directed towards capacity expansions, projects and startups, in line with the Corporation's mandate of creating industrial capacity development. These investments will catalyse and sustain the recovery of productive sectors further underscoring the significance of the IDC's countercyclical role in stimulating our economy.

The IDC has made progress in a number of areas.

To support manufacturing growth, the IDC facilitated almost R10 billion towards localisation and beneficiation activities across sectors such as steel, pharmaceuticals, automotive and food products. In addition, it provided funding for a platinum mine in the Bojanala Platinum Valley.

In the year under review, the Corporation in partnership with the dtic and other departments, supported the development and implementation of several industry plans. Almost R32 billion in projects will be catalysed in the years to come across various sectors such as steel, agriculture (poultry, sugar and other value-chains) and clothing, textile, footwear and leather. New sectors with significant job growth potential will be prioritised in the year ahead, including medical, green, digital and food value chains.

To support the greening of the economy, the IDC disbursed R1.1 billion to renewable energy projects approved in previous years and committed almost R1.5 billion towards new renewable energy projects. Since the start of the IDC's focus on renewable energy in 2011, the Corporation has invested about R16 billion in renewable energy, in projects worth around R65 billion in total investment. Almost 30% of IDC funding went to community trusts and black-empowered entities.

To support infrastructure investment required for industrialisation, the IDC supported investment in rail logistics, air logistics, pipeline and project infrastructure and as well as bulk water provision, in SA and one project in Uganda. In addition to energy investments as captured above, infrastructure investment funding of R4.3 billion was approved by the Corporation in the past year.

To support African economic development, funding of R3.4 billion was approved for projects in other African countries, including mining in the DRC, aluminium manufacturing in Mozambique, liquid fuel refining in Angola, pipeline infrastructure in Uganda and a paper mill in Botswana. These investments complement the trade strategy of the dtic-group, to build higher levels of economic integration and trade between African countries.

In support of our export strategy, additional exports of about R40.7 billion will be generated by IDC-supported companies, for committed funding in the year under review.

Job creation and protection of existing jobs is a national priority. The IDC reported a positive impact on 26 930 jobs from IDC funding during the year under review, covering both jobs to be created (12 563) or saved (14 367). Of these, 13 081 jobs were in manufacturing projects, which should be the key focus of the IDC. A further 8 937 were in the primary sectors of mining and agriculture (with almost 3 600 of these being new jobs created through the Corporation's expansionary finance investment in a platinum facility in Limpopo). In addition, 4 912 were in the services sector.

The numbers above include 8 476 jobs saved by IDC's contribution of R1.25 billion to the Flood Relief Fund intervention, which supported businesses affected by the devastating floods of April 2022, which also resulted in the creation of 1 011 jobs. The IDC jobs impact from its portfolio, outside the floods-funding were 17 443 jobs that has been saved or will be created as the projects reach completion and production commences.

In addition to the above industrial jobs, the IDC managed the Social Employment Fund, with 6 404 'full-time equivalent' non-permanent jobs created in the social economy. Other funds managed by the IDC on behalf of clients created 700 additional jobs.

To support greater economic inclusion, total committed transformation funding for the year amounted to R11.5 billion, R7.5 billion of which targeted black industrialists. In 2022/23, IDC approved funding for six worker trusts, in meat, horticulture (citrus, almonds and cherries), metal fabricators and electronics firms. I have directed the Board and management to further enhance these worker schemes to foster a more productive workplace culture in participating companies, as well as more inclusive growth outcomes. I would like to see this framework being replicated across other South African corporates to enable critical mass in achieving these goals.

The Township Economy Partnership Fund was launched and a reported R290 million of funding, to 279 township clients. Seventy-four approvals were made through the IDC's direct funding channel for small and medium enterprises (SMEs), with an additional 81 businesses benefitting through the Corporation's partnership with the South African SME Fund.

As part of improving institutional capability, the IDC has focused on the turnaround of struggling subsidiaries – progress has been made with Foskor, which has moved from being a drain on the Corporation's balance-sheet, to a net profit position, contributing to IDC Group's income.

While these areas set out above will yield a positive impact, progress has been slow in a number of key areas.

Most critically, the expansion of manufacturing's contribution to the overall GDP needs to be stepped up – while progress has been made at project-level in a number of sectors, the impact of the IDC needs to be felt with the success of the overall re-industrialisation national project. The key metrics are the value of output in real terms, and the number of jobs in manufacturing and productive services. This requires scale and deeper financing partnerships that can impact better on the macro GDP numbers.

Funding approved for women-empowered companies (R1.1 billion against a target of R2.5 billion) and youth businesses (R501 million against a target of R1.1 billion) require improvement. In the year ahead, I expect the Corporation to build on the momentum and increase funding to these important groups of entrepreneurs.

Funding to renewable energy projects has not sufficiently leveraged opportunities for local manufacture of components, and using SA as a base for export of renewable energy technologies and products. As the green economy grows globally, SA needs to be positioned to be more than simply a consumer of green industry products. Funding in the mining industry, particularly in critical minerals, should enable greater levels of downstream beneficiation, to final product level (consumer or capital goods). This requires more than a funding decision – it requires strategic partnerships and developing a conducive eco-system to enable such projects to be commercially feasible.

In light of the above, I have challenged the Corporation to improve further and build on positive achievements. In keeping with its mandate, it must be bolder in stimulating the economy and driving sustainable and inclusive industrial capacity. In addition to leveraging the positive momentum, I expect the Corporation to make progress in the following areas in the year ahead:

- Support to overcome the energy shortage – focus on accelerating the energy resilience scheme, fast-tracking energy projects through the recently launched energy one-stop shop and the development of the green hydrogen economy, which all contribute to the just energy transition;
- Expediting the development of industries for battery storage and electric vehicles, including creating customised financing solutions for original equipment manufacturers and component manufacturers;
- Deepening the development impact of its work, including funding for black industrialists and women-owned businesses, expansion of decent work opportunities, empowerment of youth and workers, funding of rural enterprises and supporting of equitable regional development;
- Improving the efficiencies and effectiveness of its internal processes to achieve faster approval times, stronger client service and sustainability of the IDC investment portfolio and the institution as a whole.

I thank the IDC Chairperson, Busisiwe Mabuza, and the Board for their guidance and support to management and the strong governance culture they instil. I thank the Chief Executive Officer TP Nchocho for his contribution to the work of the IDC during a challenging period and wish him well as he embarks on a new chapter in his career. My appreciation, too, goes to IDC management and staff for their support to the IDC leadership. I wish finally to acknowledge the role played by Board member Bobby Godsell and the support team in turning around Foskor.

Ebrahim Patel
Minister of Trade, Industry and Competition

CHAIRPERSON'S STATEMENT

Our support for energy solutions and participation in hydrogen initiatives affirmed our role in that market amid the national energy deficit and distressing impact on economic activity and GDP.

Economic environment

In the past financial year, the performance of the South African economy was affected by several challenges and negative developments of an external and domestic nature, which slowed its post-pandemic recovery and expansion momentum.

On the domestic front, severe constraints in the energy, transport and logistics sectors as well as rising costs of production and living in an economic environment characterised by persistent operational constraints, high inflation and rising interest rates, among others, weighed on domestic economic activity.

A less favourable global environment, driven largely by the negative implications of regional wars, heightened geopolitical tensions, softer mineral commodity prices and China's economic slowdown, added to the domestic economy's troubles.

Our business partners in several sectors of the economy thus continued to experience difficult operating and trading conditions. Weak domestic demand conditions and more restrained demand for South Africa's exports in some of our key markets elevated input costs and operational challenges. Unprecedented interruptions in energy supply and operational inefficiencies in the transport and logistics sector had a negative impact on the performance of some sectors, including the mining and manufacturing sectors, which constitute a large portion of IDC clients.

Confidence levels among businesses and investors remained low and, considering the challenging economic environment, the private sector held back from committing significant capital for new and/or the expansion of existing production capacity. Operational and fiscal challenges faced by the public sector in general also limited investment in much-needed infrastructure.

Consequently, weak investment activity continued to affect companies and suppliers whose activities depend largely on the investment cycle, thus affecting the demand for IDC funding.

Financial sustainability

The Corporation's financial strength, liquidity position and operating profits grew during the year under review. A sustained focus on improving impairment and non-performing loans bore fruit and other financial indicators were revitalised. Notwithstanding the challenging macroeconomic conditions, exacerbated by widespread electricity disruptions and poor infrastructure delivery, the Corporation approved on-balance-sheet financing of R20.7 billion and disbursed R17.8 billion during 2022/23. The funding was vital to the economy, enabling funded clients to create and sustain jobs.

Furthermore, the organisation's standing commitment to supporting inclusive participation in the local economy will see

R11.4 billion of investment being facilitated for priority groups (2021/22: R6.6 billion). While the total funding facilitated is almost double the funding facilitated in the previous year, we fell short of our stated ambition for black-owned companies, women entrepreneurs and youth entrepreneurs. This outcome variously reflects the challenging economic environment that impacted the number of fundable opportunities across the affected segments.

IDC facilitated R7.7 billion for black-owned businesses (against a target of R8.3 billion), R1.1 billion for women entrepreneurs (against a target of R2.5 billion) and R501 million for youth entrepreneurs (against a target of R1.1 billion). We achieved our target for black industrialists, facilitating R7.6 billion during the year under review against a target of R5.2 billion. This represents an 86% increase compared to the previous year (2021/22: R4.1 billion).

Our support for energy solutions and participation in hydrogen initiatives affirmed our role in that market amid the national energy deficit and distressing impact on economic activity and GDP.

Despite the persistently difficult economic and trading conditions, targeted strategic interventions introduced in the previous financial years contained impairments to some extent. Our non-performing loan ratios trended in the right direction.

We responded to the April 2022 KwaZulu-Natal floods and declaration of a state of disaster with flood relief funding amounting to R1.25 billion.

Committed to inclusive and sustainable industrial development

The undertakings detailed in the Corporate Plan for 2022/23 to 2024/25 reflect our commitment to employment creation initiatives, including support for industry masterplans and township economies, and administration of the Social Employment Fund (SEF).

During the year, we enhanced and actively participated in efforts to transition the local economy to a green one. The review and update of our responsible investment policy and implementation of our environmental, social, governance and sustainability impact initiatives are key milestones in our journey.

Collaboration and partnerships remain crucial foundations of our focus on reindustrialisation, catalysing and sustaining the recovery of productive sectors, supporting industries involved in the transition to clean energy, improving the performance of subsidiaries and investments, and leveraging the opportunities emanating from the full implementation of the African Continental Free Trade Area (AfCFTA).

Our operational activities and impact remain vulnerable to adverse global geopolitical developments and domestic conditions that influence the trading environment. Prolonged electricity supply disruptions, transport and logistics challenges, rising freight, electricity and fuel costs and delays in the rollout of much-needed infrastructure projects present further structural risks and costs to already rising input and production costs for the South African economy and most of the IDC's business partners. Again, the IDC stands ready to partner with all stakeholders to advance national growth and development ambitions.

Governance

The composition of the Board was unchanged during the 2022/23 financial period, though our colleague Dr Nimrod Zalk resigned in July 2023. We are in engagement with the Shareholder Representative on the appointment of new non-executive directors.

The Board's commitment to ensuring the IDC business meets the highest standards of ethics and governance remained steadfast. The values of passion, partnership and professionalism underline all activities and the year under review was no exception.

Acknowledgements

At the end of December 2022, Corporation CEO TP Nchocho informed the Board of his decision not to seek an extension of his contract beyond its expiry date on 31 December 2023.

Mr Nchocho led and helped the organisation to confidently navigate some of the most tumultuous economic periods in which uncertainty and disruption were the order of the day. Together with the executive team, senior management and the staff; the corporation continued focusing on the fulfilment of our mandate which is to stimulate economic development while advancing an inclusive society. The Board extends its gratitude to Mr Nchocho for his leadership of the organisation during the challenging period that coincided with his tenure.

I acknowledge my Board colleagues, whose effort and dedication ensured that we met our brief. Furthermore, I would like to express the Board's appreciation to Dr Nimrod Zalk for his service and contribution to the Corporation.

Lastly, the Board extends its appreciation to Minister Ebrahim Patel, the dtic team and members of the Parliamentary Portfolio Committee on Trade, Industry and Competition and the Select Committee for overseeing, guiding, advising and supporting us throughout the year.

BA Mabuza
Board Chairperson
30 August 2023

We proactively maximise development impact through an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region.

WHO WE ARE

COMPANY OVERVIEW

The IDC was established through the Industrial Development Corporation Act, No 22 of 1940 and is fully owned by the South African government. The Corporation's priorities are aligned with national policy direction set out in the National Development Plan (NDP), industry masterplans and other policies.

To satisfy its mandate, the IDC needs to ensure its long-term sustainability through prudent financial and human capital management, while safeguarding the natural environment and positioning itself as a forerunner in development finance in South Africa and on the continent.

Our purpose

To drive an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region.

Our values

Daily activities and business conduct are guided by:

- Passion
- Partnership
- Professionalism

Customer value proposition

The IDC combines industry insights and partnerships to provide customised, value-adding funding and advisory solutions, enabling innovative entrepreneurship that advances inclusive industrial development.

Our activities and priorities

IDC business activities correspond to the key activities of a development finance institution:

- Developing and supporting pioneering projects
- Providing customised finance and investment solutions
- Partnering with others to extend IDC reach, capital and impact
- Providing non-financial support to entrepreneurs and selected state programmes.

The Corporation prioritises labour-intensive industrialisation whether created directly through its funding of companies or through the unlocking of downstream activities.

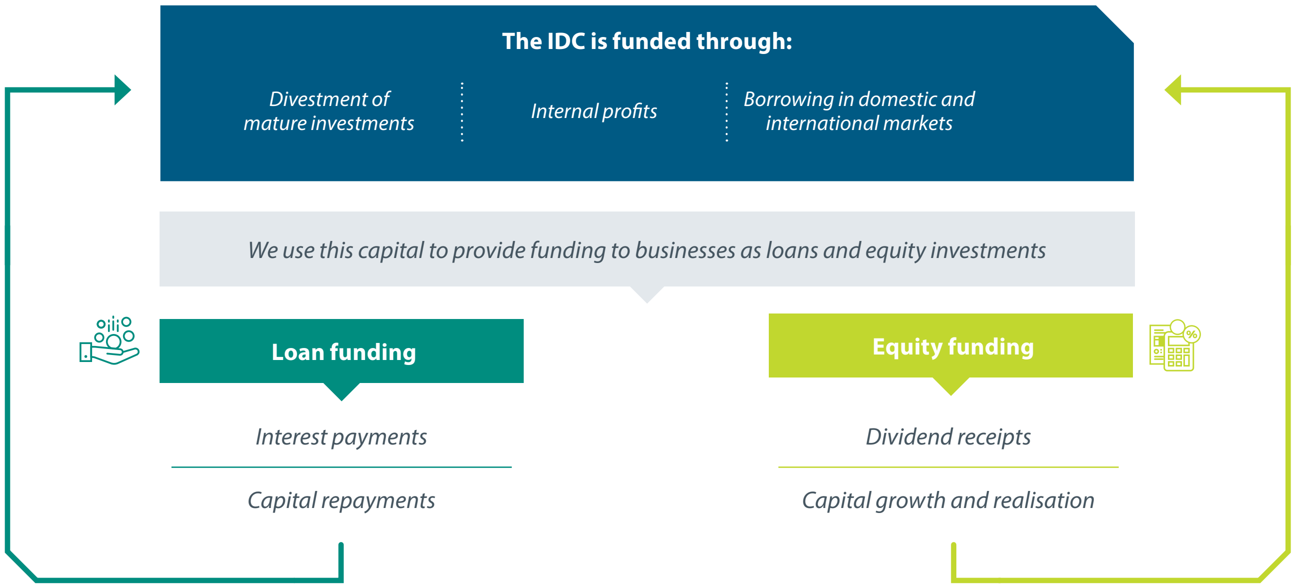
Through the businesses we support, we drive key development outcomes. Ultimately, these outcomes aim to drive equitable economic growth to create and sustain jobs.

We continue to enhance our offerings to emphasise development activities that go beyond funding activities. These include the development of enabling environments, business support and capacity building as well as new capabilities such as syndication and lead arranging to facilitate greater leveraging of our balance sheet.

OUR FUNDING MODEL

The IDC finances most of its activities through borrowings on domestic and international markets, divesting from mature equity investments and profits generated from its lending and investment activities. The funds allow us to provide loans and invest in businesses that support the country's development objectives. Interest and capital payments from loans provided, and dividends and capital realisations from equity investments cover our costs and grow our balance sheet, which in turn leverages our capacity to fund future development activities.

The IDC increasingly sources funds from other partners, including government, for co-investment in projects that target specific industrial and development outcomes.



Proceeds from this funding are used to repay borrowings, cover our costs and grow our balance sheet to reinvest in future transactions

OUR BUSINESS MODEL

Inputs

Financial capital

Our strong asset base allows access to capital base and returns dividends, and allows for equity growth. These funding sources support clients, whose businesses help us to achieve our development outcomes.

- Equity: R102.7 billion (2021/22: R109.8 billion)
- Borrowings: R29.5 billion (2021/22: R30.9 billion)
- R159.3 billion in assets (2021/22: R164 billion)

Human capital

Our diverse group of employees enables us to serve our clients and manage an effective organisation to fulfil our mandate.

- 853 permanent employees (2021/22: 834)
- R20.7 million spent on training and development (2021/22: R10.9 million)

Social capital

Our relationships with key stakeholders, including clients, partners, funders, development partners and government.

- 28 strategic implementing partners for SEF
- 72 initiatives were approved, reaching individuals nationally across all nine provinces

Intellectual capital

Our brand, reputation, research, knowledge and experience.

- More than 83 years of industrial finance and project development experience

Natural capital

Our direct impact on natural resources through energy and water use in our business activities.

- Renewable energy portfolio
- Investment in energy-efficiency technologies

Manufactured capital

Our business structure, regional footprint, processes and information technology (IT) systems enable our deal development and implementation activities.

- Presence in all nine provinces
- Information technology (IT) infrastructure

Business activities

Industry planning

- Strategy development to guide the IDC's role in the expansion of priority industries, including industry masterplans

Project preparation

- Co-development of projects through feasibility stages

Partnership programmes

- Managing funds and building partnerships to achieve development outcomes

Industrial finance

- Deal development
- Assessing the viability of business plans
- Providing funding to potentially viable businesses
- Providing non-financial support to entrepreneurs to improve the viability of their businesses
- Environment, social, resilience, governance and sustainability impact principles integrated into the industry planning , project preparation, partnership programmes and industrial finance

Key business support functions

- *Treasury support*
- *Legal support*
- *Technical deal support services: Entrepreneurial development, environmental impact*
- *Post-investment management and client support*
- *Human capital support and development*
- *Macroeconomic and industry research*
- *Financial management*
- *Corporate support services*

Outputs

Lending, investment and fund management

- **R20.7 billion** funding approved (2021/22: R16 billion)
- **R17.8 billion** of the IDC's funds disbursed (2021/22: R7.2 billion)

Products and partnerships

- Flood Relief Fund launched in conjunction with the dtic
- Second round of the SEF
- Active member of the Energy Council and participant in the Presidential Climate Commission
- Energy-resilience support for business

Outcomes

Financial capital

- Assets: R159.3 billion (2021/22: R164 billion)
- Net profit
  - Company: R5.9 billion (2021/22: R2.7 billion)
  - Group: R10.7 billion (2021/22: 6.3 billion)
- Impairments (total portfolio at cost): 37.5% (2021/22: 36.1%)

Human capital

- 88% black employees (2021/22: 88%)
- 55% female employees (2021/22: 55%)
- 9.02% staff turnover (2021/22: 8.0%)

Natural capital

- Electricity consumption (MWh): 3 972 (2021/22: 4 107)
- Responsible Investment Policy updated

Manufactured capital

- New processes implemented for rapid response in allocation of post-unrest funding
- Ongoing reorganisation of business and revision of processes to ensure greater agility

Intellectual capital

- Implementation of Retail-Clothing, Textiles, Footwear and Leather (CTFL) Masterplan

Social capital

- 34 035 jobs are expected to be created and saved from committed transactions (2021/22: 27 130)
- R11.4 billion investment facilitated for priority groups of entrepreneurs (2021/22: R6.6 billion)
  - Black industrialists: R7.6 billion
  - Women entrepreneurs: R1.1 billion
  - Youth entrepreneurs: R501 million
- Reputation score: 76.0 (2021/22: 72.48)
- Client satisfaction index: 7.7 (2021/22: 7.9)
- R76 million corporate social investment (CSI) contributions (2021/22: R52.3 million)
- Level 4 broad-based black economic empowerment (B-BBEEE) contributor (2021/22: Level 2)

Top risks

- Development impact risk
- Credit and investment portfolio risk
- Liquidity and funding risk
- Concentration risk
- Significant investments risk
- People and organisational culture risk
- Governance, ethical conduct and behaviour
- Business continuity and IT security risk
- Reputational risk
- Legal and regulatory compliance risk
- Sustainability and responsible investment risk
- Macroeconomic conditions and developments

See pages 41 to 43 for more information

Material matters

- Sustainable industrial development
- Financial sustainability
- Socio-economic development
- Transformation
- Governance, risk and compliance
- Human capital
- Partners

See pages 46 to 50 for more information

Governance

Good corporate governance is integral to a sustainable business. We have always strived for sound governance practices aligned with best-practice principles. This is also a requirement for our funded companies.

See pages 89 to 113 for more information

OUR REGIONAL FOOTPRINT

Regional offices

Eastern Cape
Regional offices:
- East London
- Gqeberha
- Mthatha

Free State
Regional office:
- Bloemfontein

Satellite offices:
- Phuthaditjhaba
- Welkom

Gauteng
Head office:
- Sandton

KwaZulu-Natal
Regional office:
- Durban

Satellite office:
- Richards Bay

Limpopo
Regional office:
- Polokwane

Satellite offices:
- Thohoyandou
- Tzaneen

Mpumalanga
Regional offices:
- Mbombela
- eMalahleni

Satellite office:
- Secunda

North West
Regional office:
- Mahikeng
- Rustenburg
- Brits

Satellite offices:
- Klerksdorp
- Vryburg

Northern Cape
Regional offices:
- Kimberley
- Upington

Western Cape
Regional office:
- Cape Town

Satellite office:
- George

ORGANISATIONAL STRUCTURE

Chief Executive Officer

- **Chief Operations Officer**
  - *Technical Services*
  - *Industry Planning*
  - **Divisional Executive** *Industry and Project Development*
    - *Project Development*
    - *Partnership Programmes*
    - *Structured Finance and Syndications*
  - **Divisional Executive** *Mining, Metals, Infrastructure and Energy*
    - *Mining and Metals*
    - *Infrastructure*
    - *Energy*
  - **Divisional Executive** *Manufacturing*
    - *Machinery, Equipment and Electronics*
    - *Automotive and Transport Equipment*
    - *Chemicals, Medical and Industrial Mineral Products*
    - *Textiles and Wood Products*
  - **Divisional Executive** *Agro-industries, Services and Small-business Finance*
    - *Agro-processing and Agriculture*
    - *Tourism and Services Sector*
    - *Small-business Finance and Regions*
- *Internal Audit*
- **Chief Financial Officer**
  - *Financial Management*
  - *Procurement*
  - *Corporate Treasury*
  - *Strategic Financial Planning*
- **Chief Risk Officer**
  - *Credit Risk*
  - *Enterprise Risk Management*
  - *Asset and Liability Management, and Market Risk*
  - *Risk Governance and Portfolio Management*
  - *Information Technology*
- **Divisional Executive** *Client Support and Growth*
  - *Development Debt*
  - *Growth Catalyst and Listed Equities*
  - *Business Advisory and Turnaround Services*
  - *Portfolio Insights and Client Support Services*
- **Divisional Executive** *Strategy and Corporate Affairs*
  - *Corporate Strategy and Innovation*
  - *Research and Information*
  - *Corporate Affairs*
- **Divisional Executive** *Human Capital*
  - *Human Capital Business Partners*
  - *Talent Management and Organisational Effectiveness*
  - *Total Rewards and Shared Services*
  - *Learning and Development*
  - *Facilities Management*
- **Divisional Executive** *Legal and Compliance*
  - *Records Management*
  - *Legal: Recoveries, Business Rescue and Insolvencies*
  - *Compliance and Regulatory Affairs*
  - *Legal Services*
- **Group Company Secretary**
  - *Corporate Secretariat*

ECONOMIC OVERVIEW

The South African economy suffered major setbacks of both global and domestic origin in the year under review.

Its performance was adversely affected by international developments such as the protracted war between Russia and Ukraine; global supply chain challenges, which although easing still affected production activity in various industries; rising inflationary pressures and aggressive interest rate hikes by major central banks, which contributed to higher prices domestically and monetary policy tightening by the South African Reserve Bank (SARB), and an increasingly challenging trading environment for domestic exporters due to softening world demand and generally weaker commodity prices.

Several local developments also affected South Africa's fragile economic recovery. These included the devastating floods in KwaZulu-Natal in April 2022, which damaged critical infrastructure and affected business operations; more frequent and intense loadshedding, which has been highly detrimental to the economy; industrial action in a number of crucial sectors; rapidly rising producer and consumer prices, which affected household and business spending; consecutive interest rate hikes as SARB sought to anchor inflation expectations; very high rates of unemployment; increased uncertainty over the economy's prospects, and falling business and consumer confidence. These developments had adverse repercussions on spending, production and investment activity.

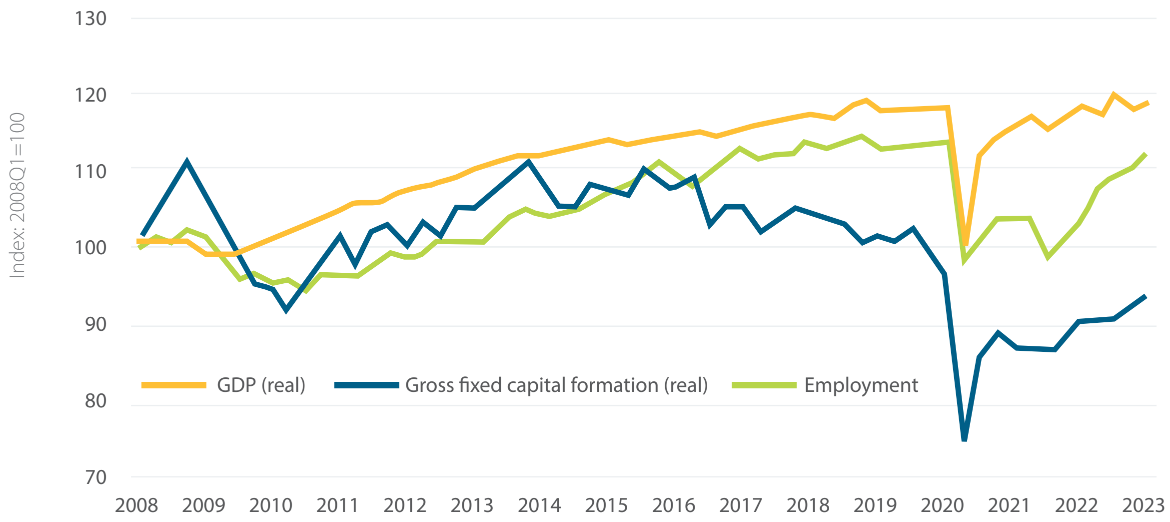
The pace of economic expansion consequently weakened considerably, with GDP rising by only 1.4% in real terms over the reference period, following the 5.9% rebound recorded in the preceding year as the economy recovered from Covid-related lockdowns.

The manufacturing sector continued to experience difficult operating and trading conditions. Energy supply interruptions, along with major challenges in the country's transport and logistics infrastructure, were particularly detrimental to business operations in most sub-sectors. Rising operating costs, in turn, compromised competitiveness, while industrial action and continued difficulties in accessing key inputs due to global supply shortages or interruptions affected production activity in several industries. On the demand side, conditions remained generally subdued in the local market and, although a number of manufacturing sub-sectors recorded positive export performances, demand conditions weakened in certain key export markets. The manufacturing sector, thus, struggled to raise overall production, with its GDP in the final quarter of the 2022/23 financial year being still 4.8% below pre-Covid levels in real terms. The mining setcor also found it difficult to raise production and export volumes. Although nominal sales values benefitted from high commodity prices earlier in the year, this did not generally translate into increased output and exports, with coalmining being the notable exception. In addition, a slowing Chinese economy and softer commodity prices affected the sector's performance as the year progressed. Mining activity was also constrained by electricity supply interruptions, operational capacity and efficiency challenges in the rail network, bottlenecks at ports, industrial action and a lack of investment. Consequently, the mining sector's total output came close to historical lows and, in the final quarter of the review period, was 10.3% lower than in the fourth quarter of 2019/20 (pre-pandemic).

Agriculture sector real GDP increased at a slightly slower pace of 2.4% over the year to end-March 2023. The very high production base set in the preceding year played an important role, but smaller maize and sugarcane crops, along with the outbreak of foot-and-mouth disease that affected local production and exports of animal and animal-related products further contributed to the sector's lower growth performance. Trade challenges also had a negative impact on the exports of table grapes, citrus and deciduous fruits, among others.

South African households found themselves under increasing financial strain during the year as disposable incomes rose at a subdued pace while inflationary pressures, rising debt-service costs due to high levels of indebtedness under substantially higher interest rates and high unemployment also took a toll. Consumer confidence fell to the third lowest level since 1994 in the final quarter of the year. Business enterprises that service the consumer market faced significant challenges, with retail sales well below the trend observed before the pandemic.

Fixed investment spending (gross fixed capital formation) in the economy recovered to some extent, posting growth of 4.7% in real terms. However, the overall quantum was still considerably lower than pre-Covid. A challenging economic environment characterised by weak domestic demand and slowing spending activity in key global markets resulted in surplus production capacity in many industries. Furthermore, infrastructure-related constraints, particularly in energy, *South African economy: Trends in real GDP, gross fixed capital formation and employment*



Source: IDC, compiled using Stats SA data

transport and logistics and water, were highly detrimental to investment decisions. These factors led the private sector to reconsider committing capital for new and/or the expansion of existing production capacity, while financial and other constraints continued to curtail investment spending by both government and public corporations. Weak investment activity in the economy affected companies whose sales performance is closely dependent on the investment cycle, with many suppliers of construction materials having been adversely affected.

Employment in the formal and informal sectors of the economy increased by 1.28 million over the year to March 2023, taking the unemployment rate to 32.9% in the final quarter. Although this was an improvement from the record high of 35.3% at the end of calendar year 2021, the total number of unemployed individuals stood at a staggering 7.93 million, or 1.2 million more than pre-pandemic.

South Africa's export performance during the review period was adversely affected by softening demand and lower commodity prices in international markets, and by transport and logistics challenges domestically. Hence, the rate of increase in exports of goods and services moderated to 6.1%, from a sturdy 12.5% in the previous year. In nominal value terms, growth merchandise exports slowed to 9.5% from a robust 25.8% in the preceding year.

Imports of goods and services remained quite resilient despite subdued demand, posting a robust growth rate of 14.1% in real terms. Merchandise imports were 30.2% higher in nominal values. The steep rise in imports was underpinned to a considerable extent by substantially higher imports of refined petroleum and petroleum products due to the closure of several domestic refineries. This also reflected the economy's high energy-intensity. The share claimed by imports in gross domestic expenditure rose to an all-time high of 26.4% in the final quarter of the year, demonstrating the extent to which imports are meeting domestic demand. The balance of trade reflected a considerably smaller surplus of R125.4 billion over the year, compared to R392 billion in the previous year.

Consumer price inflation averaged 7.2% during the review period, well above the average of 5.2% recorded in the previous 12 months. Rising fuel, food and electricity prices were the main contributors to higher inflation, although the pace of fuel price increases moderated towards the end of the period. Even though headline inflation resumed its decline after reaching a peak of 7.8% in July 2022, core inflation, which excludes volatile items such as food and energy, continued to rise, reaching 5.2% in March 2023.

Persistently high inflation, well above the mid-point of SARB's target range, led its Monetary Policy Committee to raise interest rates further to anchor inflation expectations. The repurchase rate rose by a cumulative total of 425 basis points since the start of the current tightening cycle in November 2021, with a 350 basis points increase during the review period alone, to 7.75% by March 2023. This affected highly indebted business enterprises and fixed investment activity.

The South African economy entered the 2024 financial year continuing to face serious challenges, some of which will take time to resolve. Thus, only marginal economic growth is anticipated. In its latest review of the economy, the International Monetary Fund emphasised the need for urgent reforms, particularly 'improving the country's energy and logistical constraints, reducing barriers to private sector investment, addressing structural rigidities in the labour market and tackling crime and corruption'. Without such reforms, the economy will not achieve faster and more sustainable growth.

BOARD OF DIRECTORS

BA MABUZA (59)
Chairperson of the Board

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

TP NCHOCHO (56)
Chief Executive Officer

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 (55)

MA (University of the Witwatersrand), BA (Hons) Industrial Sociology (University of the Witwatersrand), Certificate in Economics and Public Finance (Unisa)

Appointed to the Board on 1 October 2008

ADV ND ORLEYN (67)

LLB (Unisa), BProc (Unisa), Bluris (University of Fort Hare), Certificate in Energy Law, Executive Management Programme (Kellogg Business School, USA)

Appointed to the Board on 29 January 2015

A KRIEL (60)

BSoc Sci (University of Cape Town)

Appointed to the Board on 1 April 2016

NP MNXASANA (66)

CA(SA), BCompt Hons (Unisa)

Appointed to the Board on 29 January 2015

DR SM MAGWENTSHU-RENSBURG (63)

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

Appointed to the Board on 25 November 2011

PM MTHETHWA (59)

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

DR NE ZALK (54)

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
Resigned from the Board effective 31 July 2023

BA DAMES (57)

MBA (Samford University, USA), BSc Hons (University of Western Cape)

Appointed to the Board on 25 November 2011

RM GODSELL (70)

MA Liberal Ethics (University of Cape Town), Postgraduate studies in sociology and philosophy (Leiden University, Netherlands)

Appointed to the Board on 25 November 2011

Board committees

- Audit
- Human Capital and Nominations
- Investment
- Risk and Sustainability
- Social and Ethics
- Chairperson

EXECUTIVE MANAGEMENT

TP NCHOCHO (56)
Chief Executive Officer

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

IN MALEVU (49)
Chief Financial Officer

BCom (University of the Witwatersrand), CA(SA)

J BATE (53)
Chief Operations Officer

BCom (Hons) Taxation (University of the Witwatersrand), CA(SA)

MJ TSELE (54)
Chief Risk Officer

MBA (University of London), BA Hon Economics and Government (University of Essex)

TL KHUMALO (43)
Divisional Executive: Client Support and Growth

MBA (University of Cape Town), BSc Electrical Engineering (University of the Witwatersrand)

DA JARVIS (53)
Divisional Executive: Strategy and Corporate Affairs

MSoc Sci, BSoc Sci (Hons), BSoc Sci (University of KwaZulu-Natal)

TP MUSHUNGWA (52)
Divisional Executive: Human Capital

BAdmin Hons (Unisa), BAdmin (University of Durban-Westville), Programme in Business Leadership (Unisa School of Business Leadership)

B MIYA (44)
Divisional Executive: Agro-industries and Services Sectors

BSc Mathematics and Econometrics, (University of the Witwatersrand), Private Equity Executive Course (Harvard Business School)

I SAYED (48)
Divisional Executive: Manufacturing

BCom Business Management (Unisa), BCom (University of Durban Westville), Executive Development Programme (Stellenbosch University)

T LEGODI (49)
Divisional Executive: Legal and Compliance

LLM Tax (University of Johannesburg), BA LLB (University of KwaZulu-Natal)

F MOOSA (50)
Divisional Executive: Industry and Project Development

BA Hons, MA Economics (New York University), Professional Leadership Development Programme (Harvard)

ADV M KGANEDI (49)
Group Company Secretary

LLM (University of Johannesburg), LLB (University of Johannesburg), BProc Law (University of Johannesburg), Diploma in Legislative Drafting (University of Johannesburg), Certificate in Pension Law, Certificate in Corporate Governance (Unisa)

Joined the IDC on 1 May 2022

OUR STAKEHOLDERS AND PARTNERSHIPS

How we engage	Their needs and expectations	Our expectations	How we create value
Stakeholders: Clients and business partners			
• Regional roadshows • Business support • Customised products and services • Client events • Government-sponsored events • One-on-one engagements • Surveys	• Transparent and efficient application process • Business support • Affordable and appropriate pricing	• Innovative business plans that address South Africa's developmental needs • Honour financial and other undertakings	• 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
Stakeholders: Shareholder			
• Annual general meetings • 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	• Transparency and good governance • Risk management and compliance • Operational efficiency • Thought leadership • Lead sustainable industrial development	• An enabling policy environment • Policy certainty • Strategic leadership	• Investment in government priority areas • Socio-economic development to fulfil our mandate
Stakeholders: Employees and prospective employees			
• One-on-one engagements with staff • Team and divisional engagements • Internal and external communication platforms • CEO feedback sessions • Human capital initiatives (e.g. Employment Equity Forum) • Staff engagements and culture surveys • Involvement in strategic initiatives • Management-union structures	• Job security • Reward and recognition • Employee development programmes and personal growth • Good working environment • Ability to make a valuable contribution to South Africa's development ambitions	• 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	• Transformation • Personal development • Remuneration linked to performance and value created • Staff awareness of how their work contributes to the IDC's value proposition

How we engage	Their needs and expectations	Our expectations	How we create value
Stakeholders: Regulators, rating agencies and funders			
• Credit ratings • Investor roadshows • Integrated report • Results announcements • Stock Exchange News Service (SENS) announcements • United Nations Environment Programme Finance Initiative community participation	• Transparent and effective corporate governance • Financial sustainability	• Low lending rates • Consultation • Understanding of the IDC's operating context	• Funding schemes • Input for policy development • Leveraging funding to benefit South Africa • Industry and economic development
Stakeholders: Communities			
• 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	• 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	• Support for IDC -linked projects • Participation in IDC initiatives • Sustainable water resources • Productive land	• Funding projects that create jobs • Community and worker shareholding in IDC-funded projects • Social and community projects • Benefitting from poverty reduction • Sustainable industrial development • Using natural resources to create value for current and future stakeholders
Stakeholders: Other partners			
• Engagements with academics, industry bodies and experts, development funding institutions (DFIs), state-owned entities (SOEs), research institutions and organisations	• Funding and participation in pilot initiatives • Influencing policy development	• Entrepreneurship and innovative solutions • Mutual partnership	• Knowledge networks that support sustainable industrial development and address the needs of society

Stakeholders are crucial to the fulfilment of our strategic goals. We pursue relationships and partnerships and constantly seek opportunities to communicate our purpose and impact, thereby building our reputation and engendering trust in the organisation.

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	Low (IDC impact on the stakeholder)	Medium (IDC impact on the stakeholder)	High (IDC impact on the stakeholder)
High	• Rating agencies • Public Servants Association of South Africa (PSA)	• Regulators • Government departments not mentioned elsewhere in the table with an interest in IDC-funded sectors • National Treasury • Mature listed investments in which the IDC has a low shareholding • Department of Small Business Development	• Existing and potential clients • Strategic project partners • Employees • Lenders (bondholders, commercial banks, DFIs, Public Investment Corporation, Unemployment Insurance Fund • Portfolio Committee on Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour • The dtic • The IDC's subsidiaries
Medium	• Media	• The unemployed • Organised labour • Banks and other financial services providers • Government departments not mentioned elsewhere in the table • Governments of African countries • Business associations • SOEs	• Communities around IDC-funded projects • Provincial governments
Low	• Former employees • Potential employees • Higher education institutions • Activist bodies		• Suppliers

Scaling our development effectiveness and outcomes depends on our success in establishing relationships with businesses and drawing on the strengths and capabilities of our partners in different spheres of development funding and financial ecosystems.

We identify our primary stakeholders, then monitor and evaluate their value add to our business. This allows us to assess our socio-economic contribution and the developmental impact and outcomes of our funding.

Strengthening partnerships with other DFIs improves business impact and outcomes. An example is the collaboration by DFIs to drive the low-carbon transition of the local economy and ensure that South Africa achieves a net zero ambition.

An improved and focused engagement approach will cement the Corporation's roles of partner and employer of choice. In addition to day-to-day business development and ongoing meetings with stakeholders such as government departments, we had 73 formal interactions to profile and position the IDC as a DFI that supports sustainable industries, finances entrepreneurs and improves lives through its operations. This was compared to 59 in 2021/22.

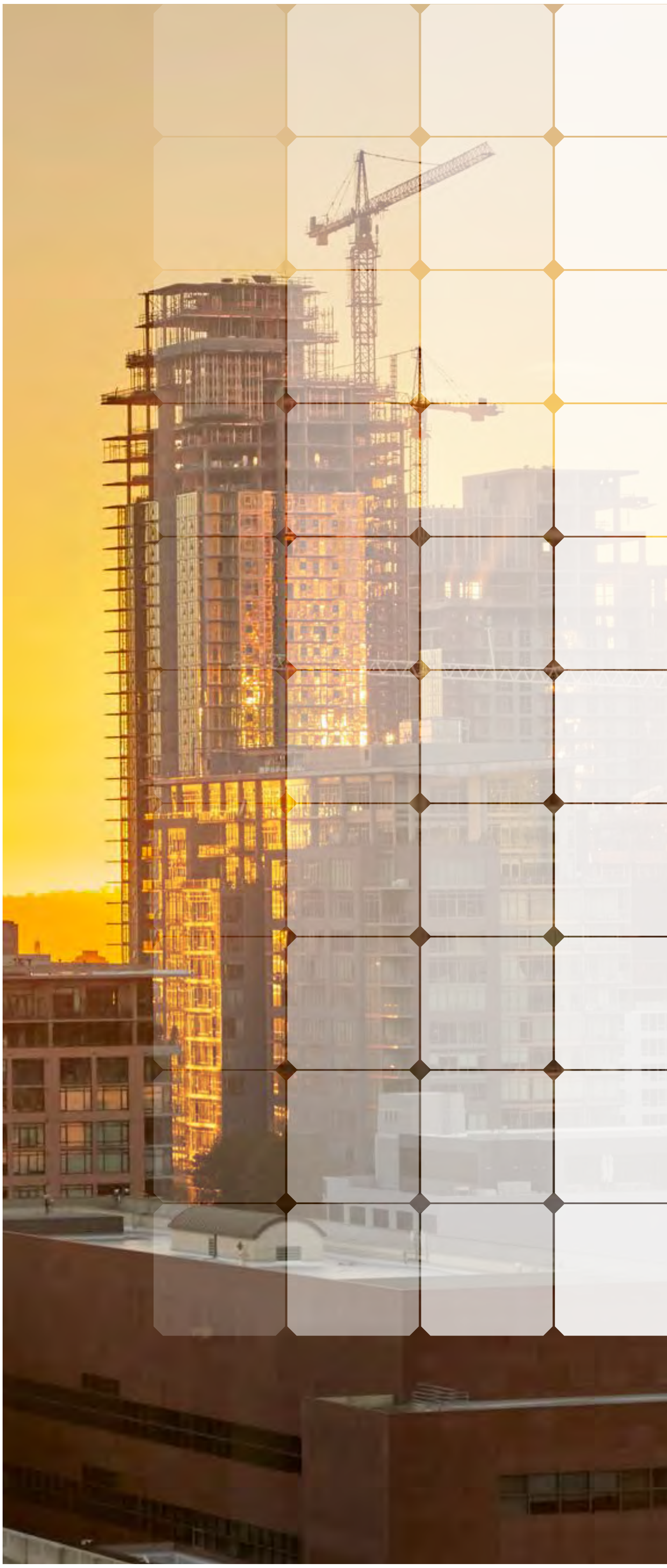
Among the key topics discussed at the engagements were investment partnerships, meeting South Africa's energy needs, funding for youth entrepreneurs, manufacturing, sustainable economic development, new energy vehicles, battery minerals, environmental, social, governance (ESG) and sustainability impact.

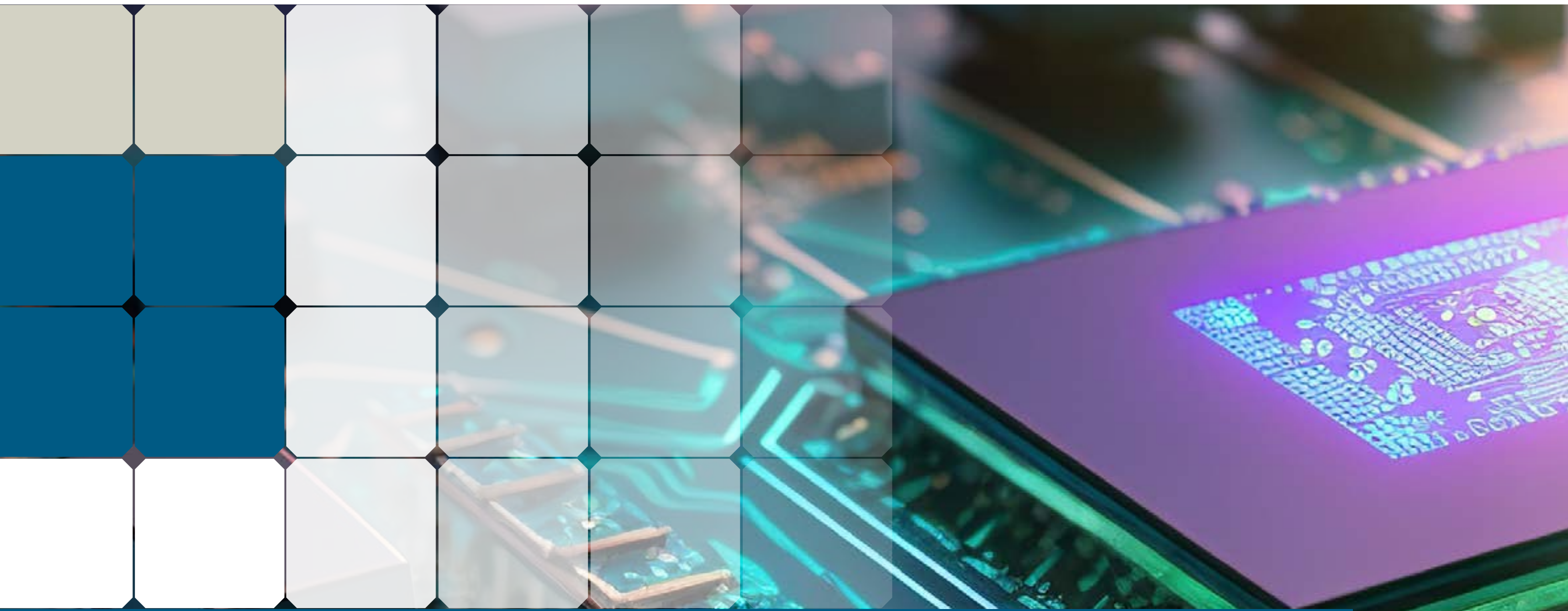
We remain a sponsor of the South African Investment Conference, held just after year-end in April 2023. The event took President Ramaphosa's investment mobilisation to R1.5 trillion in pledges, putting the R1.2 trillion goal over five years within reach.

The IDC was also a prominent player in the inaugural Black Industrialists and Exporters Conference on 20 July 2022, which identified progress in the transformation of the economy and shared information on efforts to increase exports, growth and job creation by black industrialists.

Thought leadership

Our efforts to be seen as a thought leader continued in 2022/23, with platforms sought for executives to share insights on pertinent local and continental issues. Vehicles used included newspaper articles, presentations, speeches supported by branding, advertising, targeted media publicity and effective use of our own social media platforms and website.



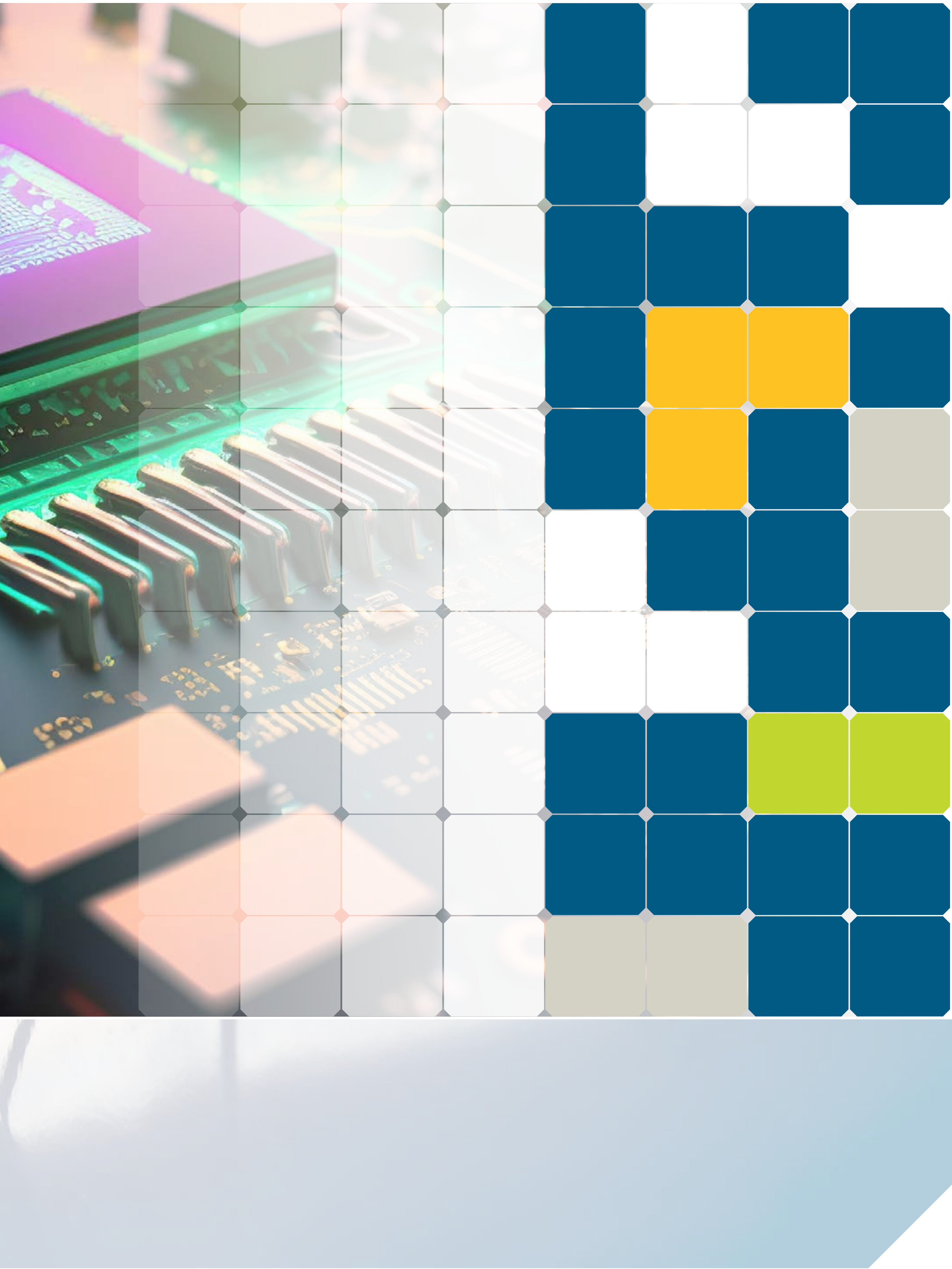


‘Those who founded the IDC envisaged the country growing, industrialising and becoming a strong global force. That mandate may be 83 years old, but it is timeless.

‘The organisation has demonstrated over the decades its ability to adapt and innovate while remaining true to its age-old objectives. Its resilience, tested often but most recently by Covid, when it lost close to 40% of its capital endowment, is as awe-inspiring as its current balance sheet, which sits at R170 billion from a post-pandemic R120 billion.

‘With so many opportunities in plain sight and the funds to capitalise fully on them, it can only strengthen its contribution to the development of South Africa’s economy and society.’

CHIEF EXECUTIVE OFFICER’S STATEMENT



CHIEF EXECUTIVE OFFICER'S REPORT

The strengthening of the Corporation's balance sheet spoke volumes about the organisation's financial health, evidenced by 13.3% growth in total assets post-2021 and a strong capital structure with debt equity at 29.8% (well below the prudential policy upper limit of 60%).

The IDC is not just fit for purpose. It is fit for dual purposes, with industrial advancement and developmental impact balancing its mandate scale and returning excellent results in a year that can most charitably be called 'challenging'.

The economy struggled to raise its head above the 1% growth mark; energy supply became more tenuous, and transport and logistics weaknesses persisted, constraining the free-flow movement of goods. Interest rate hikes further dented consumer and business confidence. This was the operating context of the IDC and its investment partners throughout 2022/23. As our primary mandate – industrial development – cannot be realised without energy and transport logistics systems, these issues occupied much time, debate and planning during the year.

Against this seriously challenging backdrop, however, were bright flashes of possibility and potential that we welcomed enthusiastically and that helped make ours a year of positivity and progress. Much was achieved in numerous economic sectors, underlined by a solid financial performance that is a source of great pride to the IDC team and that will fuel continued success and enable us to remain relevant in a rapidly changing, constantly demanding world.

Financial wellness

The strengthening of the Corporation's balance sheet spoke volumes about the organisation's financial health, evidenced by 13.3% growth in total assets post-2021 and a strong capital structure with debt equity at 29.8% (well below the prudential policy upper limit of 60%). Profit and loss performance was very pleasing, as the Corporation delivered gross revenue of R13.8 billion for the year and a R5.9 billion net profit, up from R2.7 billion last year.

Our cost-to-income ratio is another key indicator of sound financial health. For the year under review, we had budgeted this ratio at 30%, and we achieved a prudent 15% on the back of effective cost containment measures and operational efficiencies.

Regarding investment activity, R20.7 billion was approved in loans and investments across all our priority sectors and R17.8 million was disbursed, which is a record disbursement value for the organisation that contributed to it achieving most of its crucial industrial development performance indicators.

Industrial activities

We stepped up our funding in the renewable energy sector, having identified a need for finance among several new entrants establishing their generation capacity to supply directly to commercial and industrial customers, above and beyond the Renewable Energy Independent Power Producer Programme (REIPPP). Our support for REIPPP initiatives continues.

We also maintained the momentum of our decarbonisation efforts. We will lead in implementing the Just Energy Transition Implementation Plan (JET-IP), having played a key thought leadership role in its strategy development.

Green hydrogen partnerships have been established with companies such as Sasol and ArcelorMittal South Africa, and there is a pipeline of more than 10 projects in the early stages of development. Funding of R100 million has been approved for catalytic projects in ammonia exports and decarbonisation of hard-to-abate sectors such as steel and chemicals.

Battery minerals are another area of keen focus, with demand growing for metals such as lithium and nickel. More than 20 opportunities are being pursued across the battery storage value chain in Southern African Development Community (SADC) countries.

Delivering impact

To sustain the two pillars of our mandate, our financing instruments are targeted at expanding industrial capacity and promoting employment creation and transformation, as well as advancing worker and community ownership in company shareholdings. Impact investing is of the utmost importance and remains core to our financing programmes.

We have increased our agriculture financial support, which is particularly labour intensive. In 2022/23, funding of R2.5 billion was approved to create and sustain 10 306 jobs in the sector.

We are also making significant inroads into the small- and medium-sized enterprise sector, even in less-developed provinces outside the country's leading industrial hubs. This is another avenue to stimulate employment as local entrepreneurs are assisted to become part of the mainstream economy.

With funds approved for the next phase of the Lesotho Highlands Water Project, our involvement in fortifying the country's water infrastructure is beginning to show benefits in the sustainability of bulk water supply.

The floods in KwaZulu-Natal at the beginning of the financial year were devastating, but the Corporation was challenged to innovate and reframe its support to ensure that businesses were put back on their feet and the road to recovery.

Across our traditional client base, we forged closer partnerships with companies as they slowly but surely regained their positions of viability post-Covid, such as tourism businesses, which were assisted with restructuring and management support to help them continue their recovery.

Through the SEF, we contributed markedly to businesses and communities affected by the lingering effects of Covid-19. We distributed our R700 million allocation for this project to implementation partners countrywide, supporting more than 60 000 job opportunities.

Just over R76 million, the highest level to date, was approved for corporate social investment activities across the pillars of education and skills, entrepreneurship, consumer education, employee volunteerism and humanitarian aid.

Shortfalls and successes

Our impairment ratios remained elevated in the range above the prudential upper limit. This was attributable largely to certain sizeable investee companies that have defaulted and whose remedial actions entail protracted litigations or complex business rescue processes. The operating environment context should be noted as a depressed economy with a growth rate of less than 1%. That said, most of our investees have performed exceptionally well under the circumstances, most being well diversified to withstand economic cycles and capitalise on export opportunities.

With support, our subsidiary Foskor turned its fortunes around to deliver a net profit of more than R700 million. Grinding Media, an operation in which we hold 70%, generated earnings before interest, tax, depreciation and amortisation of R350 million.

A major disappointment during the year was our shortcoming in achieving our funding targets for women and youth entrepreneurs for advancing transformation and inclusivity, with a performance of just below 50%. However, the difficulty in venturing into greenfield projects must be acknowledged amid escalating interest rates, energy supply constraints and an underperforming logistics system. In this economic environment, developmental and expansionary opportunities for mergers and acquisitions have been few and far between.

Our work in the greater SADC and sub-Saharan region has not progressed as expected, again a Covid impact. The tourism sector is still feeling the post-Covid effects and many companies in this sector are in the rebuilding phase.

Many of our mining investments, particularly in bulk commodities such as iron ore, manganese and coal, have also struggled to evacuate products in large quantities to their market destinations, and given that the IDC is substantially invested in the mining sector, the effects on results of investee companies are palpable.

Partnerships in the making

South Africa and the world are steadily emerging from the slump with renewed vigour and enthusiasm, which can be seen in various partnerships on the IDC's horizon. Foremost is the Saudi Arabia South Africa Development Fund, which was seeded following a visit to the kingdom by President Ramaphosa in 2022. A memorandum of agreement has been concluded that will see cross-continent investments and there is already a pipeline of projects in the wings, including energy, gas, oil and potentially agriculture.

Another memorandum was signed with Stellantis, a substantial international original equipment automotive manufacturer with brands such as Maserati, Alfa Romeo, Citroën and Peugeot. The IDC is currently studying the feasibility of a joint investment between our two parties.

Other developments include collaboration with industry players through which we are exploring the production of sustainable aviation fuel from sugar.

Significantly, we have taken the unique economic zone programme, previously located at the dtic, under the IDC umbrella. Alongside established zones in several provinces, many more are taking shape with our infrastructure development assistance and our quest to recruit investors to set up operations within the zones.

Outlook

Inflation is likely to remain elevated for at least another year. Prices of commodities such as platinum, coal, manganese and iron ore were exceptionally high in early 2022 but have since softened, affecting us as a significant investor in these sectors. The binding constraints on infrastructure and energy will continue to be our operating reality as we work through the next financial year.

However, as mentioned, there is much to be optimistic about. We have, for example, earmarked more than R7 billion for energy projects in 2023/24, and the policy framework that will bring the private sector in to help strengthen the grid will offer an environment where new partnerships can flourish.

We will work closely with Transnet and private sector players to address obstacles to transport and logistics networks.

Our agricultural footprint will be expanded as we identify areas in which we can develop downstream industries that add value to primary agricultural produce and increase inputs into the processing industry.

The various industry masterplans' implementation remains a high priority, as these are central to South Africa's re-industrialisation and restoring capacity in certain key sectors lost progressively over the years.

We cannot afford to miss the continental opportunity, which is particularly strong among our southern neighbours but, with the impetus of AfCFTA, also promises excellent scope for investment and cooperation in the eastern, western and central regions.

As the country continues to battle unacceptable high levels of unemployment, impact financing will be top of mind for organisations such as ours, where the creation of jobs is paramount, combined with economic empowerment, but all from a platform of top-quality investments and good credit decisions, which underpin our sustainability strategy.

Any state-owned entity that loses balance sheet strength dies progressively and we never want the IDC to find itself in a position where it cannot execute its mandate nor fulfil the objectives contained in its multiyear strategic corporate plan.

We got our strategy back on track during 2022/23, building on the turnaround and recovery of the prior year, with the period after Covid-19 retreating at the end of 2021, allowing us to accelerate our efforts to make up for lost time. Our urgent action to expedite the targets as the plan moved towards its final phase had much to do with our results during the year, as did our emphasis on building organisational capabilities, developing our people and nurturing a culture to stimulate productivity and a workplace that would encourage professionals to be the best versions of themselves. Through our credible, competent and committed cadre of professionals, we could sustain the levels of service our stakeholders expect of us.

We invested considerably in skills enhancement during the year, spending R20.7 million compared to R10.9 million in 2021/22. We also placed great emphasis on engagements between leaders and staff to cultivate a climate of trust and cooperation. Our employee value proposition was revitalised to offer more attractive incentives in areas such as educational support for children of staff.

After a challenging but rewarding five-year tenure, I will leave the IDC at the end of this calendar year. I am confident my successor, whether an internal or external appointee, will share my view of the importance of leadership to institutional sustainability. I firmly believe that the development of people is the ultimate calling of leadership. Leaders are there to make those around them better and that's what we as a leadership collective have done at the IDC.

I commend the team for being receptive to the initiatives we've introduced to make the organisation ***the*** place to work and for enabling us through its concerted and prolonged effort to make such an impact through our work during the year under the guidance of the Board. In his foreword, Minister Patel challenges us to improve and be bolder in resuscitating the economy and expanding industrial capacity and development impact. The IDC is up to the challenge.

TP Nchocho
Chief Executive Officer

'With our current approvals, we have managed to increase our development impact while building the strength of our balance sheet and maintaining financial sustainability. Our shift has changed to client support and growth rather than a portfolio management approach and we have diversified our portfolio, with great emphasis on the green economy and support for tourism that was badly affected by Covid.

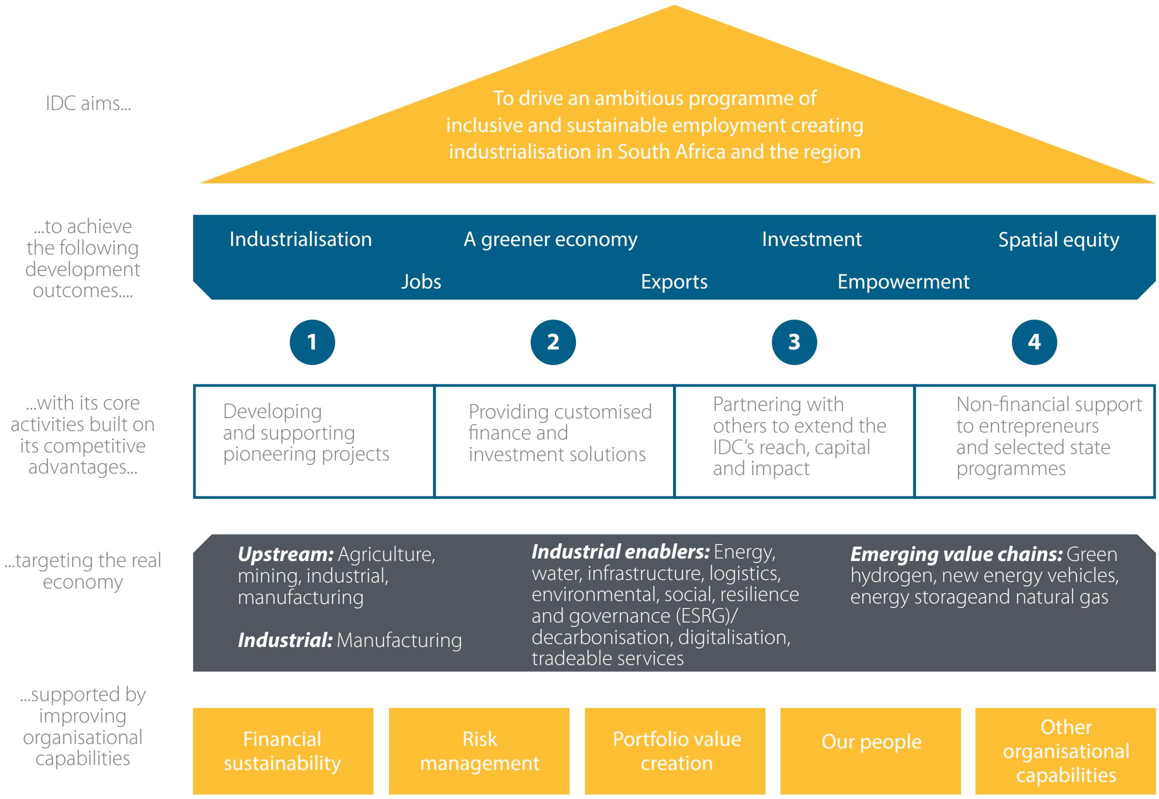
We are also managing the Social Employment Fund successfully, which five years ago would not have been on our agenda. Through it, we've disbursed more than R6 billion to support 60 000 job opportunities.

'Through the July 2021 unrest, we developed the capability to respond to urgent situations. When the KwaZulu-Natal floods hit in April 2022, the Corporation was one of the first to step into the void with investment and corporate social responsibility interventions.'

David Jarvis

Divisional Executive: Strategy and Corporate Affairs

OUR STRATEGY



The IDC's strategic priorities are :

- Developing and supporting pioneering projects
- Providing customised finance and investment solutions
- Partnering with others to extend its reach, capital and impact
- Non-financial support to entrepreneurs and selected state programmes and support through its organisational capabilities
- Financial sustainability, including risk management and portfolio value creation
- People
- Other organisational capabilities such as processes and stakeholder alignment.

Investment philosophy

The IDC is a self-financing DFI that contributes to South Africa's economic growth, industrial development and economic empowerment through financing. It operates generally as a traditional DFI, providing development finance, encouraging private sector development and, at times, supplying financial products not readily available on the market, thereby taking higher risk than other financiers. DFIs play this catalytic role while achieving developmental outcomes and financial returns through funding.

Our investment decisions are guided by sound business practices. Industrial development is achieved by supporting commercially viable enterprises. Every application or proposal for funding must be considered strictly on economic merit, as mandated by the IDC Act.

The twin-pillar approach is an overarching investment philosophy underpinning our sustainability imperative. It is a deliberate emphasis on the reciprocal dependency between financial sustainability and development effectiveness.

The IDC's development outcomes and the SDGs, NDP and dtic outcomes

The IDC creates value for its stakeholders by demonstrating how its strategy aligns with the SDGs, thus showing its contribution to and support for the global agenda. The alignment is important as it assists in identifying risks and opportunities.

The NDP prioritises the elimination of poverty, reduction of inequality and growing an inclusive economy by 2030. NDP goals are aligned to SDGs and to the African Union Agenda 2063. NDP goals are integrated into national planning systems and as such find expression in the dtic joint key performance indicators and 45 outcomes.

The 17 SDGs are arranged around the five pillars of the 2030 Agenda: People, planet, prosperity, peace and partnerships. The SDGs are interconnected and progress on one influences others.

People **SDG**

NDP chapter	IDC developmental outcome	dtic outcomes and joint key performance indicators
5 (environmental sustainability and resilience) 6 (inclusive rural economy) 9 (improving education training and innovation) 10 (healthcare for all) 11 (social protection) 12 (building safer communities).	The IDC finances and supports industrial development and its key objective is industrial capacity development that creates and preserves jobs. Increases personal income, improves the lives of people and combats poverty. We want to have an impact on food security and support masterplans and value chains in food industries. We established the Agri-industrial Fund with the Department of Agriculture, Land Reform and Rural Development to support agro-processing. Through tailored financial products and targeted business support, we reach dedicated priority groups and encourage the participation of women in sectors from which they have been traditionally excluded, such as mining and manufacturing. Our policies and frameworks are continuously updated and revised to promote, monitor and enforce equality and non-discriminatory practices in the workplace. Inclusivity and financial inclusion are paramount to all our activities. The IDC manages the SEF, an initiative of the Presidential Employment Stimulus with R2.4 billion capitalisation. Its intention is to create impact based on an inclusive, equitable, people-centred and just society where everyone has equal access to decent work and opportunity. The initial target of creating 50 000 temporary employment opportunities was achieved and partnerships were founded with more than 1 000 small, local, community-based organisations. We contribute to access to essential healthcare services through the businesses we fund, and we promote and encourage healthy lifestyles and support awareness campaigns in communities in which we have an impact. We recognise the importance of education and skills development in the eradication of poverty and inequality and support such initiatives through our CSI funding. We offer comprehensive educational and bursary schemes for both staff and external beneficiaries. Our onsite childcare facilities support early childhood development and contribute to the good work-life balance of employees by creating a parent-friendly work environment.	Industrialisation, transformation and delivering a capable state

Prosperity	SDG	
NDP chapter	**IDC developmental outcome**	**dtic outcomes and joint key performance indicators**
3 (economy and employment) 4 (economic infrastructure) 5 (economic sustainability and resilience) 8 (transforming human settlements) 11 (social protection) 15 (nation building and social cohesion)	The IDC understands that job creation requires long-term, sustainable investments. We monitor the direct jobs created through our investments and model our impact on the creation of indirect jobs. A comprehensive programme supports the development of township economies. This includes coordination of role-players to improve access to finance, introduction of policies to lower barriers of entry for small, medium and micro enterprises operating in townships and derisking these entities through effective business support. The initiative aims to bring together DFIs, government, private sector funders and non-governmental organisations to provide this support. The Corporation will review the sectors in which it invests to expand in any other potential township investment sectors and prioritise internal resources and processes to support this. IDC funding contributes to access to infrastructure and to the internet. We are active participants in stakeholder engagements in decision-making processes on energy planning and infrastructure development. Opportunities for small businesses are being integrated into the value chains. Other key activities include investment facilitated for masterplan sectors, localisation and project development. Our transformation objectives focus on the provision of funding support, the creation of enabling environments and the provision of non-financial support for black-, women- and youth-owned businesses. We participate in intercontinental projects and initiatives and support supplier development programmes and other initiatives that promote economic inclusion. Our CSI programmes include initiatives to enhance financial literacy and entrepreneurship and we have policies and procedures to assess and screen environmental and social risks in business lines. The IDC is actively transitioning and transforming the South African economy through continued funding of projects forming part of the REIPPP, supporting black and community participation in projects. We are also increasing our support to private sector industrial and commercial businesses to establish their own generation capacity and are promoting local manufacture of components for the renewable industry. We embrace the circular economy and recognise the role of small businesses in the development of sustainable cities and communities. We support small businesses and industrial development of township economies and businesses in SEZs. Protection of cultural heritage and managing the impacts of displacement are priorities.	Industrialisation, transformation and delivering a capable state

Planet	SDG	
NDP chapter	**IDC developmental outcome**	**dtic outcomes and joint key performance indicators**
4 (economic infrastructure) and 5 (environmental sustainability and resilience)	The IDC is integrating the identification and management of both transition and physical risks as a climate change response into its risk management framework and into its culture and processes. Funding in the agri-sector replaces ageing and inefficient irrigation systems with new technology. We fund initiatives in water supply and sanitation and measurements for modern waste management systems that prevent contamination of water resources. Systems have been introduced to reduce our water footprint. The IDC's Green Hydrogen Action Plan supports South Africa's ambition to produce at least four million tons of hydrogen a year by 2050. It includes industry leadership through strategy planning and coordination, project development, business development around localisation opportunities, partnerships, and policy and regulatory advocacy to facilitate an optimal regulatory environment. We explore and provide funding for alternative manufacturing technologies and launched projects that will introduce a more environment-friendly process to refine platinum, one of South Africa's major export commodities. Cooperation continues with international authorities on numerous issues and we adopted conventional frameworks to hold ourselves accountable to global standards and sustainability imperatives. We have been driving environmental and ESG and sustainability impact in our own operations and with our business partners. Policies and procedures are in place to assess and screen ESG and sustainability impact risks. We undertake to increase our role in the development of the green economy and are developing an all-encompassing ESG and sustainability impact action plan. New financing opportunities in the space of sustainable finance are being explored. In the wake of COP27 in November 2022, the Corporation is making every effort to collaborate with other DFIs on resilience and adaptation to climate change impact investment opportunities. We support blue tourism initiatives and sustainable practices in the blue ocean and maritime industries. We continue to participate in green economy stakeholder consultations, invest in eco-tourism ventures and support sustainable practices in energy, agriculture and tourism. Our financial support to forestry, mining, gas, coal, fisheries, water infrastructure, pharmaceuticals and others encourages best practice in use of natural resources. We are pursuing projects in labour-intensive sectors, including projects using agricultural commodities as feedstock in industrial processes (for example, sugar-based bio-jet fuel and bioplastics), high-value horticulture (seedless lemons and activities around the lower-Orange River) and community forestry projects.	Green economy initiatives, masterplans and sector partnerships, localisation and beneficiation, exports, structural economic issues such as small and medium enterpises (SMEs) and township economies

Peace	SDG	
NDP chapter	**IDC developmental outcome**	**dtic outcomes and joint key performance indicators**
13 (building a capable and developmental state) and 14 (fighting corruption)	The IDC sets high standards of business ethics and enforces zero tolerance of transgressions. We comply with all applicable laws, monitor adherence to anti-corruption and fraud prevention policies and continuously improve our processes. We launched a dealmaking excellence initiative to streamline and improve deal development. This includes eliminating red tape. Our initiative-taking pipeline of opportunities, connections and partnerships is growing and turnaround times to assess and execute transactions is improving significantly. Initiatives focusing on digitalisation continue. We aspire to strengthen institutions and governance within our sphere of influence and included a governance section in our development scorecard	Delivery a capable state, building the entity staffing and governance capacity and quick response

Partnerships	SDG	
NDP chapter	**IDC developmental outcome**	**dtic outcomes and joint key performance indicators**
7 (South Africa in the region and the world)	The IDC's success is not based solely on its efforts but is bolstered by the strengths and participation of partners. We actively build networks and engage in cooperation agreements with governments, social partners, DFIs and other role-players. The need for constructive collaboration in the region and the private sector in energy generation and other infrastructure investments is embedded in our business model. We manage several third-party funds and coordinate and facilitate events and projects. We maintain our stakeholder management framework and keep our stakeholders informed of our goals, strategy and outlook. Catalytic mechanisms leverage funding and crowd-in private funding. We add value by pooling resources, thereby maximising collective impacts. Implementation of AfCFTA and partnerships with businesses, governments, DFIs and funders allow us to take advantage of export opportunities for South African products, input sourcing for local value chains and broader regionalisation. We measure our indirect impact on investment through funding leveraged – funding from partners and syndications for lending. The IDC holds memberships of national and international institutions and bodies and maximises sustainable development through collaboration. We adopted leading reporting frameworks and participate in initiatives to achieve Agenda 2030.	Exports, integrated delivery, shared services, integration of work and mandates and coordination with other parts of the state

STRATEGIC RISKS

The annual risk identification exercise included team discussions, stakeholder interviews, market analysis, investigation of trends among fellow DFIs and a strengths, weaknesses, opportunities and threats (SWOT) analysis. The top 12 risks remained virtually unchanged from the previous year.

Top 12 key strategic risks

Risk name and description	Risk mitigation
Strategic pillar: Increased industrial development	
1 **Macroeconomic conditions and developments** Adverse macroeconomic conditions (domestically and/or globally) and/or sovereign credit downgrades affecting the IDC's business and its ability to achieve strategic targets	**External environment:** • Monitoring of economic developments and sectoral developments through output indicators • Scenario analysis and impact on IDC contingency plans • Research and analysis of economic, political, industrial and other pertinent developments **Internal controls:** • Research and information analysis of economic, political, industrial and other events • Quarterly budgeting forecasts • Impairment interventions • Post-investment and Asset and Liability Committee activities • Scenario analysis
2 **Developmental impact risk** Strategy implementation failures, resulting in the IDC not meeting its strategic objectives and having the desired developmental impact	• Preferential pricing given to black industrialists • Special schemes for youth and women • Corporate and strategic business unit targets set up for funding to black industrialists, youth and women, and localisation • Black industrialist framework in place • IDC participation in the dtic incentive forums for black industrialists • Monthly and quarterly dashboards • Alignment of jobs to capital allocation • Development scorecard • Internal SME focus through regions
Strategic pillar: Maintain financial stability	
3 **Concentration risk** Concentration in the IDC's portfolio, affecting diversification, dividend income and strength of the balance sheet	• Analysis and monitoring of investments • Setting and monitoring of limits • Diversification strategies
4 **Significant investments risk** Financial viability of significant investments and their ability to deliver effectively on their required strategy	• Continuous monitoring of performance of subsidiaries and significant investments

Risk name and description	Risk mitigation
5 **Credit and investment portfolio risk** Non-payment by the IDC's business partners and non-recoverability of investments	• Well-defined credit and investment policy and approved delegation of authority policy in place to approve transactions • Risk appetite framework ensures adherence to risk tolerance levels • Formation of Deal Development Forum and Portfolio Monitoring Technical Committee provides guidance to assess quality of deals and Portfolio Monitoring Technical Forum facilitates detailed and holistic monitoring of clients • Manage risk (including impairments and non-performing loans) through monthly management and quarterly Investment Monitoring Committee meetings to ensure that appropriate intervention strategies are in place to address risk • Business support given to business partners to address specific deficiencies • Implementation and monitoring of impairment interventions by Exco and the Board Risk and Sustainability Committee (BRSC) • Impairment reduction strategy developed and implemented • Post-investment monitoring of client performance and collections
6 **Liquidity and funding risk** The IDC is unable to maintain or generate sufficient cash resources to meet its payment obligations and fund transactions	• Funding plan rigorously managed across different areas • Strong and enhanced relationship with funders/sources of capital • Continue to pursue high-risk appetite funders • Off-balance-sheet funding and sharing of transaction risk through new unit • Liquidity cash preservation processes and weekly meetings • Co-funding arrangements with other financial institutions • Prioritisation and close monitoring of disbursements and collections • More proactive stakeholder and reputational risk management approach (with funders and clients)
Strategic pillar: Human, social, natural and manufactured capital	
7 **People risk/organisational culture risk** Failure to recruit, develop and retain the best talent and create an environment conducive to high performance and client-service culture	• Culture transformation plan and change management plan approved and in progress • Continue with the rollout of the Corporation's leadership journey and focus on mentorship programmes • Employee engagement programmes • Organisational realignment: - Implement revised organisational design to support the new operating model - Continue rollout of change management to support the new organisational design • Effective performance and consequence management • Leadership capacitation to support culture transformation • Knowledge management programme to retain 'corporate memory' • Workplace skills plan and individual development plans • Service charter

Risk name and description	Risk mitigation
8 **Governance, ethical conduct and behaviour** Non-adherence to good corporate governance standards and the risk of internal/external financial crime, including unethical business practices and behaviour	• Delinquent register • IDC policies (financial crime prevention politically exposed person – PEP/ prominent influential person – PIP, anti-money-laundering, director nomination) • Audit Committee and Social and Ethics Committee • Whistleblowing policy and Tip-offs Anonymous process • Code of business ethics and conduct • Systems and Procedures Committee • Application of funding reviews • Publication of all approvals • Annual conflict of interest review • Corporate governance framework • Delegation of authority • Conflict of interest policy (for Board directors) • Training for directors • Annual Board effectiveness review • Pre- and post-governance reviews for investee/subsidiaries
9 **Legal and regulatory compliance** 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 • Monitoring of funding agreements and reporting on breaches • In-house specialised legal services • Compliance policy and annual plan • Regulatory universe • Delegation of authority matrix • Collections Monitoring Forum • Standardised legal documentation • Anti-money-laundering and sanctions policy (Financial Intelligence Centre Act – FICA) • PEP/PIP policies
10 **Business continuity and IT security risk** Business disruption due to an internal or external business continuity or IT-security-related event	• Firewall • Intrusion detection layer • IT security awareness and training • Antivirus software • Daily monitoring by IT governance and network teams • Vulnerability assessments and penetration testing • Updating of business continuity and crisis management plans • Testing of business continuity and crisis management plans
Strategic pillar: Human, social, natural and manufactured capital	
11 **Sustainability and responsible investment risk** Inadequate strategies to address related ESRG and sustainability impact risks and opportunities to drive low carbon transitions across the portfolio	• Development scorecard • Responsible investment policy highlights key principles and guidelines on sustainability and responsible investment issues. i.e. exclusions and restrictions • Input into the due diligence process covers ESRG and sustainability impact considerations
12 **Reputational risk** Potential or actual damage to the IDC's image through factors (negative media reports) that may impair the profitability and sustainability of the business	• Social media policy • Proactive media monitoring of the IDC • Strong relationships with media houses and key journalists • Ongoing engagements with journalists who follow and report on the IDC • Marketing and communication campaigns that create awareness of IDCs funding initiatives • Tight management of client complaints • Ongoing engagement of key stakeholders to provide periodic update on IDC key strategic initiatives

MATERIALITY AND TRADEOFFS

MATERIAL MATTERS

The IDC considers a matter to be material if it affects its ability to create value over the short-, medium- and long term. We embrace the concept of double materiality in our integrated thinking process, including matters that are important to providers of capital and those that affect the environment, economy and people.

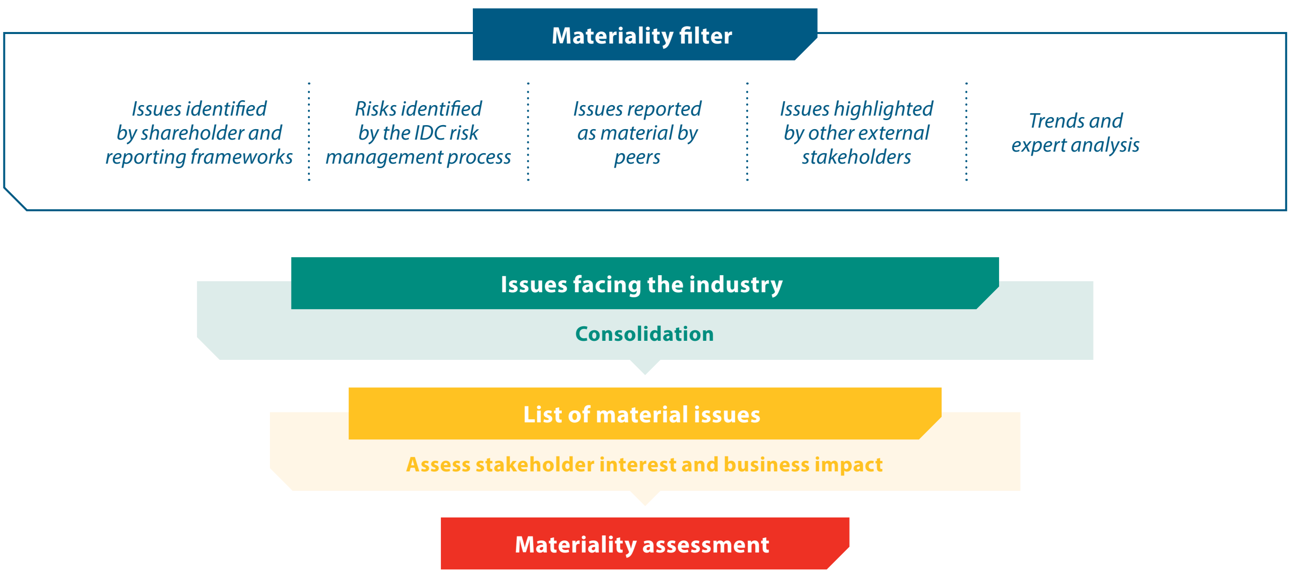
The Integrated Reporting Framework promotes a four-step process for establishing materiality. We apply the steps and ground our process on the principles of stakeholder inclusiveness, validity and completeness.

1. Our process starts with identifying matters that can affect our strategy, governance, performance and outlooks. We recognise the role of all stakeholders in gaining insights and appreciate that the materiality determination process comprises routine engagement, in various forms, with all our stakeholders. Through regular interactions, our stakeholders have the opportunity to offer their views and expectations. We also consult various sources (including information contained in Board documentation, original research and analysis, industry intelligence, mandatory regulatory requirements, best practice benchmarking, online news and media) to generate a universe of potential material issues. The multi-source approach lowers the risk of overlooking emerging issues and makes data triangulation possible, ensuring a credible, comprehensive and more objective analysis.

2. During the second step, we evaluate the significance of the matters in their magnitude to create, preserve or erode value and their likelihood of occurrence. The likelihood and potential impact of risks and opportunities are considered to determine their materiality and to align our strategic approach accordingly. Both positive and negative matters are identified, derived from financial and non-financial information, and include direct and indirect effects. Quantitative and qualitative factors are considered. We view matters from financial, operational, strategic, reputational and regulatory perspectives. Inputs from senior management deliberation and approvals from appropriate governance structures are applied to complete risk registers detailing likelihood and impact.

3. The next step involves the ranking of matters based on their importance. The IDC executive management team and Board conduct ongoing reviews of material matters and we update our risk register throughout the year, undertaking externally facilitated materiality reviews when necessary.

The materiality filter below illustrates the IDC's process to confirm the list of material issues.



4. During the final step in the process, we firstly ensure that material matters are appropriately integrated into our strategy. Our commitment to our stakeholders is demonstrated through tracking our performance against strategy by setting clear key performance areas. These are cascaded throughout the business to deliver on strategic priorities and key performance indicators are derived that, in turn, inform remuneration and incentives. Secondly, we disclose information as appropriate. Internal and external perspectives are considered to make sure that the integrated report meets its primary purpose and aligns to the information needs of our stakeholders.

Our material matters are grouped under seven themes and form the basis of this integrated report.

Our material matters were reviewed, categorised, and confirmed by our management and leadership:

1 **Sustainable industrial development**
2 **Financial sustainability**
3 **Socio-economic development**
4 **Client expectations**
5 **Governance, risk, and compliance**
6 **Human capital**
7 **Partners**

SUSTAINABLE INDUSTRIAL DEVELOPMENT	Link to strategic risks:	Link to strategy and priorities:
It is the mandate of the IDC to maximise industrial capacity development through job-rich industrialisation. The Corporation is a key implementer participant in industrial policy development through various industry masterplans and the Corporation has a positive, demonstrable impact on the country's development trajectory. We acknowledge the role of small business and decarbonisation in economic recovery and growth. We support the drive for integration of South African businesses into continental and global supply chains. Our stakeholders consistently rate sustainable industrial development the top material issue for the IDC.	1 2 4	• Development effectiveness • Financial sustainability • Organisational capabilities • Strategic positioning and stakeholder alignment

FINANCIAL SUSTAINABILITY	Link to strategic risks:	Link to strategy and priorities:
Economic conditions continue to be challenging and a healthy balance sheet remains crucial to drive our developmental agenda. The IDC is a diverse financial partner that participates in the public and private sectors. Relationships with key regulators are essential to our interests.	1 3 4 5 6	• Financial sustainability • Organisational capabilities • Strategic positioning and stakeholder alignment

SOCIO-ECONOMIC DEVELOPMENT	Link to strategic risks:	Link to strategy and priorities:
The IDC is committed to South Africa's transformation agenda and drives targeted interventions to achieve more inclusive growth. We provide concessionary funding to black business owners and apply preferential procurement practices. Our primary objective remains industrial capacity development to support job creation and preservation. With a renewed focus on ESG, we always review our instruments and scorecards to enhance our ability to measure and report on our development impact . We prioritised the enhancement of our monitoring, evaluation and reporting capabilities and are embedding climate-related risk identification and analysis across the organisation. The IDC stays up to date with new developments in sustainability reporting and integrates appropriate standards to underpin sustainable business.	2 11	• Development effectiveness • Strategic positioning and stakeholder alignment

CLIENT EXPECTATIONS	Link to strategic risks:	Link to strategy and priorities:
Accessibility and affordability of finance remain key focus areas. Cost-efficient offerings and innovative business support are key levers for client retention. In our quest to offer a seamless, consistent experience to our clients, we promote a culture of accountability and leverage combined competencies across the organisation. The sustainability of value chains is crucial for long-term value creation.	10 12	• Development effectiveness • Financial sustainability • Organisational capabilities • Strategic positioning and stakeholder alignment

GOVERNANCE, RISK AND COMPLIANCE	Link to strategic risks:	Link to strategy and priorities:
Our regulatory and compliance environment is stringent and we maintain caution and credibility by updating our policies and practices continuously. Our combined risk management and assurance model creates a complete control environment. The Operational Risk and Business Continuity Forum ensures a holistic policy universe. IT architecture is core to our operations and we understand the importance of developing artificial intelligence capabilities and digital strategies. We attach importance to the ever-increasing incidents of cybercrime as these could expose the IDC's intellectual property and result in costs and business disruption. Fraudulent transactions affect our financial sustainability. The IDC adheres to King IV principles on corporate governance. Our Board structures provide oversight of policies and processes that, in turn, manage and mitigate risk and set the tone for ethical behaviour and culture. The Board charter further requires the Board to ensure compliance with laws and regulations and audit and accounting principles, including codes of conduct. The Board Social and Ethics Committee's purpose is to assist the Board in oversight of ethical culture, responsible corporate citizenship, stakeholder relations and the management of significant reputational risks. It has oversight of all ESG activities. The Board Audit Committee and BRSC oversee assurance matters, while the Board Human Capital and Nominations Committee has oversight of remuneration issues, human capital policies and plans and performance goals for the Corporation. The committee also nominates directors.	8 9 10	• Financial sustainability • Organisational capabilities

HUMAN CAPITAL	Link to strategic risks:	Link to strategy and priorities:
The IDC competes for skilled, experienced and competent employees in the finance industry. We aim to create an environment conducive to innovation and offer a dynamic work environment, competitive salaries and employee value proposition with long- and short-term incentives.. A broad range of training and development opportunities is offered and succession planning is in place for critical roles. Our hybrid working model is much valued by our employees and the new way of work is supported by enabling a digitally connected workforce. Cultural entropy remains a key focus area and employee engagement is vital in the quest to realise positive change.	7	• Financial sustainability • Organisational capabilities • Strategic positioning and stakeholder alignment

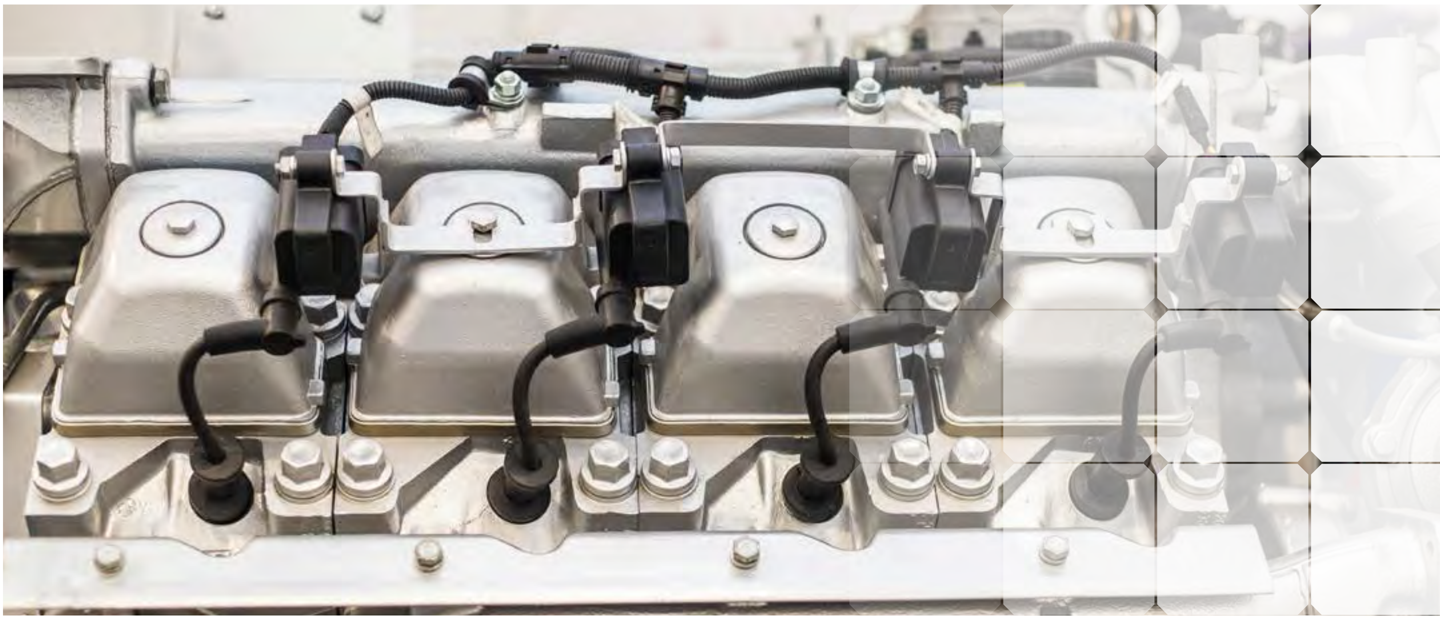
PARTNERS	Link to strategic risks:	Link to strategy and priorities:
Our success is not based solely on our efforts but is coupled with the strengths and participation of our partners. We build networks and engage in cooperation agreements with social partners, DFIs and others. The need for constructive collaboration in the region and the private sector in energy generation and other infrastructure investments is embedded in our business model. The Corporation manages several third-party funds and plays a coordinating and facilitating role in events and projects. We maintain our stakeholder management framework and keep our stakeholders informed of our goals, strategy and outlook.	1 2 4 6 12	• Development effectiveness • Financial sustainability • Organisational capabilities • Strategic positioning and stakeholder alignment

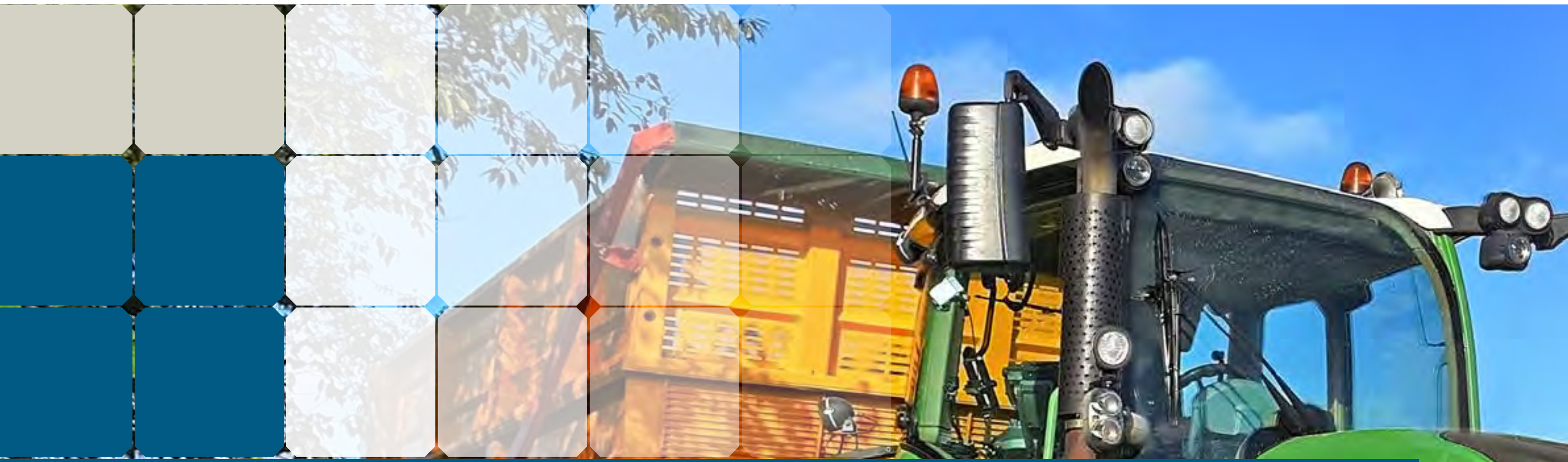
TRADEOFFS

The Corporation balances competing needs from multiple stakeholders in a capital-scarce environment. This requires certain tradeoffs to fulfil its mandate. Proactively tough, yet balanced, decisions 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 We target 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 We prefer 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 focused on increasing its impact by growing levels of investment approvals and disbursements and supporting companies in distress in the hope of improved economic conditions. While the Corporation has had notable successes, many businesses have not proven sustainable. This negates the expected development impact and depletes our resources. An increased focus on ensuring greater 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 We fund predominantly start-up businesses and expansion of existing businesses. We also provide finance to businesses in difficult trading/operating conditions to build their strengths and improve their competitiveness. Our countercyclical assistance to distressed companies with long-term sustainability potential avoids negative deindustrialisation costs.	

Description	Affected capitals
Taking more risk vs rebalancing our portfolio and reducing impairments The IDC funds entities with viable business plans. Given its higher risk appetite, it can fund more businesses but with a potentially negative impact on impairments. Ideally, the IDC wants to increase funding while decreasing impairments. We manage increased funding/decreased impairment conflicts by continuously strengthening post-investment processes and monitoring high-risk clients. We will continue helping clients before they become financially stressed. Decisions that reduce the IDC's financial risk, such as discontinuing support for a business that has proven unsustainable, can cause negative social impacts such as job losses. Such considerations are taken into account when 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 longer-term funding capacity. This is exacerbated if funding does not deliver short-term returns. 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, affects the environment and degrading environmental resources have negative impacts on long-term economic growth. In assessing projects for investment, the IDC assesses and mitigates potential negative environmental impacts.	





'With Covid and the other challenges experienced in recent years behind us, we have a very real opportunity to build capacity across the economy, notwithstanding the impediments that still prevail.

'While steady progress has been achieved in accelerating growth of the energy and agriculture sectors, there was significant momentum in investments in the poultry industry in line with the masterplan. We continued our work on implementing the steel masterplan and provided significant expertise and guidance to the just energy investment plan, especially the new energy vehicles and green hydrogen sections.

'Much work was done on battery manufacturing and substantial investments made in the critical minerals value chain, with research completed on the latter, recognising its importance in the green economy.'

Joanne Bate
Chief Operations Officer

OUR OPERATIONAL PERFORMANCE

DEVELOPING INDUSTRIAL CAPACITY

Multidimensional operations model

In line with key outcomes, IDC operations have three cross-cutting dimensions, namely:

- Value chains (including upstream sectors, enabling components and new emerging value chains)
- Segments that have a clear differentiated approach to small-, medium- and large businesses and social enterprises
- Geography that zooms into different spatial focus areas in South Africa and the rest of the continent.

VALUE CHAINS

UPSTREAM

- Agriculture
- Mining

ENABLERS

- Energy
- Infrastructure
- ESG decarbonisation
- Digitalisation
- Services

INDUSTRIAL VALUE CHAIN

- Agro-processing
- Automotive
- Metals and beneficiation
- Machinery and equipment
- Chemicals
- CTFL, furniture and wood products

EMERGING VALUE CHAIN

- Green hydrogen
- New energy vehicles
- Energy storage
- Natural gas

SEGMENTS

- Medium and large enterprises
- Small business
- Social and solidarity economy

SPATIAL

SOUTH AFRICA

- Urban (townships) and rural
- SEZ industrial parks
- Targeted districts
- Provincial (segregated)

REST OF AFRICA

- SADC
- Selected countries outside
- Regional value chains

OUTCOMES

- Expanded industrial capacity
- Job creation
- Industrial and transformation
- Localisation
- Spatial equity
- Reduced negative environmental impact

Core competencies to support a holistic approach to value chain development

The Corporation uses different competencies to achieve its outcomes in value chains, segments and spatial interventions. These competencies include:

- Integrated industry planning supporting the creation of conducive ecosystems and value propositions and aligning all IDC competencies to value chain plans
- Project development – support and funding of needle-moving and catalytic projects not yet bankable
- Business development – proactive engagement with and support to industry operators to build a pipeline of potential strategic investments
- Programme and fund management of specialised and off-balance-sheet funds with partners in all operational dimensions
- Investments and financing – performing comprehensive in-house due diligences and devising solutions for risk mitigants and optimal financial structuring
- Portfolio value creation – the support provided to portfolio investments to grow and enhance their potential and impact.

The Corporation supports priorities for industrial development, with the following being important:

Igniting reindustrialisation

The key differentiator of the IDC mandate from that of other DFIs is its focus on industrial capacity development, particularly in manufacturing. Industrialisation is important due to its catalytic impact on economic growth, job creation, technological advancement, production diversification, global competitiveness and, ultimately, increased standard of living.

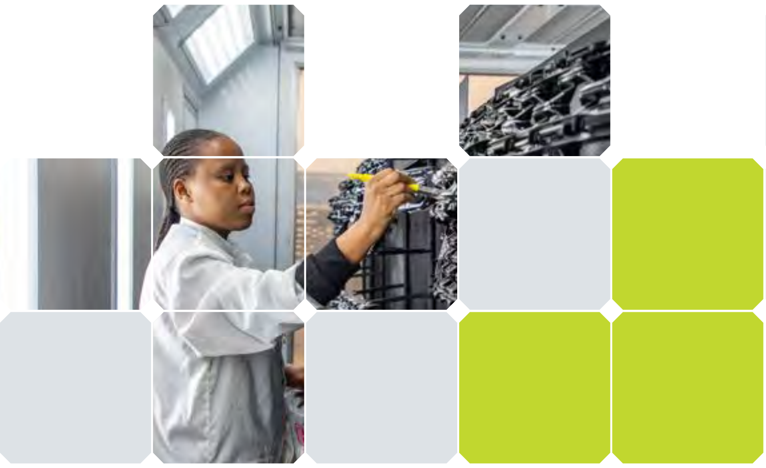
The IDC's approach to strengthening industrialisation is through the development of sustainable and inclusive value chains in enabling ecosystems. Well-functioning value chains link different stages of production, from raw materials to finished products, through specialised tasks and processes. Integration and coordination of these value chains ultimately lead to improved productivity, resulting in efficient production and resource allocation and improved competitiveness.

In the year under review, our investment approvals for the manufacturing sector were R8.1 billion, 8% higher than in the previous financial year (R7.5 billion), while disbursements increased by 121% to R8.6 billion (2021/22: R3.9 billion). For committed transactions, 10 175 jobs are expected to be created and saved. Of investment approvals in manufacturing, R3.7 billion worth (2021/22: R2.5 billion) were for black-empowered businesses, R1.2 billion (2021/22: R365.7 million) for women-empowered businesses and R970.6 million (2021/22: R304.7 million) for youth-empowered businesses.

Our funding in industrial value chains was supported by the Manufacturing Competitiveness Enhancement Fund Programme, which is managed by the IDC on behalf of the dtic. This fund provides concessionary working capital for both existing (expansions) and start-up companies in the manufacturing sector and plant and equipment funding for black industrialists across manufacturing industries.

INVESTMENT IMPACT

BATYI FORGES AHEAD



The BACS revamped factory was officially opened just after year-end, on 30 May 2023.

Established in 2017 by Sipho Batyi, Batyi Automotive Component Supply (BACS) is a tier 3 components supplier to Ford through its partnership with Motherson Sumi System, a tier 1 components supplier with more than 270 operations across the globe. BACS is involved in manufacturing and assembly of automotive components, including the production of plastic injection-moulded sub-components, pressed steel sub-components and nuts and bolts.

For the past five years, it has operated under the Automotive Industry Development Centre incubation programme, a government-led initiative promoting automotive industrial manufacturing by building automotive industrial parks and incubation parks to service original equipment manufacturers (OEMs). Through this initiative and partnership with Motherson, BACS has graduated from the programme and now contracts directly with local automotive manufacturers.

IDC funding will enable the company to expand its production plant, procuring and installing the seven spray booth ovens critical to its growth objectives. This funding aligns with the automotive masterplan, which promotes localisation while deepening participation of black-owned companies in the automotive value chain.

Over the next five years, as this black industrialist moves closer to becoming a major components supplier to global automotive manufacturers such as Ford, 78 new jobs will be created.

Outfitting clothing and textiles manufacturing for increased growth

The CTFL value chain spans cotton ginning, raw wool processing and synthetic fibre production through yarn spinning, fabric production, dyeing, finishing and finally garment manufacturing. The leather value chain includes leather tanning and leather goods manufacturing. Footwear manufacturing includes synthetic footwear manufacturing.

The value chain is socio-economically significant given its substantial labour-absorptive capacity and contribution to employment creation, particularly of women and entry-level employees. The clothing sector creates about 11 jobs per R1 million of capital stock, translating to about 6% of total manufacturing employment.

The IDC has been instrumental in the implementation of the Retail-CTFL Masterplan and has a clear strategy to support the value chain, focusing on areas crucial to sustainable growth and development. The ultimate objective is for the IDC to proactively drive the development of the value chain by addressing gaps often neglected by the market.

Of interest are identified immediate growth opportunities including denim manufacturing capacity for mid- to low-value retailers, seamless garment manufacturing, commission dyeing and finishing facilities for knitted fabrics, increased woven mill capacity and stabilisation and growth of current spinning capacity. Medium- to long-term focuses have also been identified.

The IDC is leveraging from South African retailers that have committed to increasing their locally manufactured products to 65% by 2030. In addition, our business development activities have created relationships with value chain participants in SADC. This has resulted in funding of import replacements in denim manufacturing, seamless garment manufacturing, dyeing/finishing facilities for knitted fabrics and footwear. Approved funding amounted to R927 million, a 20% increase from the previous year. These investments will create and save 2 715 job opportunities.

Complementary to the IDC's on-balance-sheet support to this value chain is its management of the Clothing, Textiles, Footwear and Leather Growth Programme. This programme provides grants and concessionary loans to operating entities to increase employment, improve competitiveness, grow and localise. In the year under review, the programme improved its operational efficiencies and supported 84 businesses to the value of R1 056 million, creating and sustaining 1 599 jobs.

The CTFL value chain remains under pressure due to constrained consumer demand, but great opportunities exist to localise manufacturing. Weak local currency and costly supply chain logistics make localisation of clothing and textile manufacturing attractive to retail partners. The IDC continues to pursue these opportunities.

INVESTMENT IMPACT

A NEW SUPPLIER OF CHOICE FOR LOCAL RETAILERS

IDC funding has brought the expertise of Mauritius to South African shores, with the establishment of Pro Textile, a vertically integrated garment manufacturer and a subsidiary of Mauritian-based Compagnie Mauricienne De Textile Ltee, one of the world's leading vertically integrated garment manufacturers. It has marketing offices in London and Paris, with production facilities in Mauritius, Bangladesh and Madagascar that employ about 14 600 people.

Pro Textile has found favour among local retailers and suppliers for its short turnaround times, supply chain agility, customer demand flexibility and precision crafting. Its vertically integrated model puts the entire process of garment sewing, dyeing and finishing under its control, which allows it to manage production and other logistics.

Highly sought-after griege fabric will be sourced from the Mauritian parent company, enabling regional integration and cost saving as, under the SADC regime, yarn or fabric can enter South Africa duty free provided that the spinning process has been done in a SADC member country.

This project will create 1 323 direct jobs in Ezakheni, a KwaZulu-Natal SEZ, and contribute to import replacement, which supports the objectives of the Retail-CTFL Masterplan.

Value grows on trees

The wood value chain comprises saw milling, board manufacture, pole manufacture and treatment, and paper, packaging and furniture manufacture.

Being based on a renewable resource, this sector is important, particularly in the drive for circularity and sustainable packaging.

The furniture sector contributes less than 1% to GDP despite its potential. It, however, is a labour-intensive, low-capital-intensive industry with potential to create a significant number of jobs, replace imports, increase exports and develop inclusive supply chains. The Furniture Industry Masterplan crafted by ecosystem role-players intends to stem the tide of job and production-capacity losses in the sector.

A crucial enabler, the Furniture Industry Challenge Fund was capitalised at R400 million through a partnership with the dtic. The fund is currently liaising with non-banking intermediaries to focus on the small, medium and micro enterprise client base.

Most sectors in the value chain are driven by consumer spending and construction expenditure, both weak due to macroeconomic factors. IDC-approved funding of R251 million for this value chain created 419 job opportunities. Significant investments include the establishment of a melamine board plant in KwaZulu-Natal that supports localisation and economic stimulation in a deep rural area. These developments will enhance competition in the sector.

Despite depressed macroeconomic conditions, the outlook for investments in the paper and packaging industry remains positive. Major projects focus on plant upgrades and modernisation. The move to sustainable packaging is another factor driving growth in this sector. We also see opportunities to facilitate empowerment in areas such as saw milling.

Putting the spotlight on the chemicals value chain

The IDC focus in this highly diverse value chain is on the manufacture of battery mineral materials, oil and gas, pharmaceuticals (especially biotech), green and other new chemicals, fluorochemicals, medicinal cannabis and medical devices.

During the year under review, we disbursed more than R5 billion to the sector, with approvals expected to create and save 1 226 job opportunities (2021/22: 2 109). A portion of the funding supported IDC subsidiary Foskor, with the rest spread over a large range of manufacturing activities in:

- Battery-grade nickel sulphate purification for lithium-ion batteries
- Electrolyte for use in vanadium redox flow batteries
- Vaccines and pharmaceutical products
- e-waste recycling
- Specialised pipes for water and sanitation, agriculture and mining
- Polymer-based medical fabrics and components for clinical environments
- Refined liquid fuel in SADC
- Rubber products.

A feasibility study was completed for a project to produce high-purity cobalt oxides and/or sulphates for the manufacture of cathode precursor materials used in electric vehicle batteries and energy storage systems. This project will create cobalt refining capacity installation outside of China and could unlock opportunities to participate in the next level of the value chain to manufacture nickel-manganese-cobalt battery precursors.

As the chemical industry in South Africa is highly dependent on coal, the IDC is currently implementing strategies to find decarbonisation options. Among these are green hydrogen, use of natural gas as a transition source and biofuels. The IDC maintains a responsible approach to fossil-fuel-based value chains such as coal, natural gas and liquid fuels.

We have concluded that cannabis cannot be commercialised before the regulatory environment and ecosystem are aligned. We have, therefore, seconded a resource to the Presidency to oversee and coordinate the development of all-inclusive and all-purpose cannabis regulation across government departments and entities. In the meantime, an interim industry plan has been developed focusing on the areas where South African legislation is aligned for commercialisation. Our key focus is on medicinal cannabis, which has an approved regulatory regime and has already generated funding approvals.

INVESTMENT IMPACT

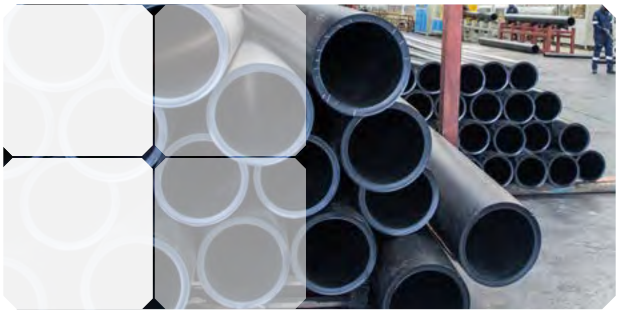
A PIPE DREAM GONE BIG

Baila Tlhantlhagane (BT) Industrial, incorporated in 2017, manufactures high-density polypropylene pipes for water infrastructure, optical fibre and polymer-based medical fabrics and components for clinical environments. The business operates three manufacturing units, namely pipe manufacturing, medical devices and engineering and business solutions. Its main customers are suppliers to the mining, agriculture and construction industries.

The plastic pipes are used mainly for infrastructure applications such as:
- Water supply, mining (surface and underground)
- Agriculture/irrigation, high-temperature liquids and gases
- Corrosive water and effluents, dewatering, drainage and sub-soil drainage, protection of electrical and telephone cables, hydraulic transport and pipeline rehabilitation.

BT received funding from the IDC for plant expansion, which involved relocating to bigger premises, purchase of new machinery, installation of a solar system to support its energy requirements and working capital.

The support will enable this black industrialist to boost production capacity of pipes and medical devices such as polypropylene insulin syringes and respirators. Another 142 employment opportunities will be added to the existing 83 employees.



Steeling the metal industry for growth

The steel and metal industry forms the basis of an industrial economy. The IDC has always been proactive in the development, diversification and transformation of this value chain, including having been instrumental in crafting the Steel Masterplan and remaining a key player in its implementation.

In the past financial year, we led a steel diversification and localisation study, mapping product capabilities and capacities across our steel investments. This resulted in approved funding topping R900 million and facilitating 242 job opportunities through:

- New flat steel capacity to stimulate competition
- New high-quality long products for mining, grid and engineering applications
- New steel types for higher strength and longer wear applications for the renewables, automotive and construction industries
- Enhancement of the IDC's portfolio through a mini-mill to upgrade facilities and produce a diversified product range.

The transition to green steel also received feasibility funding support with a focus on the restart of Saldanha Steel, and manufacture of green direct reduced iron and, ultimately, green steel.

Steel demand stimulation was supported through rail localisation, with specific reference to rail component fabrication, refurbishment of rail rolling stock and locomotive refurbishment.

The IDC implemented amendments to the Downstream Steel Industry Competitiveness Fund, resulting in increased uptake. This dtic-sponsored fund provides interest rate support to improve enterprises' competitiveness and help companies in distress with bankable turnaround strategies to survive the economic downturn. The fund supported 12 businesses with underlying loans of R342 million, creating and sustaining 313 jobs.

We provided input to the dtic on the new scrap metal regulations and developed a scrap metal verification tool to assist with our compliance activities.

Technology rich, but needing development

Machinery and equipment constitute a value-added and technology-rich value chain with strong international original equipment suppliers dominating the local machinery and equipment market. South Africa's local technology base needs further development. The challenges are to maximise local production of these technologies and drive export opportunities in South Africa and the continent.

During 2022/23, the IDC's investment in this value chain equated to R1.2 billion, 29% higher than in the previous year and expected to create and save 850 job opportunities (2021/22: 388). Significant progress has been made in mining equipment, electronics, renewable energy and energy efficiency systems.

The energy crisis facing the country and the transition to renewable energy are key focuses. We developed industry plans for localisation of renewable energy value chains (solar and wind) and the transmission grid. Localisation has been constrained by inconsistent public procurement and relative competitiveness to imports, but the IDC provides advice and analysis during regular engagements with government to influence local content policy and exemption decisions, import tariffs and support for input components.

Our liaison with tier 1 international manufacturers to attract investments to South Africa resulted in an investment in the manufacturing of the new M12 bifacial photovoltaic module with a capacity of 325MW. We are also jointly developing a utility scale inverter project and funding was provided to certify and construct a reference plant to industrialise the production of 200MW capacity a year.

The localisation of electrical equipment for the transmission grid remains key in the energy transmission system and funding was provided for new manufacturing capacity in high-voltage transformer bushings and mini substations.

The efficient use of energy is crucial in reducing the demand challenges placed on South Africa's energy generation capabilities. The Corporation supported the manufacture of smart metering systems and funded the manufacture of smart sensors and platforms for residential application, including smart geysers, alarm sensors, automated plugs and lights, and leak and fire detection sensors.

We are optimistic that the liberalisation of renewable energy in South Africa will provide a stable growth trajectory for component localisation. Our focus will be on a continental demand stimulation strategy for end-user facilities and export driving lines of credit.

INVESTMENT IMPACT

ART SOLAR SHINES AMONG ENERGY SOLUTIONS PROVIDERS

Established in 2010, Art Solar, based in Durban, designs and implements renewable energy solutions for medium- to large-size projects. One of only two local manufacturers specialising in high volume manufacturing of solar panels, it also supplies wind, biogas and thermal energy solutions.

A solar manufacturing base in South Africa is essential for import replacement, as the REIPPP decrees that 35% of all photovoltaic modules installed by independent power producers must be locally produced, but 100% of those under bid window 5.

This equates to demand for local modules of 582MW under the Risk Mitigation Independent Power Producer Procurement Programme and 975MW under REIPPPP bid window 5, with a further 1 000MW photovoltaic capacity expected from bid windows 6 and 7.

The IDC will assist the company with working capital and capex to achieve its upgrade to the new M12 bifacial module photovoltaic manufacturing plant.

Funding will enable the company to grow its headcount from 52 to more than 200 in the long term.

Gearing for automotive sector acceleration

The IDC's objective is to increase manufacturing value add for production of vehicles and components, simultaneously developing the new energy vehicle segment and manufacturing transport equipment in the rail, maritime and aerospace sectors in South Africa.

We are implementing an automotive sector industry plan aligned with the objectives of the South African Automotive Masterplan but focusing on new energy vehicle value chain development, broadening and deepening the local production base, transformation, infrastructure support and regional market development.

In the automotive value chain, we play a key role in the formulation of attractive value propositions for new OEMs interested in entering the South African market.

Our planned multi-model OEM manufacturing facility project is gaining traction, with interest from international OEMs. It will include a logistics solution to support exporting auto manufacturers.

Funding approvals in the past financial year amounted to R1.3 billion and will facilitate 4 207 job opportunities.

An analysis of the funding shows these major themes for the year:

- The inclusion of local black-owned companies in the supply chains of large automotive OEMs, witch plays an important role in maximising the impact of the dtic's incentives for automotive manufacturing
- Funding for BAIC South Africa to finalise its vehicle assembly plant in the Coega SEZ
- Support to the rail value chain, including fabrication of rail components, refurbishment of rail rolling stock and of locomotives, and provision of heating, ventilation and air conditioning systems for passenger trains.

The pandemic and global trend to sustainability triggered strategic disruptions for organisations that accelerated technology changes on many fronts, especially in the transportation equipment industry. Electrification of transport equipment, modular design and -manufacturing techniques, and the subsequent shift in international market requirements are just a few of these trends. A key theme for the South African automotive sector will be compliance of large automotive exports with export market regulations that will outlaw internal combustion engines from 2030. The IDC will be instrumental in the transition of the industry.

Mining new heights in critical minerals

According to the International Energy Association, as the world transitions to clean energy, global demand for critical minerals will increase by 500% by 2050. These minerals underpin clean energy systems but are also key inputs into modern technology and communications systems. Globally, focus is increasing on expanding and diversifying supply chains, ensuring access and reducing reliance on China (the world's refinery for these minerals). Africa, home to a wide range of mineral resources, will continue to occupy a strategic position in the global socio-economic and political arena as countries transition to a low carbon economy.

However, the mining sector's production volumes are under pressure due to a flattening commodity cycle, frequent and prolonged loadshedding, rail transport and logistics constraints, policy uncertainty and criminal activity.

To stimulate growth and expansion in the mining sector, the IDC has developed a critical minerals game plan that focuses on the support for 17 minerals essential to the green economy and global transition to renewables, electric vehicles, hydrogen and battery storage.

Beside mining expansion, we also support the decarbonisation of mining production and initiatives for renewable energy supply and alternative sources of energy such as green hydrogen.

In the past financial year, we approved funding of R4.6 billion that will create and save 3 814 job opportunities (2021/22: 3 684).

Our mining interventions were mainly in platinum group metals. These metals remain important not only for industrial applications but for development of new green technologies such as battery storage and the green hydrogen economy.

The Corporation is supporting a five-year expansion programme of a major player in this sector to boost production capacity from 600 000 ounces to 1 million ounces a year by 2026. This will result in increased exports from South Africa and foreign currency earnings for the country.

We also provided funding to a relatively new mine associated with the Platinum Valley SEZ in North West, creating a significant number of new job opportunities in a relatively impoverished area.

Growing the agricultural sector

The development of the agricultural value chain is key for rural economies. We develop downstream industries that add value to primary agricultural produce and create significant development and job numbers. In addition, we support projects that address shortages of inputs into the processing industry or where a new, high-value crop is being introduced in the country.

In the past financial year, the IDC approved funding of R2.5 billion that will create and sustain 10 306 job opportunities. Funding of R863.1 million (2021/22: R95.9 million) was approved for black-empowered businesses. Women-empowered businesses received R207.5 million (2021/22: R44.8 million).

Investments were linked to the following:

- Implementation of the Poultry Masterplan and development of an industry plan to garner support for enhancement of the ecosystem. Within the poultry value chain, transactions were approved totalling R135 million, contributing 7.5 million birds a year and 13 780 tons of meat. All transactions supported transformation through majority black shareholding
- Participation in Sugar Industry Masterplan implementation through our industry plan, which prioritises sugar diversification opportunities. Funding has been provided for the feasibility study of a sustainable aviation fuel project and is being considered for production of polylactic acid to manufacture biodegradable and compostable bioplastic products. Production capacity is being protected by funding support carrying a large miller through its cash flow challenges and flood relief support
- Investments in the horticultural value chain, which is a highly labour-absorbing sub-sector of agriculture, but with a high establishment cost-per-hectare (high barrier to entry). We supported community- and black-owned projects in macadamia, cherry, almond and citrus cultivation. Certain horticultural investments also diversified sugar farming activities
- The collaboration with the Department of Agriculture, Land Reform and Rural Development through our management of the Agro-Industrial Fund. The fund assists qualifying black producers to develop, expand, acquire and integrate operations in prioritised value chains. During the year under review, the fund supported 12 businesses to the value of R272 million, creating and sustaining 646 jobs.

Our focuses for the new financial year are:

- Facilitating the aggregation and co-funding model with industrial processors and fast-moving consumer goods companies aligned to the SME Connect partnership approach. The programme will address chiefly supplier development and market access for emerging suppliers
- Transforming and developing the commercialisation of black farmers into the commercial protein (beef, poultry and pork) value chains
- Developing high-value, export-oriented crops through redevelopment of high-potential, underused agricultural land, including land reform assets (community- and government-owned farms).

Addressing the energy deficit

Given the energy deficit and need to decarbonise the industrial economy, the IDC has become a significant funder of REIPPPP, having taken the lead in funding that enabled other funders to come on board. The incorporation of communities into the projects was essential to REIPPPP and we facilitated this by funding special purpose vehicles formed on behalf of the communities. Our funding instruments were mainly direct equity, funding black economic empowerment participation, black special purpose vehicles and community trusts (quasi equity and debt instruments) and senior debt.

Since the advent of REIPPPP, the IDC has invested about R16 billion in renewable energy, crowded in investment of around R65 billion and facilitated 2 991 jobs. About R4.6 billion of funding went to community trusts and black-empowered entities.

In the past financial year, we approved R540 million for new renewable energy projects and disbursed R1.1 billion to projects approved in previous years. For projects that reached financial close during the year, R15.2 billion in external funds was facilitated, R2.1 billion of which promoted transformation.

We also turned our attention to localisation of component manufacture and energy efficiency. These initiatives have been hampered by the stop-go nature of REIPPPP.

With the liberalisation of the energy market in South Africa, out focus has broadened to renewable energy solutions for commerce and industry, including funding for the transmission grid and the localisation of essential inputs.

Infrastructure development and rehabilitation

Infrastructure provides the physical systems and facilities that support industrial activities. It ensures the smooth flow of goods, services and information, facilitates logistics and distribution, enables access to reliable power and energy supply, and promotes innovation and technological advancements. Without adequate infrastructure, industrialisation would be constrained, hindering economic development and growth.

Given South Africa's infrastructure challenges, the IDC looked to energy provision, transport and logistics, storage, water and sanitation and telecommunication.

In the past financial year, we awarded funding of more than R4.3 billion (2021/22: R2.9 billion) that will sustain and create 2 008 job opportunities (2021/22: 7 220). This included support for rail logistics, air logistics and bulk water provision.

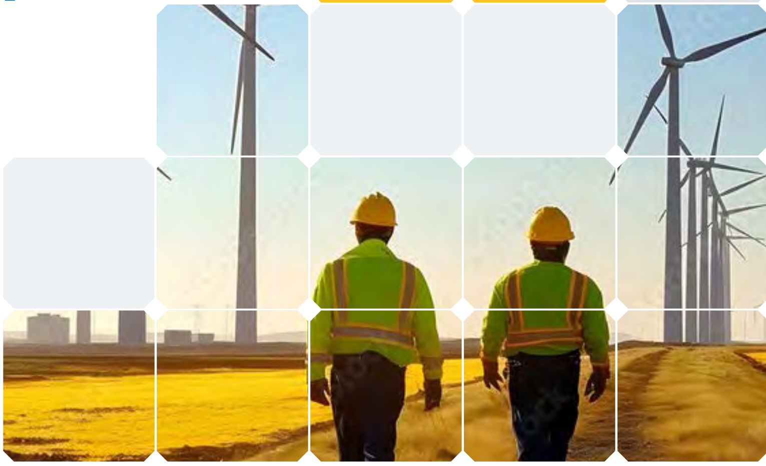
Our involvement extends to the maintenance and rehabilitation of crucial infrastructure. For example, the IDC is leading the development of a logistic solution to rehabilitate a rail line with a new commercial operational model for exports of automotives from the Tshwane automotive SEZ to Gqeberha.

We are also conscious of the infrastructural requirements of new South African industries in natural gas, green hydrogen, liquid fuel and new energy vehicle charging.

As the coordination of these large-scale initiatives is necessary for successful implementation, the IDC is also housing and providing administrative support to Infrastructure South Africa, the SEZ and industrial zones programme of the dtic and the Tirisano construction programme.

INVESTMENT IMPACT

TAILWINDS AHEAD FOR REATILE



Sasol South Africa issued a proposal request for the design, finance, construction, operation, maintenance and ownership of facilities and connection infrastructure to supply it with green or renewable energy. A consortium of companies including black-owned investment outfit, Reatile Group, won the bid for construction of Msenge Emoyeni, a 69MW wind farm. This consortium concluded a 20-year power purchase agreement in November 2022. Founded by black industrialist Simphiwe Mehlomakhulu in 2003, Reatile has made significant investments in the renewable energy sector over the years and now holds equity stakes in about 485MW of renewable energy projects currently in operation.

The Msenge Emoyeni wind farm is situated between Cookhouse and Bedford, in the Blue Crane Route Local Municipality, Eastern Cape. This area forms part of the Cookhouse renewable energy development zone, a region designated by government for development of renewable energy projects. The site also falls in the eastern corridor of the government-designated strategic transmission corridors. Development is advanced, with most permits and authorisations already secured.

With energy ranking high high among priority sectors earmarked for funding, the IDC funded Reatile for its equity in the project and the promise of a strong local manufacturing and site services component. The project is expected to create 62 full-time jobs at the start of operations.

Cultivating cultural industries

South Africa is well positioned to be a global player in content creation and the IDC's role is key in making this a reality. Content consumption patterns have changed in the sector and the arrival of streaming networks on the continent has increased demand for local content.

We support the media and audio-visual sector with content creation, infrastructure and content distribution. We seek to unlock the value chain and transform its ownership, specifically as there are no active financing players in the sector.

During the past financial year, the IDC approved 'Around the world in 80 days 2', a sequel to the original series that opened the market for content created in South Africa and distributed internationally. The funding supported a black woman-owned business.

Large helping hand for small business

A healthy mix of small and large businesses is the basis for a sustainable and inclusive industrial sector. Small business development unlocks entrepreneurial spirit in the economy and supports decentralised job creation. However, small businesses experience unique challenges in access to finance, markets, skills, resources and information.

The IDC has, therefore, adopted a differentiated approach including support through its regional offices and a differentiated client-centric process that provides for specific needs. Our processes are customised for existing businesses, contract-based funding, existing and start-up enterprises.

Funding approvals increased by 26.2%, from R404.5 million in 2021/22 to R510.4 million in 2022/23.

We also focused on the linkage between small businesses and larger companies. SME Connect nurtures the collaboration of small and medium enterprises in the supply chains of larger entities (including enterprise supplier development programmes and procurement). It focuses not only on facilitation of financing, but maximises market access and technical support. Strategic partnerships have been established with other support providers in the ecosystem. During 2022/23, 53 potential financing opportunities were originated by this programme.

The IDC's management of the dtic's Khoebo Innovation Promotion Programme has supported 14 small and medium businesses and start-ups to the value of R42 million to enable them to penetrate the market with locally developed innovations.

Nurturing the township economy

The IDC understands that economically marginalised places and people will stay poor unless they are connected to larger economies. Marginalised communities have assets, which if properly and appropriately developed, can contribute to these larger economies. The overall economy will do better when more people are doing better.

Our township economy investment strategy links social improvement with economic progress and sustainable development practices. It does so through supporting initiatives that:

- Stimulate economic activity, job creation, skills development and employment of local people
- Facilitate viable and sustainable enterprise development
- Improve the living environment.

Our township-focused interventions are as follows:

- The Township Economy Partnership Fund, which provides wholesale funding to strategic implementing partners that on-lend to township businesses. During the financial year, the fund supported four partners to the value of R400 million, R200 million of which has been disbursed. To date, 279 township clients have received R290 million in funding (including leveraged funding raised by the implementing partners), creating and sustaining 834 jobs
- Social and solidarity funding and corporate social investments (see page 70).

Providing much-needed relief

On 11 April 2022, parts of the country experienced severe flooding, resulting in significant loss of life and widescale destruction. KwaZulu-Natal was the epicentre of the disaster, with parts of Eastern Cape and Northern Cape also affected. The IDC responded with its Flood Relief Fund in partnership with the dtic's Manufacturing Competitiveness Enhancement Programme fund. Besides concessionary loans, grant funding was made available for humanitarian relief and for affected formal and informal township businesses.

Funding of R1.25 billion was disbursed, safeguarding more than 8 500 jobs. Humanitarian aid was provided to more than 48 000 affected people. In addition, the flood relief grant programme ploughed R86 million into companies in 22 townships. In partnership with seven strategic implementing partners, we reached 1 145 businesses and saved 5 840 jobs.

Tackling unemployment

Current levels of fixed investment in South Africa cannot support higher rates of economic growth and job creation sustainably. IDC investments are directed at labour-intensive, -absorbing and -enabling sectors.

Funding goes further than new industrial capacity, generating new jobs to saving job opportunities through support to struggling job-rich value chains with potential (such as CTFL, furniture and sugar) and those affected by disasters.

In the past financial year, we facilitated the creation of 14 351 new job opportunities and saved 13 861 jobs.

We use concessional funds from the Unemployment Insurance Fund to contribute to sustainable job creation and retention. During the year, this funding supported 23 businesses to the value of R1 671 million, creating and sustaining 2 320 jobs.

The SEF, in partnership with the Presidency, provides funding to implementing partners to identify, source and accredit beneficiaries that create social employment opportunities in communities. During the year, the fund supported 28 public benefit organisations to the value of R492 million, generating job opportunities for 49 962 participants.

These job opportunities are applied to address certain social and environmental issues and had the following impact:

- 3 300 patients tracked and assisted with taking chronic medication. Patients are educated on the importance of regularly taking medication and following a healthy lifestyle
- 89 000 learners receiving critical educational support, including after-hours academic tutoring, improved literacy and reading and participation in sports
- 41 530 schoolchildren reached through art programmes
- More than 25 000 survivors of gender-based violence given paralegal support, counselling and guidance on how to seek justice and recourse
- At least 1 995 community kitchen gardens established and currently maintained. The produce is used by the communities or sold, with the proceeds put back into the community
- 2 300 hectares of invasive plants cleared from important communal farming and conservation areas. Biomass is beneficiated into valuable materials for use and resale
- At least 760 informal settlements profiled. This includes repairing and monitoring of public utilities, enumeration to provide household numbers and conducting household surveys.

Stimulating the social and solidarity economy

A social enterprise operates with the primary goal of addressing social or environmental issues. It combines the principles of business entrepreneurship with a focus on creating positive social impact. It plays a key role in the creation of a solidarity economy that emphasises cooperation, participation, and social and economic justice to create a more inclusive and sustainable economy for the wellbeing of communities and the environment.

To support social enterprises and the solidarity economy, two funds are managed by the IDC:

- The IDC Spatial Intervention Fund aims to promote, facilitate and implement economic development in a specific area, to address spatial disparities, harness job creation opportunities and bring about meaningful change
- SEF, with the intention to support social enterprises to assist, grow and supporting social economy as a sector.

During the year under review, these funds supported 13 small, medium and micro enterprises to the value of R58 million, creating and sustaining 369 jobs.

Supporting regional value chains

Africa's economic potential is vast and holds significant opportunities for sustainable development. This is not based only on its abundance of natural mineral and agricultural resources but its young and growing population, vast urbanisation and rising middle class, increasing intra-African trade boosted by AfCFTA, advancements in technology and digitisation and investment in infrastructure.

The IDC is mandated to also support sustainable industrial development on the rest of the African continent in the belief that deepened and more diversified industrialisation on the back of strategic regional value chains will contribute significantly to AfCFTA ambitions. Partnerships are key to developing the continent's industrial economy.

The IDC co-funded the SADC Regional Gas Masterplan with the Development Bank of Southern Africa.

During the past financial year, we approved R3.4 billion of funding to countries across the continent. Notable commitments included mining in the Democratic Republic of Congo, aluminium manufacturing in Mozambique, liquid fuel refining in Angola, pipeline infrastructure in Uganda and a paper mill in Botswana.

The following drivers of change will provide continental growth opportunities justifying IDC support: Post-Covid reorganisation of global value chains, the growing importance of critical minerals, the sustainable transition (green industrialisation), rapid technological advancement, agricultural I response to climate risks and food insecurity.

Transitioning and transforming the economy

The drive towards enhanced industrialisation poses challenges, including environmental degradation, resource depletion and social inequalities. It is important to pursue sustainable and inclusive industrialisation practices that minimise negative impacts and ensure equitable distribution of benefits.

The IDC is well placed in the just transition through its funding of the renewable energy sector, energy efficiency industrial infrastructure improvements, battery storage and transport, complemented by its focus on economic transformation, social and solidarity support and empowerment. The IDC has adopted a just transition framework outlining how it will align and drive the just transition domestically and in the rest of Africa. The framework covers:

- Decarbonisation
- Diversification of industry (to address at-risk sectors and potential growth sectors)
- Mobilisation of finance
- Inclusivity and social justice
- Partnership creation.

The following are noteworthy:

- Funding of renewable energy and localised value chain (see page 67)
- Green hydrogen value chain, which presents an important decarbonisation pathway to South Africa and a significant industrialisation opportunity. The IDC provides leadership in the commercialisation of the sector through its role on the Green Hydrogen Commercialisation Panel, the drafting and updating of the Green Hydrogen Commercialisation Strategy and its role in the positioning of the green hydrogen chapter of the Just Energy Transition Investment Plan (JET-IP). Partnerships have been established with technical players including Sasol, ArcelorMittal South Africa and ACWA Power. Project development funding of R100 million has been approved for catalytic projects in ammonia exports and decarbonisation of hard-to-abate sectors (steel and chemical). A pipeline of potential catalytic projects is also under review for mobility applications such as sustainable aviation fuel. Blended funding partnerships are being established with international funding agencies
- The transition to new energy vehicles is crucial for the survival of the automotive sector. The IDC, therefore, played a leading role in the formulation of the JET-IP for these vehicles and is advising the dtic on designing the incentive package. OEM partnerships further assist in their transition and decarbonisation initiatives. We are also exploring other e-mobility opportunities and evaluating the piloting of new initiatives in last mile delivery. Funding will be channelled into demand stimulation of e-mobility and considerations are underway for different charging infrastructure options
- As the demand for battery storage continues to grow, battery producers and automakers are scrambling for access to key metals such as lithium and nickel, battling high prices and tight supply. Mine developers on the continent often enter long-term contracts with OEMs and other traders and much beneficiation happens outside the continent with limited local value add. As prices of batteries are being driven down, battery mineral supply will be even more commoditised, reducing Africa's potential investment and development returns. As the African market for new energy vehicles and other battery applications increases it is likely that the continent will import these batteries, having missed the opportunity to develop a local industry. The IDC has developed an approach to ensure integrated development of the battery storage value chain and currently more than 20 opportunities are being pursued across the value chain in SADC
- Climate adaptation requires special assistance to vulnerable sectors such as agriculture and tourism. On behalf of the Department of Tourism, we are managing the Green Tourism Incentive Programme, which provides grants to encourage private sector tourism enterprises to use cleaner, renewable energy sources and optimise efficient use of water. During this financial year, the programme supported 31 tourism establishments to the value of R22 million
- We strive to ensure that resources are used and managed sustainably to minimise waste, maximise resource efficiency and create a closed-loop system. In every funding application, we assess the end-of-life aspects of a product. Examples of support for the circular economy include funding the establishment of steel and copper mini-mills using scrap metals as a key input and renewable energy to support greener output. We are preventing landfilling of salt cake, rather producing high-purity sodium sulphate for further use. We are developing a project that will manufacture fuel rods to replace coal in paper mills, which will blend waste coal fines with biomass. We have also established the Sustainable Plastics Fund to advance circular economy principles.

Driving sustainability impact

The IDC's ESRG programme is guided by the responsible investment policy with a dedicated supporting environmental and social programme providing guidance for environmental, health and safety risks and opportunities.

In the last financial year, the IDC reviewed and increased its focus on ESRG and sustainability impact as part of its funding and investment in South Africa and across the continent. Our action plan identifies strategic objectives and initiatives, including annual strategic activities, key performance indicators and deliverables. It contains nine strategic initiatives:

- Setting up and coordination of the programme
- Determination of the baseline with a focus on the exposure of the IDC's portfolio and new clients to climate change exposure and impacts

- Defining IDC aspirations, policy, positions and sectoral targets in the context of net zero ambition by 2050
- A review of the Corporation's ESRG and sustainability impact tools, which are applied across IDC investment and funding cycles
- Initiatives focused on ESRG and sustainability impact portfolio and risk management of IDC clients and business partners
- Improvement of monitoring, evaluation and reporting/ disclosures relating to ESRG metrics and impact indicators for the IDC, its clients and business partners
- Sustainable finance opportunities, particularly climate finance
- Promotion of partnerships and stakeholder engagements to benchmark and shape IDC initiatives on ESRG and sustainability impact
- Communications, change management and internal training opportunities to align with new ways of work.

More details on the Corporation's ESRG and sustainability impact programme are provided on page 107 to 109.

Inclusive economic growth

The IDC ensures that its funding yields positive economic and social outcomes that contribute measurably to sustainable industrial development and achieve an inclusive economy.

Inclusivity is essential for sustainable industrial development as it ensures equitable distribution of benefits, enhances social stability, promotes economic resilience and innovation, strengthens social cohesion and trust, and supports sustainable resource management. By prioritising inclusivity, industrial development can become more sustainable, resilient and beneficial for the wellbeing of present and future generations.

The Corporation's all-inclusive and integrated transformation strategy addresses crucial enablers of economic participation:

- 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 CSI initiatives.

For the year under review, the IDC delivered measurable societal benefits and highlights, including:

- 13 approvals valued at R58 million to support social and solidarity economy enterprises and initiatives that created and sustained 369 jobs
- R7.73 billion of investment approvals for black-empowered businesses (2021/22: R5.9 billion)
- R7.6 billion investment approvals for black industrialists (2021/22: R3.2 billion), a 30% increase
- R1.1 billion for women-empowered businesses (2021/22: R1.1 billion)
- R501 million for youth-owned businesses (2021/22: R386 million).

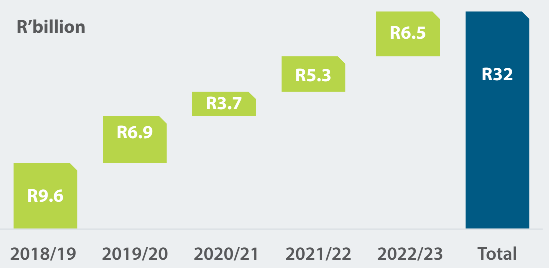
Black industrialists and black economic empowerment

The IDC promotes and supports black entrepreneurs as manufacturers and owners in crucial sectors to drive economic growth and inclusive development. To further support black industrialists, we co-invest in projects that also receive support from the dtic's black industrialists scheme. Additionally, the Corporation has established its own black industrialist top-up facility to bridge the shortfall in equity contribution where own equity is constrained.

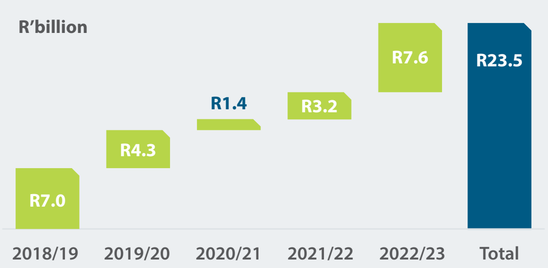
During the reporting year, 77 black industrialists received funding of R7.6 billion, a 30% increase from the previous year (2021/22: R3.2 billion). Many of these approvals were in the chemicals, agriculture and machinery and equipment value chains.

Over the last five years, R32 billion was approved for companies with more than 25% black shareholding. Of this, R21.9 billion was for black-owned companies. In 2022/23, R5.9 billion was approved for black-empowered businesses, R4.8 billion of which was for black-owned businesses.

Funding approved for black-empowered and black-owned companies



Funding approved for black industrialists



INVESTMENT IMPACT

GILGAMESH MINERAL PROCESSING SET FOR TAKE OFF

'...forecast to reach 25 million units in 2030 and about 55 million units in 2040...'

Gilgamesh Mineral Processing was incorporated to develop a R500-million, 3 000-ton-a-year manufacturing facility for high-purity battery-grade cobalt sulphate. And it is doing so with IDC funding, which financed a feasibility study that reinforced the economic merit of producing the mineral.

Cobalt sulphate is targeted primarily at the burgeoning global electric vehicle and energy storage system market, but also has application in the traditional cobalt market for pigments, magnets, catalysts, industrial chemicals and specialty alloys.

Numerous giga-factories currently being built and planned to meet the growing demand for battery metals such as cobalt will produce an estimated 2 330GWh battery capacity by 2030. Demand is underpinned by accelerating sales of light passenger electric vehicles in line with the world economy's transition to a zero-carbon economy. Sales are forecast to reach 25 million units in 2030 and about 55 million units in 2040, a far cry from the three million units sold in 2020.

Gilgamesh has concluded memoranda of understanding with reputable leading global minerals commodity traders for the supply of raw materials and product offtake.

Fundraising has started for project implementation and a strategic equity partner is being sought. The initiative should reach financial close in December 2023, with construction planned to start in the first quarter of 2024.

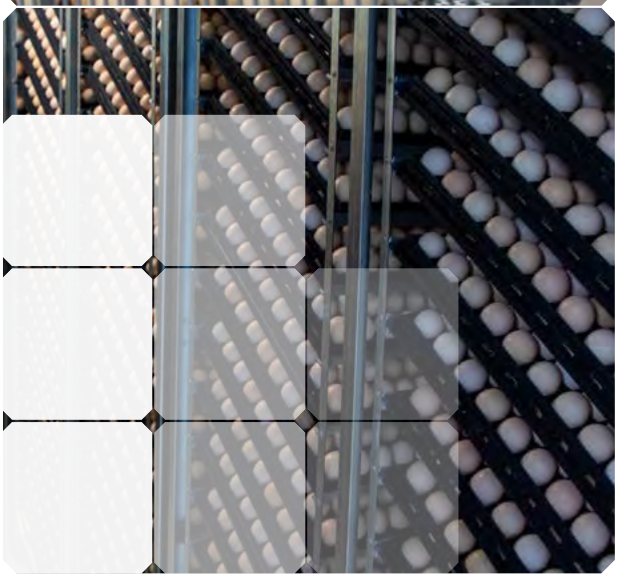
INVESTMENT IMPACT

NORTHROOST, A YOUTH ENTERPRISE TO CROW ABOUT

Northroost is a start-up commercial hatchery business in Makhado, Limpopo. The business is owned and operated by 28-year-old youth farmer. Northroost supplies both the formal and independent markets in and around Limpopo.

Having started in 2017 in a home garage hatching 1 000 eggs a week, Northroost is now among the largest hatcheries in the province. Tigere entered into a strategic partnership with two established integrated poultry businesses, which provide his company with technical support.

IDC funding will take Northroost close to 200 000 day-old chicks a week, making it the second largest hatchery in Limpopo. This investment aligns with the black farmer empowerment objectives of the Poultry Masterplan. The project is 60% black owned with 10% employee share scheme and has created 22 jobs.

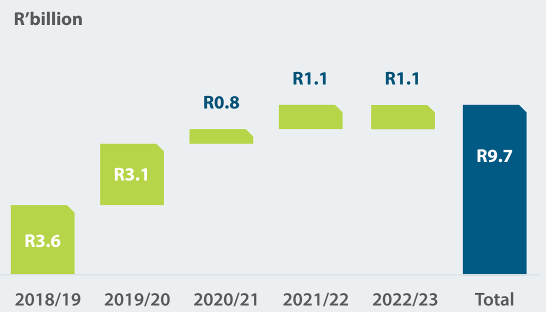


Women entrepreneurs

New approvals of R1.1 billion were made during the year for enterprises in which women held more than 25% equity.

The leading sectors that received funding approvals included energy, mining and metals, tourism and services and, automotive and transport.

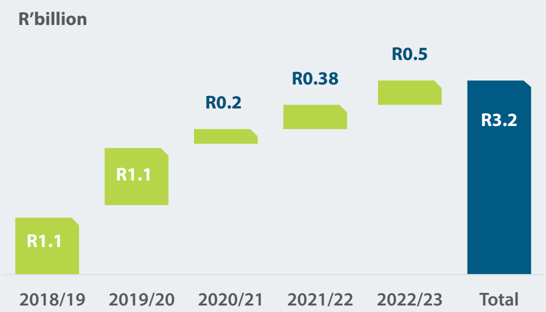
Funding approved for women-empowered businesses



Youth entrepreneurs

The IDC continues to foster youth entrepreneurship and accelerate youth-owned and -managed enterprises. We approved R501 million to fund 20 youth-owned and -empowered businesses during the year, a 29.8% increase from the R380 million approved in 2021/22.

Funding approved for youth-empowered businesses



Broad-based black economic empowerment

B-BBEE policy and programmes have sought to restructure the economy to increase the participation of black people in the workplace through entrepreneurial activity and black businesses in the mainstream economy.

An independent audit confirmed the IDC's B-BBEE score at 87.60 (marginally up from 87.3 in 2021/22) with the status of a level 5 contributor empowering supplier under the Financial Sector Code.

2022/23 B-BBEE scorecard and priority elements*

Criteria	Amended Financial Sector Code			
	Weighting	Points achieved 2021/22	Points achieved 2020/21	Points achieved 2019/20
Ownership	N/A	N/A	N/A	N/A
Management control	20	18.30	18.27	17.80
Skills development	25	13.50	23.49	21.37
Enterprise and supplier development	50	46.50	44.76	41.43
Socio-economic development	5	9	7	7
Total	100	87.30	104.11**	87.60

** Sub-minimum of 40% of the target must be achieved and adjusted to generic points (87.30/100*109)*

***Including bonus points*

The high scores received by B-BBEE elements such as management control, skills development, preferential procurement, enterprise development and CSI clearly demonstrate IDC management's commitment to career and skills development for employees. This is facilitating access to business opportunities, giving business support and grant funding to qualifying enterprises and also developing communities through CSI and consumer education.

The IDC is committed to improving its supplier development compliance, which demoted the Corporation from level 4 to 5 due to the 40% sub-minimum requirement not met. An action plan is being developed to remedy this.

Should the Corporation's business partners not achieve at least level 4 B-BBEE status, they are given advice and recommendations for improved transformation plans to be implemented within 24 months of signing contracts with the IDC.

Worker and community trusts

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

Trusts are the preferred legal entity for workers and communities to acquire equity from IDC-funded companies. Worker trust beneficiaries are mostly black workers employed permanently in a target company. Community trust beneficiaries live close to where IDC investments are located.

We have invested R1.6 billion in employee share option plans and their worker trusts align with our mandate and contribution to B-BBEE.

We have established 116 worker trusts and 45 community trusts, including 24 REIPPP trusts.

In 2022/23, we approved six worker trusts and declared dividends to seven. All shares were acquired through a free carry and we approved R1.2m for costs associated with the establishment of trusts.

Uplifting communities

CSI efforts are motivated by the need to uplift and improve the lives of communities in which we operate, particularly marginalised and rural communities. Community support comprises grant funding, in-kind donations, employee volunteering and support for social causes. While contributions have evolved in recent years to align with the Corporation's broader business strategy and objectives, we remain geared to support identified community needs and humanitarian imperatives.

Informed by our CSI policy, our main activities remain centred on support for humanitarian crises, education and skills development, entrepreneurship, consumer education and employee volunteering and giving. During 2022/23, we approved 48 funding applications.

CSI highlights

- R76 million funding approved, the highest level to date
- R52.3 million disbursed to 72 education and skills development, entrepreneurship development, consumer education, and employee volunteering and giving
- Partnered with 26 non-government organisations and community-based organisations and disbursed R31 million for humanitarian relief to victims of disasters, especially the KwaZulu-Natal floods, reaching more than 45 000 beneficiaries at 250 sites
- R18.2 million for 11 income-generating community projects creating opportunities for beneficiaries to gain employment through skills development
- R1.9 million for the construction of six early childhood development centres in rural areas in Eastern Cape to ensure that children have a safe and decent learning environment
- R4.7 million for three technical and vocational education and training colleges and six community colleges to improve training infrastructure to increase pathways for students to gain employment
- 215 IDC employees volunteered in 12 Mandela Day initiatives across the country.

Education and skills

The CSI focus on education and skills development has centred on support to early childhood development centres and technical and vocational education and training colleges. We maintained our partnership with the Department of Basic Education and Universities South Africa, supporting matriculants and tertiary students respectively.

Our venture with the Department of Basic Education included financial support for 33 top-performing matriculants nationally in quintiles 1, 2 and 3 schools, with the top three national learners receiving funding towards tertiary education.

Through our partnership with Universities South Africa, now in its second year, we have contributed R1.9 million to assist students unable to graduate due to outstanding fees.

Other approved initiatives included:

- Construction of six Eastern Cape early childhood development centres, three each in Ntabankulu and Bizana, providing safe new buildings for children 0 to six years
- Three technical and vocational colleges to improve the quality of training and learning:
  - Ikhala (Lady Frere, Eastern Cape) – construction of information and communications technology laboratory
  - Vuselela (North West) – engineering studies equipment and computer
  - Ingwe (Maluti, Eastern Cape) – resourcing of the business studies simulation classroom.

During the year, R11 million was allocated to community and entrepreneurial initiatives that empowered youth, women and people with disabilities, mostly in rural and underdeveloped areas.

Entrepreneurship and community development

The entrepreneurship development portfolio focuses on projects that support innovative models for initiatives that sustain individual livelihoods through income-generating projects for youth, women and people living with disabilities. During 2022/23, R21.1 million was invested in 12 projects that benefitted 7 148 beneficiaries nationally.

Consumer education

Consumer education is part of the Corporation's B-BBEE compliance. In line with B-BBEE codes, financial entrepreneurial skills are provided primarily to youth and women, enabling them to make more informed financial and lifestyle decisions, including financial choices and practices for their business ventures. The category also includes innovative community models for initiatives that sustain individual livelihoods.

Seven projects were funded, which will benefit 1 612 people when completed. More than 70% of beneficiaries are youth and 50% women. Forty-seven are people with disabilities. .

In addition, funding was awarded to the Financial Services Consumer Education Foundation to provide financial literacy training to beneficiaries of the Expanded Public Works Programme and Graca Machel Trust for the 'women creating wealth' project, which provides business support and training to 150 entrepreneurs.

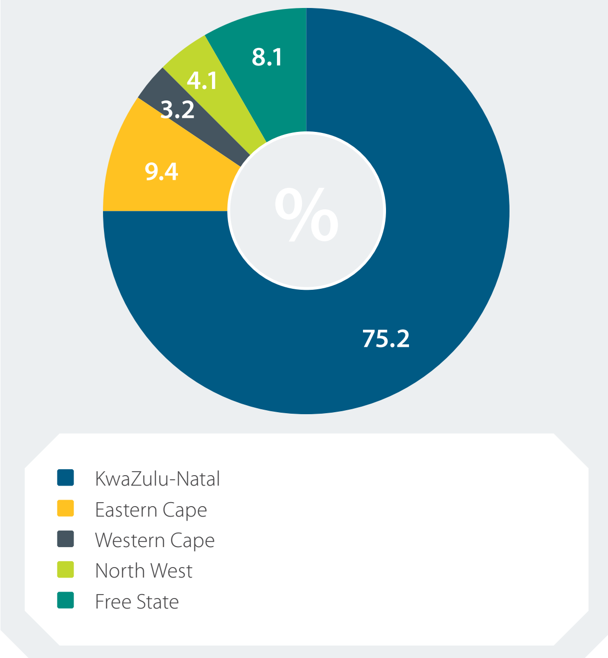
Humanitarian relief

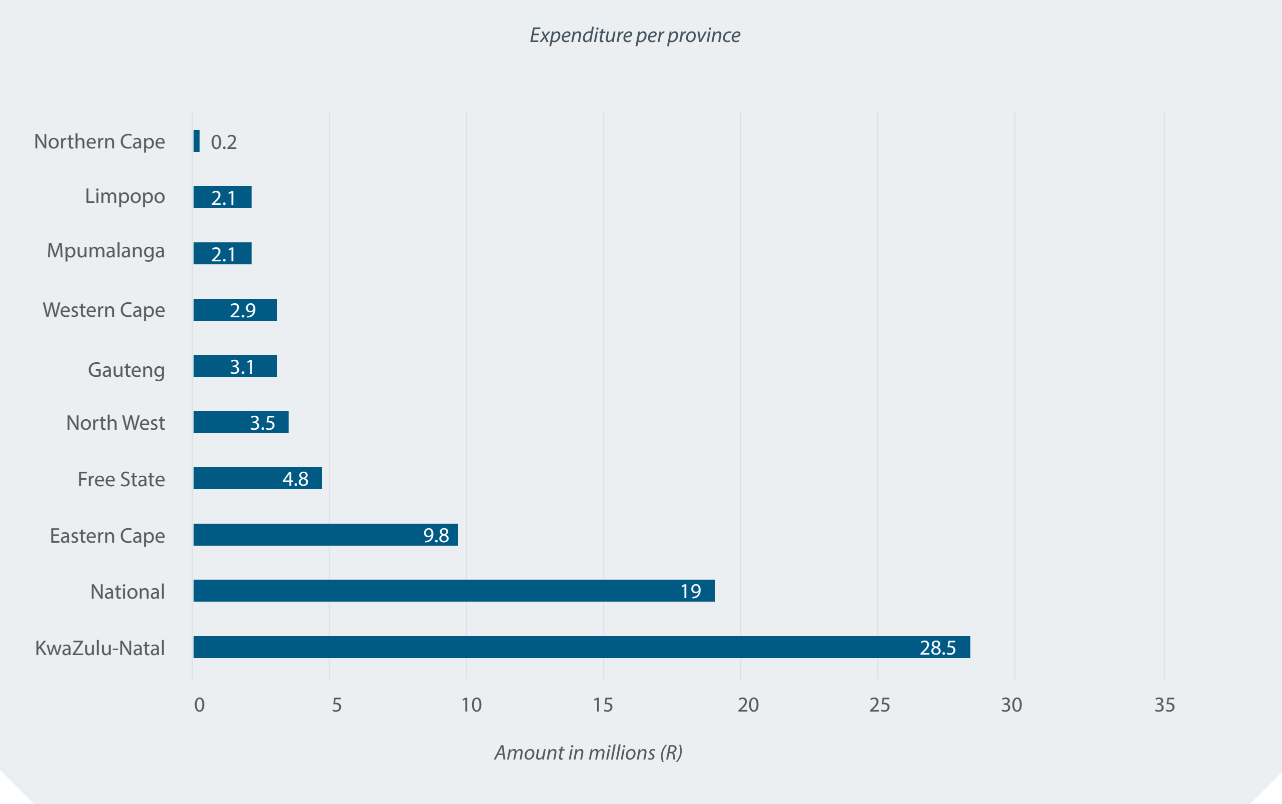
During the year under review, most work focused on humanitarian relief – R31 million was disbursed to KwaZulu-Natal and Port St Johns (Eastern Cape) flood victims, Jagersfontein community in the Free State following the tailings dam collapse and Joe Slovo community in Western Cape after fires destroyed informal dwellings.

Our response was complemented by strategic partnerships with non-governmental organisations and community-based organisations to provide food, water, blankets and mattresses to the affected.

Province	Amount disbursed
KwaZulu-Natal	R23 296 869
Eastern Cape	R2 900 000
Western Cape	R1 000 000
North West	R1 294 526
Free State	R2 510 993
Total	R31 002 388

Approvals per province





Volunteerism

The employee volunteering and giving programme promotes volunteerism, aids social development, encourages community involvement, enhances employee morale and reinforces a corporate brand that reflects responsible corporate citizenship.

Mandela Day
Head office and regional staff packaged meals for early childhood development centres with Rise Against Hunger, set up a food garden for Tembisa Self-help Association of the Disabled in partnership with Green Development Foundation and joined Clean City for a clean-up campaign in Hillbrow, Johannesburg.

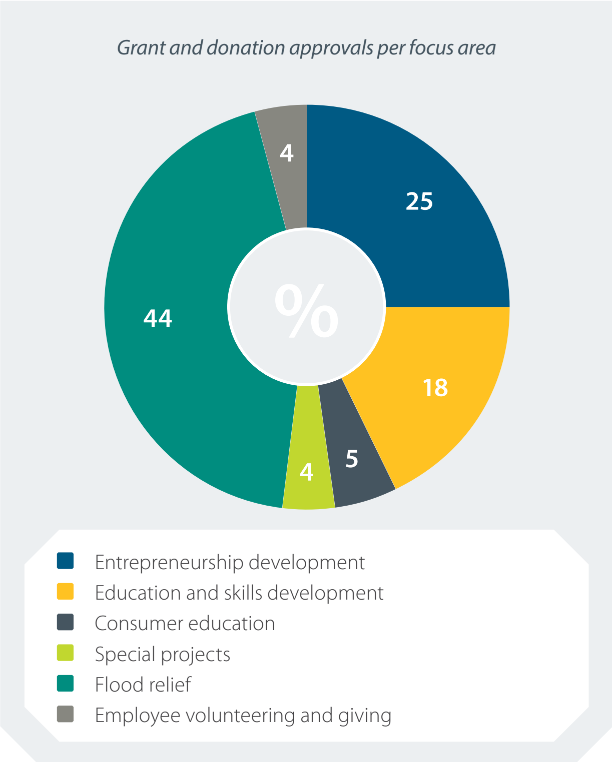
I do care
'I do care' is a fund through which employees voluntarily donate part of their monthly salary to charitable causes. The Corporation matches every R1 contribution with R3. Members of the fund are given the opportunity, annually, to nominate beneficiary organisations.

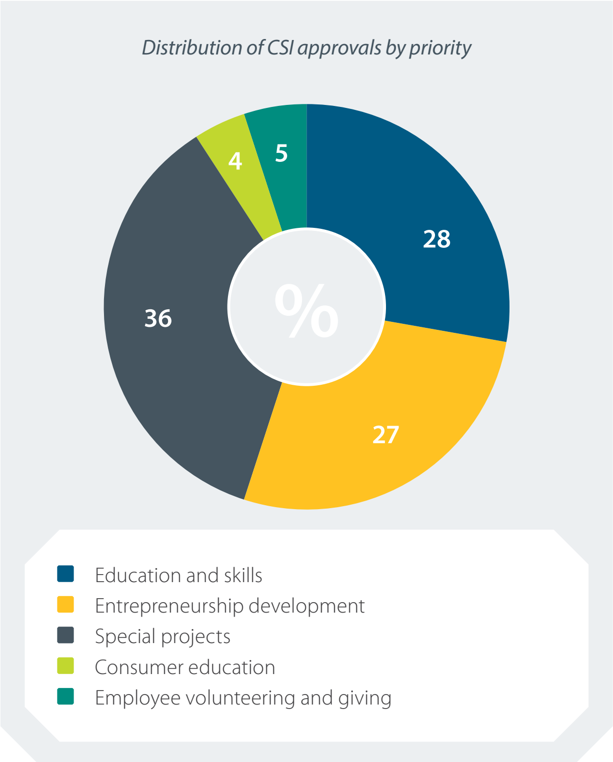
For the 2022 calendar year, 'I do care' targeted welfare organisations that supplement beneficiaries' food basket with fresh produce grown in community gardens.

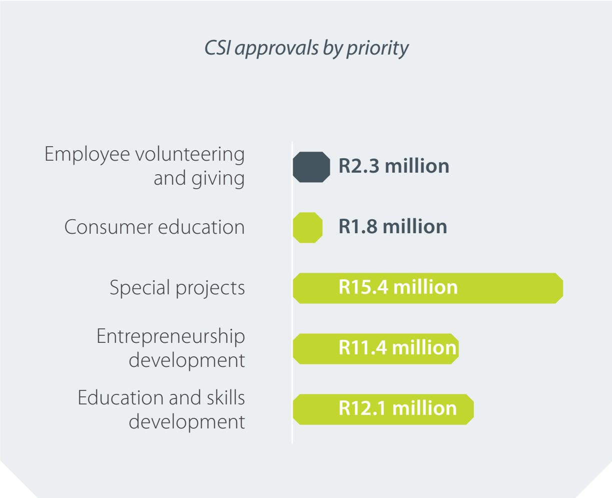
Employees' contributions amounted to R224 951 in the year under review and the Corporation paid in R674 853, giving a total of R899 804 that benefitted 10 qualifying organisations across five provinces.

The budget allocation and disbursements were as follows:

Item	Allocated budget	Approved	Disbursed
Grants and donations	R45 million	R39.4 million	R18.2 million
Humanitarian relief	R40 million	R36.6 million	R31 million


Grant and donation approvals per focus area
%
25
18
5
4
44
4
Entrepreneurship development
Education and skills development
Consumer education
Special projects
Flood relief
Employee volunteering and giving


Distribution of CSI approvals by priority
%
28
27
36
4
5
Education and skills
Entrepreneurship development
Special projects
Consumer education
Employee volunteering and giving


CSI approvals by priority
Employee volunteering and giving
R2.3 million
Consumer education
R1.8 million
Special projects
R15.4 million
Entrepreneurship development
R11.4 million
Education and skills development
R12.1 million

'That IDC continues to deliver, driving an upward performance trajectory, because of its staff. We remain one of South Africa's top-performing state-owned companies, employing some of the most skilled, committed and engaged individuals.

Our 'people first' strategy paid dividends in the year under review, creating a psychologically safe environment and bridging the trust gap that existed previously between staff and leaders. Today, our employees feel more confident about expressing their opinions and raising their concerns and do so with the utmost respect.'

Patience Mushungwa
Divisional Executive: Human Capital

OUR PEOPLE

AN ATTRACTIVE AND VALUE-DRIVEN EMPLOYER

Ongoing achievement of strategic objectives and mandate delivery are possible only through excellent human capital strategies, solutions and practices and, moreover, through the people the IDC attracts and employs. The Corporation has retained its reputation as an employer of choice and is known in the market to have a compelling employee value proposition. Both attributes enabled us to attract great talent in the year under review. IDC employees are valued from the time they join the IDC until they leave. Although our proposition is competitive, we constantly review and refine it to offer the best value to staff and attract the best talent in the market.

The human capital priorities implemented in the year under review spanned continuation of the culture transformation journey, review of the performance management system (policy, procedures and implementation system) to drive a high-performance culture, diversity, equity and inclusion to address key areas in which we may be lacking, talent development and building leadership capabilities, and ensuring that the work environment is optimal and efficient for use by clients, staff and other stakeholders.

We made good strides in achieving an enabling culture, embedding performance management practices, managing employee relations proactively and building a solutions-led learning and development environment. Staff turnover was higher than expected, which depleted scarce skills in crucial areas, but this will be prioritised in the year ahead.

The remote work arrangement that was put in place during Covid remains and provides employees with the necessary work-life balance. Employees continue to deliver, as evident in the year's performance. We need to ensure that the cohesion essential for our desired culture is maintained.

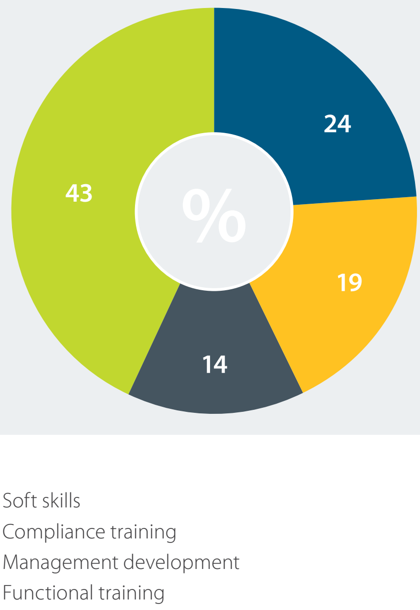
The IDC takes the health and wellness of its employees very seriously and cases are actively managed. A new health and wellness service provider and partner, Kaelo, will be integral to this. We pride ourselves on our continued ability to offer work that is meaningful, impactful and stimulating. Staff morale and corporate performance are rising and we optimise opportunities to keep staff motivated and engaged. In line with our aspiration culture and leadership vision, we will continue to build an environment characterised by trust, collaboration and engagement, nurturing innovation, learning and development, performance accountability and high performance.

Learning and development

New ways of working influenced largely by Covid mean that development is geared towards self-directed learning more than before. Remote work and flexible schedules have given employees greater autonomy over their own learning and development. Learning programmes are adapting to this trend by offering more self-paced and on-demand options, and providing employees with tools and resources to take charge of their learning journeys. Aligned to this approach, the Corporation continued to provide leadership, team and individual development and operational/technical training.

In the year under review, most training was role/function-specific (43%), with 38% driving leadership and behavioural (soft skills) shifts to complement our culture transformation initiative. Compliance and regulatory training (19%) was supported by our commitment to good governance and best business practices.

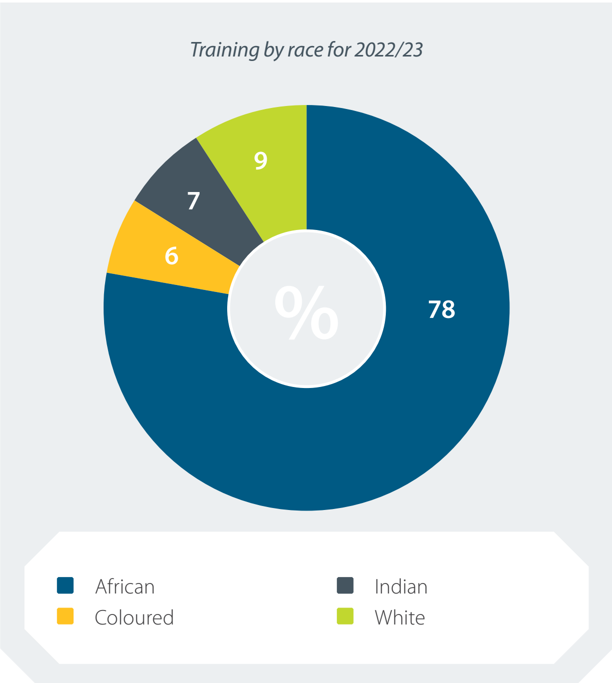
Training categories

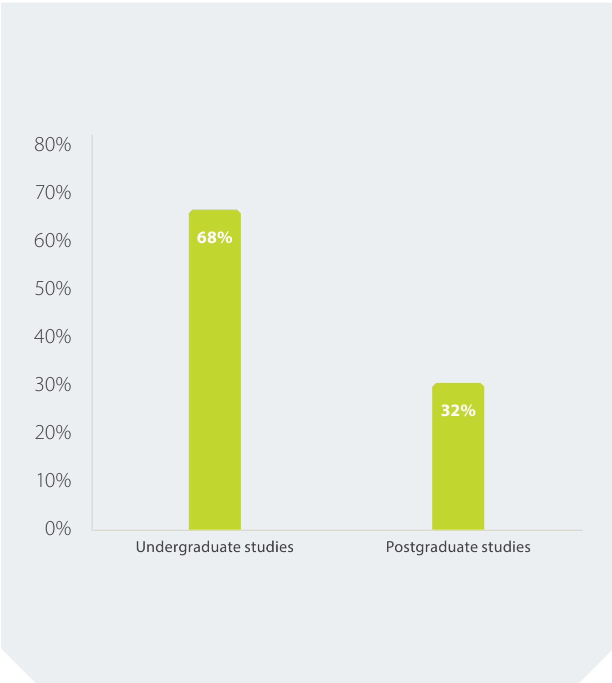


Below are employee training statistics for the last four years:

Total employee training for 2022/23				
Indicator	**2022/23**	**2021/22**	**2020/21**	**2019/20**
Number of employees trained	493	557	555	495
Female	299	323	304	272
Male	194	234	251	223

Training programmes were conducted through face-to-face sessions and virtually. Of the target of 560, 493 employees (88%) were trained. Training was aligned to the employment equity plan and B-BBEE targets. Training of females, aligned to the diversity, equity and inclusiveness goals, improved, with 61% of trainees female against 57% in 2021/22.





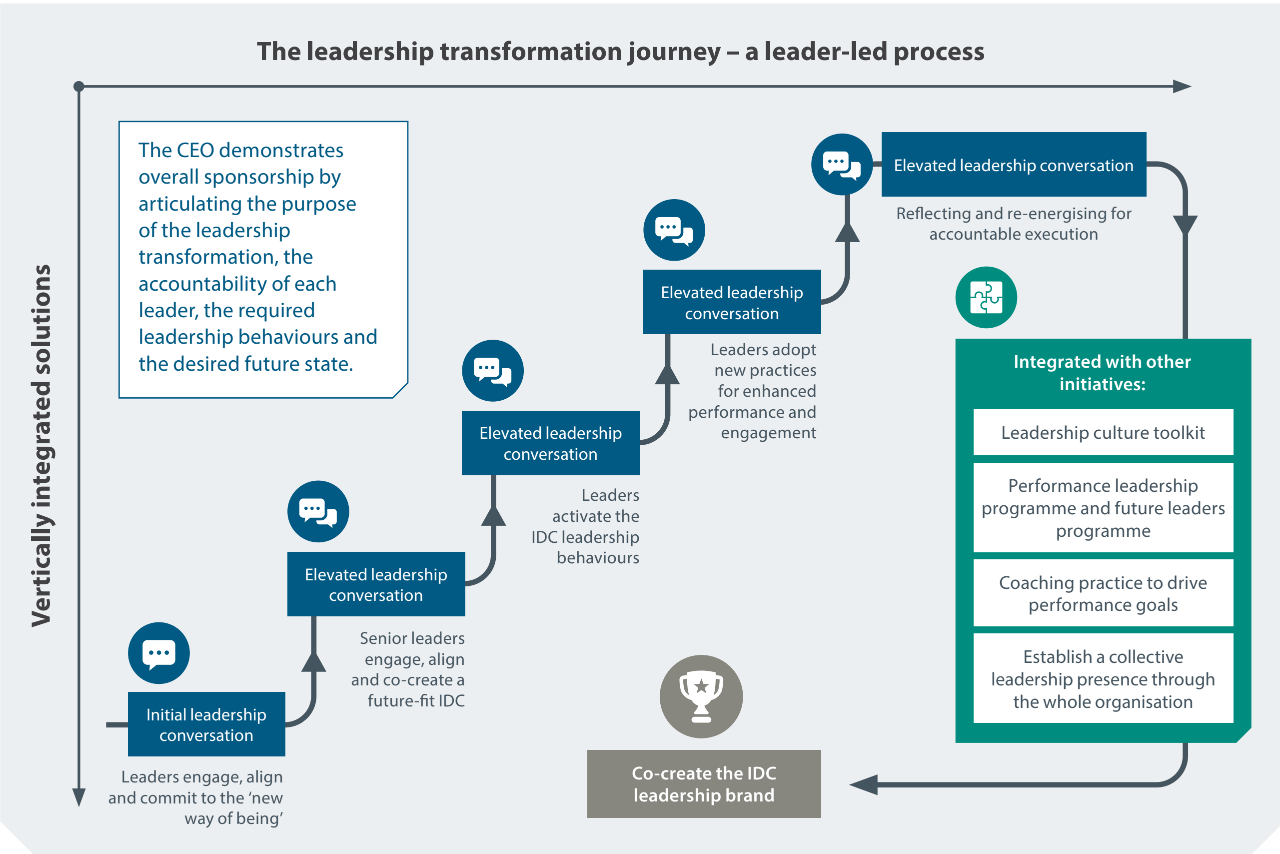
Formal academic programmes through public higher education institutions were offered to 109 employees, 32% of whom were studying for postgraduate qualifications.

Leadership and team development

Our culture of high performance, entrepreneurial spirit and innovation is supported by effective and relevant training, on-the-job training and career development opportunities for employees to achieve business objectives. We continue to invest in leadership and team development to enable our people to grow and unlock their potential.

Leadership development framework

A leadership development framework introduced in 2019 to support the long-term sustainability plan generated improved results in the 2022/23 360-degree leadership survey. This framework enable leaders to perform through their teams and is based on team development and capability building. Team cohesion and integration sessions were held for all teams in the year under review. In addition, Exco approved a framework to broaden the leadership base to provide opportunities for employees to grow. The committee also approved a mentoring and coaching framework to ensure that all employee development gaps and requirements are covered through learning and development.



Leadership development remains key to driving accountability and performance to achieve strategic objectives. During 2022/23, several initiatives were implemented to promote learning and agility for leaders and teams, most notably:

- Fostering team cohesion – implementing a customised team journey intervention using well-recognised tools such as the Enneagram personality test. This initiative supports deep self-exploration and connection-building activities. Fifty-five teams participated and we will continue to coach teams in embedding good shifts and addressing areas that may be disabling team and individual performance
- Mentoring for growth – building on the success of its individualised coaching programme, the IDC recognises the need for a tailored mentoring framework to cater for millennial learning preferences. Through our dealmakers programme, subject matter experts in the IDC Academy guide newly enrolled chartered accountants, engineers etc on essential competencies for

experienced dealmakers. Going forward, a mobile app-enabled mentoring framework will engender the ethos of mentoring by tracking in real time and reporting on mentoring relationships. Leaders also hosted monthly sessions to foster collaborative dialogue and share industry insights, leadership lessons and experiences
- International exposure development programme – to develop and grow a global leadership presence and experience we will launch an international exposure development programme in the coming year. This will build on the elements and success of structured thinking and communication, emotional intelligence, personal mastery and crucial conversations. It will provide insight, international academic exposure and practical international immersion with partner organisations
- Cultivating a leadership pipeline – building a robust talent pipeline allowing employees to take up purpose-driven and -created leadership roles to proactively grow and prepare for a leadership career path
- Change agility and readiness – leaders are at the forefront of change and enabling business and operational enhancements. Partnering with a Prosci-methodology change management expert, we are capacitating leaders and staff to be resourceful, resilient and enabled where change is required
- Mastering dialogue for transformational conversations – unlocking high performance and driving change hinge on meaningful conversations between managers and their teams. Our certified 'crucial conversations for mastering dialogue' trainers are spearheading the internal rollout of this initiative. With more than 45 leaders already trained, this initiative fosters trust, accountability and impactful dialogue – the cornerstones of building our culture – throughout the organisation.

Developing the youth

The IDC invests in youth development programmes to improve the feeder pipeline of important skills required by the business. These initiatives also create job opportunities for young South African professionals who require practical skills and experience to enter the job market. In 2022/23, we absorbed 27 (2021/22: 23) individuals through an internship programme in professional disciplines such as accounting, law, human resources, IT and procurement. They will be given a springboard into the working world over the next two years under the guidance and support of experienced IDC professionals.

The dealmakers programme developed 27 (2021/22: 14) cadets.

Bursary schemes

The IDC continues to offer three bursary schemes – for staff, children of staff and underprivileged, unemployed South African youth unable to afford formal tertiary studies and education. In the 2022 academic year, we offered 307 bursaries – 36% to staff, 33% to children of staff and 31% to external bursars.

Talent and succession planning

Talent and succession planning is a crucial enabler for business continuity. The Corporation's operating model and structure and long-term sustainability plan inform its essential future roles. Following the previous financial year's comprehensive talent and succession identification, planning and review process, a 'mini' refresh was undertaken in the review year to ensure that data and outcomes remained relevant. Talent and succession management:
- Ensures that the Corporation has appropriate bench-strength (future talent readily available and developed capability) for its leadership and other key roles
- Facilitates development of strategies to attract, develop and retain identified talent
- Facilitates development of identified talent for business growth and continuity.

The mini talent review outcomes will inform talent management priorities for 2023/24. The following key actions are to be prioritised:
- Undertaking career and talent discussions with employees
- Tailored development plans for identified crucial roles and leadership roles, particularly those in the immediate (ready now) and ready in one-to-three-years succession pipeline
- Integration and alignment of leadership development efforts with talent data to build capable future leaders
- An initiative to broaden the leadership cohort so that identified talent can occupy leadership roles that will provide practical leadership experience in line with the learning philosophy of 70% on-the-job development.

Performance management

The Corporation is steadfast in driving accountability and enabling a high-performance culture to deliver on its mandate. Performance management is an effective mechanism to align individual and corporate performance. The Corporation has not met its performance targets for several years for various reasons. The performance management system was identified as a key mechanism to create a high-performance organisation. The system was then reviewed with PricewaterhouseCoopers to assess its suitability to build and entrench a culture of outputs-based performance through effective alignment and cascading of corporate, team and individual goals. During this period, the following key milestones were achieved:
- Revised performance management policy and processes using the new optimised technology platform

- Revised target-setting framework across organisational levels
- Capacitated line managers and employees on the new policy and processes.

The year ahead will focus on embedding the new performance management approach and methodology supported by an extensive change management programme to drive the desired performance culture shifts.

Culture transformation

Culture transformation remains a key focus, particularly as there is a direct nexus among behaviours, beliefs of employees, their feeling of 'connectedness' and the performance of the organisation. The Corporation's process is a strategic and intentional initiative to build a high-performance ethos and ensure that employees remain engaged.

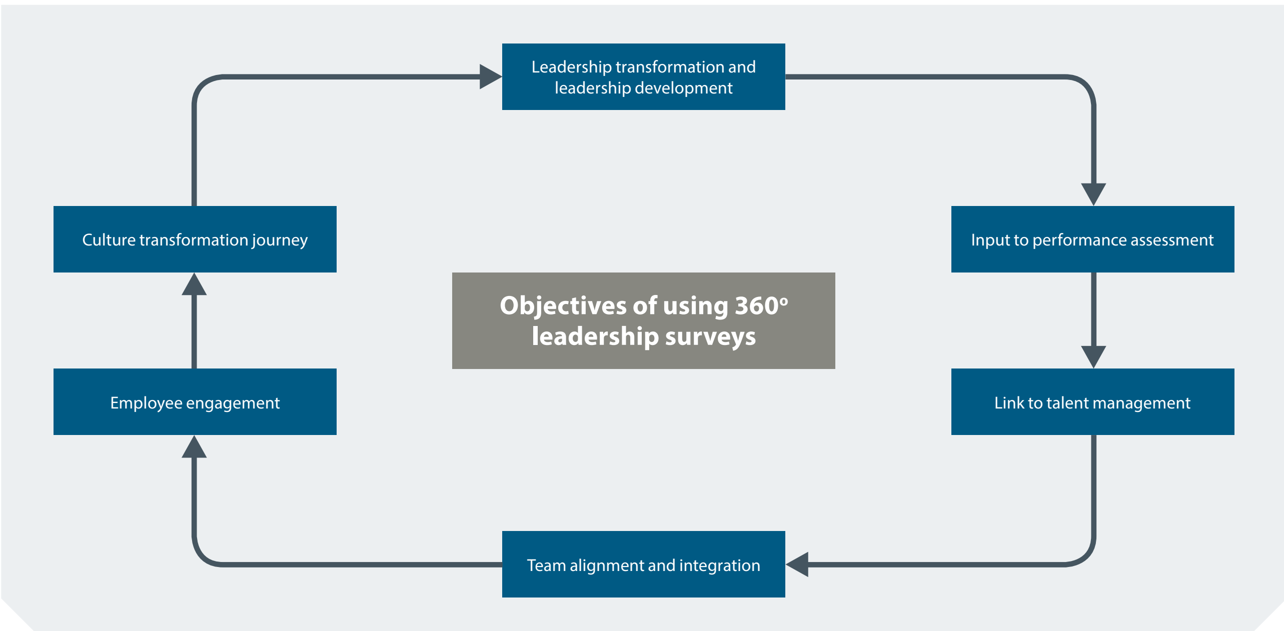
The project started in 2020 with an organisation-wide survey indicating where change was needed. Initiatives were implemented and towards the end of this financial year, positive shifts were beginning to show, including employees' ability to voice their views openly and feeling psychologically safe to approach leaders with issues. Employees also started volunteering to be involved in culture-changing initiatives. Performance improved compared to that of 2021/22.The following activities are planned for 2023/24:

- Coaching to enhance leaders' ownership of culture and growing leadership capabilities to establish culture transformation as a 'way of life'
- Monitoring Corporation performance on the culture transformation dashboard
- Equipping employees who volunteered to be transformation champions to support the leadership team in driving and monitoring the journey, through tracking of and achievement against culture action plans
- Driving corporate and divisional action plans through regular connect and engagement sessions with the solution incubator teams across the Corporation.

Leaders enable the culture and working environment

The 360-degree leadership survey conducted during the year was aligned to the IDC's leadership framework and competencies. Survey results indicate where leaders need to build and improve capabilities.

The diagram shows the integration and objectives of the survey:



Below is a summary of results over the last three years indicating a progressive and gradual improvement in performance:

360º LEADERSHIP SURVEY RESULTS

Managing employee wellness

The wellbeing of employees is paramount in ensuring business continuity and delivery. A new wellness partner, Kaelo, which joined us on 1 February 2023, introduced counselling; financial, legal and other psychosocial support services, and managerial, parent, leadership, life and career guidance coaching.

We have extended this offering to the IDC's fixed-term contract employees, including chartered accountants in training. Services have been well received and used.

During the year, staff were made aware of the availability of seasonal flu vaccines. The Corporation continued to fund annual medical assessments for employees 40 years and older. The organisation participated in the 2023 CANSA cancer awareness shavathon. An onsite wellness day garnered positive reviews given the line-up of external heathcare service providers in attendance.

A multidisciplinary team undertook visits to the regional offices to share and promote wellness, an initiative that will continue throughout the following year. Continuing services will include bereavement support, extended sick leave assistance and management of temporary and permanent disability insurance matters.

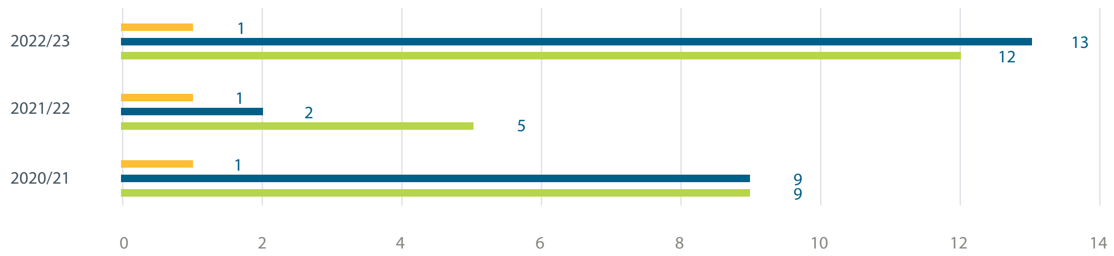
Employee relations

The Corporation continues to comply with labour legislation and is committed to employment practices that provide the decent and supportive work environment detailed in Section 23(1) of the Constitution of the Republic of South Africa, 1996. We also remain aligned to the government's commitments to the International Labour Organisation.

In the year under review, the Corporation continued to capacitate its line managers on how to manage employees in a unionised environment, training them on aspects of the Labour Relations Act 66 of 1995 such as Schedule 8, which deals with managing poor performance due to incapacity perhaps. Training started in the year under review on the prevention and elimination of harassment in line with the code of good practice that came into effect on 18 March 2022.

Although a three-year trend analysis shows a gradual increase in the number of workplace disciplinary cases, this increase is attributable largely to the firm stance that the Corporation is taking on ensuring individual employee performance accountability. The training and awareness sessions on workplace bullying and harassment have also allowed employees to raise these issues with their line managers. These matters are handled in line with labour legislation and the employee relations policy. The principles of fairness, consistency and transparency are upheld.

Employee relations cases



	2020/21	2021/22	2022/23
Incapacity	1	1	2
Misconducts	9	2	13
Grievances	9	5	12

Incapacity, misconducts and grievances trend analysis 2020 to 2023

In fostering a positive employee relations environment, the year ahead will focus on capacitation in the following areas:

- Training on initiating and chairing disciplinary hearings for line management
- Managing poor work performance for line managers
- Employee and line management training on the code of good practice on harassment.

Relationship with the union and collective bargaining

The Corporation is committed to enhancing its relationship with its labour union, the PSA being the only recognised labour union at the IDC. At year-end, it represented 59.1% (514 employees), its membership having decreased slightly from the previous year's 518 employees (62.1%). Overall, management has fostered a positive relationship with the PSA following a strained relationship resulting from a dispute by the two parties.

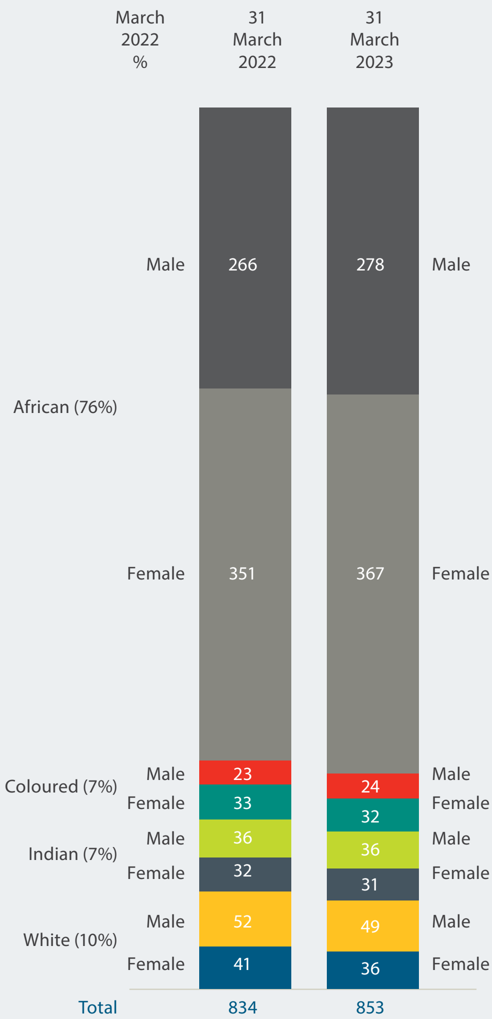
An external independent facilitator was appointed in May 2022 to preside over the collective bargaining forum and meetings, as salary negotiations began. The bargaining process was challenging and resulted in the declaration of a dispute by the PSA. The Corporation was served with a notice of a protected strike. After several engagements, the union withdrew its intention to strike and an agreement on salary increases for 2022/23 was reached.

Management arranged a relationship-building-by-objectives workshop, which was held in December 2022 and facilitated by an independent party. Its aim was to build a mutually beneficial relationship and feedback indicated that it was fruitful and progressive.

Employment equity

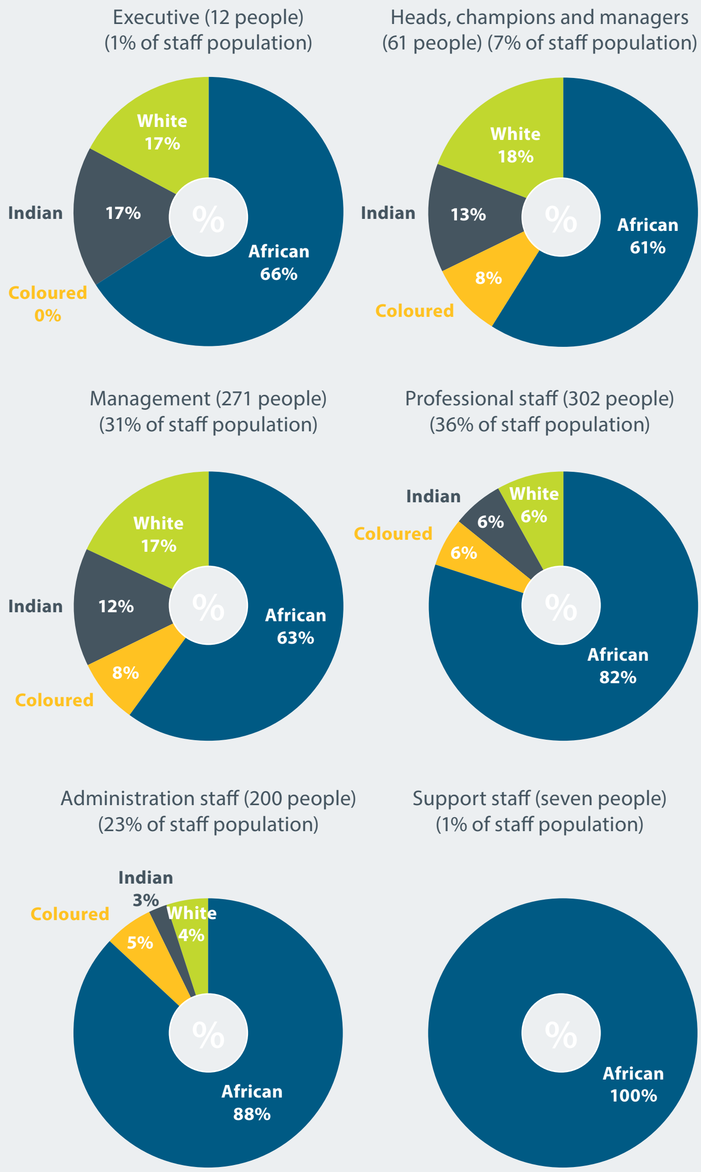
The Corporation's equity profile is in line with the economically active population at 92% (2021/22: 92%). The representation of females remained consistent with that of the previous year, at 55%, with female executives at 50%. Female representation at senior management level regressed slightly to 31% (2021/22: 34%) and is a priority for improvement in the coming financial year. Our employment equity plan for 2021 to 2024 included potential barriers to transformation and steps to deal with these were taken. It addresses under-representation of women senior management and people with disabilities. A facilities audit was conducted during the year to ensure that the building and amenities accommodate people with disabilities. Recommendations made in the report will be prioritised in 2023/24.

The staff profile for 2022/23 was as follows:



(Current male: female ratio – 45%-55%)

% breakdown by level and race at 31 March 2023



Capacitating our business

Existing and prospective employees are the IDC's ambassadors. Having employees who are committed and connected to the corporate purpose requires a dynamic, compelling and competitive employee value proposition that attracts, grows, nurtures and retains talent. At 31 March 2023, the Corporation employed 853 people (2021/22: 834), an increase of 2.3%. This marginal increase was disappointing, particularly as the heightened expectations and delivery requirements of the IDC required bringing in additional skills and capabilities. The number of employees directly delivering the IDC's operational objectives (client-facing and enabling units) decreased marginally, by 1%, to 74% of total staff number (2021/22: 75%) due primarily to attrition. Similarly, expertise and capacity in the operational units declined by 2% to 36% (2021/22: 38%). Increased capacity and recruitment will continue to be informed by market and economic activity in key sectors, industries and business operations.

As shown below, voluntary turnover increased by 2.1% from the previous year. Retention of staff in crucial roles has proven particularly difficult, with voluntary turnover in this area increasing significantly from 6.11% in 2021/22 to 11.47% in the reporting period. Overall turnover increased marginally by just over 1% to 9.02% (2021/22: 8.02%).

Turnover rate from 2020/21 to 2022/23			
	2022/23	2021/22	2020/21
Overall turnover (all types)	9.2%	8.02%	7.79%
Overall turnover (voluntary)	7.7%	5.60%	4.02%
Overall turnover (crucial roles)	11.47%	6.11%	6.05%

In the year ahead, we will focus on stemming the tide of lost critical skills through mechanisms to continuously grow, develop and engage staff using the employee value proposition. This will include seconding opportunities, placing employees on external boards for exposure, allowing and encouraging our talent to act in higher roles and providing exposure to other DFIs through our international exposure initiative. Furthermore, in March 2023, we partnered with a specialist talent acquisition service provider. This will ensure focused talent acquisition efforts driven by quicker 'time to fill' and the proactive building of talent pools for hard-to-fill and critical roles.

Employee recognition, rewards and benefits

The Corporation reviewed and approved an employee recognition framework, concluding the awareness collateral and change management aspects. The formal launch, which will culminate in an annual employee recognition approach, will take place in 2023/24.

Our leave policy was reviewed in the light of changes in legislation and the need to keep leave benefits and practices relevant. This has also enabled better management of our leave liability, which reduced by 31%.

Key initiatives in the year ahead will include:

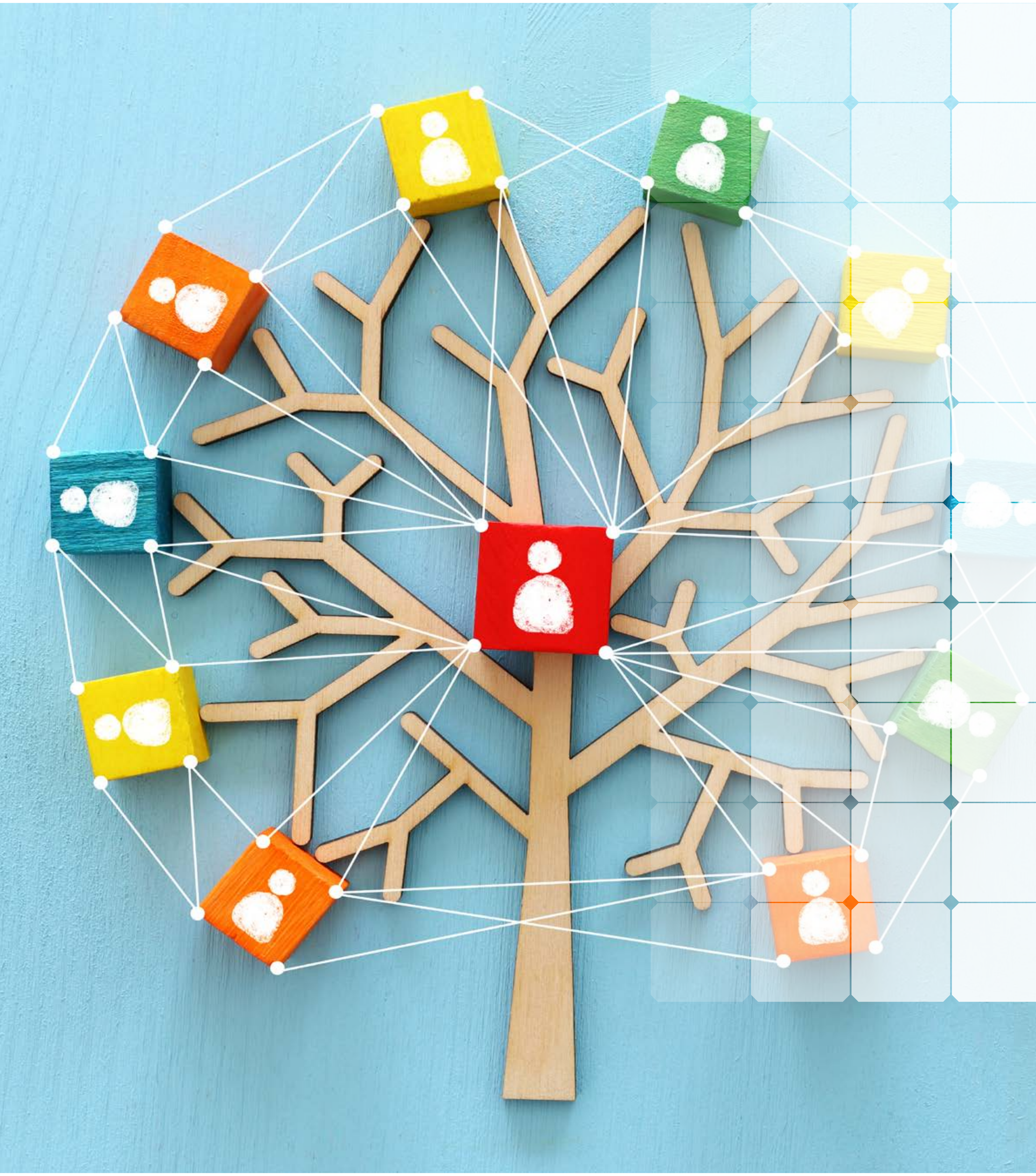
- Development and implementation of a retention of critical skills framework
- Review of the current variable incentive frameworks of the employee value proposition
- Employee assistance on the acquisition of renewable energy solutions to mitigate ongoing disruptions in power supply
- Improvement of client service and governance with the introduction of a fully functional human capital shared services centre and enhanced human capital information management systems
- Fully embedding the new organisation culture
- Implementation of the revised performance management system.

Occupational health and safety

The IDC's approach to health, safety and wellbeing is centred on human capital development to create an understanding of the risk landscape and manage activities to reduce incident numbers, minimise risk and promote a positive work environment. We adhere to 'one strategy, one IDC, one team', which supports a risk-based, standardised and systematic approach to maintaining safety.

In 2022/23, we recorded a fatality-free year. There was one lost-time incident, six first-aid incidents and three driving incidents involving employees on business trips. Most incidents were caused by behaviour and were not severe. However, we will continue to invest in changing people's unsafe acts and behaviours.

By fostering a positive work environment and implementing initiatives such as the knowledge café platform, we seek to continuously improve safety performance and create a workplace culture that values the wellbeing of all individuals.



‘The IDC strives to be constantly at the forefront of economic turnaround, never a bystander. What is needed are projects, entrepreneurs and businesses in which to invest and, since Covid, enterprises have not been as willing to invest as much as before, particularly in the energy and infrastructure categories.

‘Nonetheless, there was much worthy of note during the year under review. Our non-performing loans, write-offs and portfolio risk rating dropped. The only area that increased was the impairment ratio, which indicates the stress our clients are experiencing. That said, most of our impairments are historic.

‘We shifted to a predominantly medium-risk portfolio, with our 61% high-risk classification in 2021/22 decreasing to 52%. This indicates that we are bringing in better-quality transactions, a trend that we will pursue as we extend our continental footprint.’

Josephine Tsele
Chief Risk Officer

GOVERNANCE REPORT

COMMITMENT TO GOOD GOVERNANCE

The IDC Board is committed to principles and practices of sound corporate governance, embedded at all levels of the Corporation.

Accountability, transparency, ethical behaviour, fairness, responsibility and social development underpin the long-term sustainability of the Corporation to ensure that strategic objectives are realised and stakeholder value is delivered. Our governance structures and processes are premised on our values of passion, partnership and professionalism. These are evident in the conduct of our staff, contractors and directors, and in dealings with our stakeholders.

Executive Authority and parliamentary oversight

The Minister of Trade, Industry and Competition is the Executive Authority. The Minister, in consultation with Cabinet, appoints the Board members in terms of Section 6(3) of the IDC Act.

The Executive Authority ensures that the corporate and annual performance plans remain consistent with the Corporation's mandate and the priorities of government. It also directs the development and implementation of strategic priorities and policies.

The Standing Committee on Public Accounts reviews the annual financial statements and the Auditor-General's audit report and we present the performance of the Corporation regularly to the Portfolio Committee on Trade, Industry and Competition.

Key Board considerations and activities during 2022/23

The Board continues to monitor progress towards strategic objectives and financial and non-financial performance in line with the approved corporate plan. The Board also receives financial forecasts by the CFO, the CEO quarterly report, reports from chairpersons of Board committees and the quarterly economic overview. In addition to these items, the Board considered the following key matters during 2022/23:

Scheduled meeting	Matters approved	Matters considered
May 2022	• Draft group annual financial statements • Alignment of corporate targets	• Status update on major investments (Foskor, Hulamin)
July 2022	• Group annual financial statements • Going-concern statement • Final dividend declaration • Corporate performance for the year ended 31 March 2022 • Updated delegation matrix	
August 2022	• Resubmission of the group annual financial statements for the year ended 31 March 2022 • Integrated report for the year ended 31 March 2022 • Mini-group quarterly financial results for the period ending June 2022	• Preparation for Board strategy session • Audited annual performance number for 2021/22 • Quarter 1 corporate performance
November 2022	• Mini-group half-year financial results for the period ending September 2022 • Appointment of new external auditors for the group • Board charter and committee terms of reference	• Half-year corporate performance • Draft corporate plan 2024 to 2026
January 2023	• Draft corporate plan 2024 to 2026	
February 2023	• Board and committee evaluation results • Mini-group quarterly financial results for the period ending December 2022 • Procurement policy • 2023/24 corporate plan, targets and financial plan • Enterprise risk management framework	• Quarter 3 corporate performance • IDC response to energy crisis and loadshedding • Accelerated renewable energy project funding
March 2023 (special meeting)	• Amendments to the 2023/24 corporate targets	

Governance framework

Maintaining an ethical culture, setting policy, establishing effective controls and providing thorough strategic oversight of the Corporation's performance are all ingredients of good corporate governance reflected in the Board's governance framework.

The Board's focus on the value of a supportive corporate governance environment encourages effective and efficient, fair and transparent operations through clearly delineated roles and duties. While policies, laws and regulations govern operations, shareholder and Board supervision ensures that the Corporation's practices are in line with good governance principles.

The Board delegates certain of its functions to well-structured committees but without abdicating its own responsibilities. Delegation is formal and in writing.

Corporate governance principles guide due diligence and post-investment support for subsidiaries and investee companies. Improving clients' corporate governance practices and supporting their governance are integral to the IDC developmental mandate.

Governance structure

During the review year, the IDC's governance structure was as follows:

Role of the Board

Governance within the Corporation is entrusted primarily to the Board, which sets the strategic direction for the Corporation, and controls and oversees operations in accordance with polices, legislation and regulations applicable to the Corporation.

The Board creates value through driving outcomes that support the vision of creating globally competitive industries and realising Africa's potential. In performing its role, the Board promotes an ethical culture through regularly reviewed policies and practices and advocates uncompromising integrity and transparency to embed excellence in every facet of the business.

The roles and responsibilities of the Board are set out in the Board charter. These include adopting strategic plans, defining materiality clearly, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls, and director selection, orientation and evaluation.

The Board is confident that it achieved the governance outcomes set for 2022/23. It identified and agreed actions for implementation in 2023/24.

Board composition

The Executive Authority ensures an appropriate balance of knowledge, skills, experience, power and diversity in gender, race, tenure and socio-economic background among Board members appointed for the Corporation. The Board acts with independence and its members have the competencies and experience to execute their fiduciary duties.

The size of the Board is regulated in terms of the IDC Act, which provides that a minimum of five and maximum of 15 members shall be appointed by the shareholder. All members except the CEO are non-executive.

During the reporting period, the Board comprised one executive and 10 non-executive members – six females and five (including the CEO) males. Diversity of race and age ensures continuity and effective succession planning.

The Chairperson and CEO positions are separate.

Terms in office

Non-executive Board director tenures:

Members	Number of years
BA Mabuza	11.5
LI Bethlehem	14.5
BA Dames	11.5
RM Godsell	11.5
A Kriel	7.0
Dr SM Magwentshu-Rensburg	11.5
NP Mnxasana	8.5
PM Mthethwa	11.5
Adv ND Orleyn	8.5
*Dr NE Zalk	13.5

Resigned on 31 July 2023

*Demographics**

Male (4)
Female (6)

White (3)
Black (7)

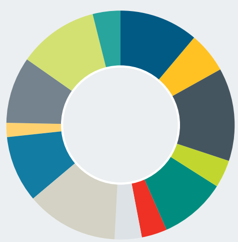
50-54 years old (1)
55-59 years old (4)
60+ years old (5)

**Non-executive*

Tenure

5-10 years (3)
10-15 years (7)

Skills



Agriculture
Automotive/transport
Banking
Construction
Energy
Environmental
Forestry and fisheries
Government
Manufacturing
IT and technology
Other financial services
Mining
Tourism

Board meetings and attendance

An annual workplan enables the Board to attend to its responsibilities in a structured and orderly manner.

During the review period, the Board held six scheduled meetings, one special meeting and three strategy sessions (in September, October and December 2022).

The table below sets out the composition of the Board and attendance by directors at Board meetings:

	Scheduled meetings	Special meetings	Strategy
Total number of meetings	**6**	**1**	**3**
BA Mabuza	6/6	1/1	3/3
LI Bethlehem	5/6	1/1	3/3
BA Dames	6/6	1/1	2/3
RM Godsell	5/6	1/1	3/3
A Kriel	6/6	1/1	1/3
Dr SM Magwentshu-Rensburg	6/6	1/1	3/3
NP Mnxasana	6/6	1/1	2/3
PM Mthethwa	6/6	0/1	3/3
Adv ND Orleyn	5/6	1/1	3/3
Dr NE Zalk	6/6	1/1	2/3
Executive director			
TP Nchocho (CEO)	6/6	1/1	3/3

Conflicts of interest

The Board operates within the parameters of an approved and well-entrenched Conflict of Interest Policy that precludes directors from doing business with the Corporation. Directors are required to declare their interests annually and to disclose any conflicts of interest and, when they arise, to determine the extent to which the conflict may affect the performance and independence of their duties at the Corporation. Once a conflict has been disclosed, it is managed appropriately by the Board through an established process. A declaration of interest form is maintained by the company secretariat. Directors have a fiduciary duty to disclose any new interest or potential interest to the company secretariat. Each director's personal interests are updated at each Board meeting and the register is circulated at each Board meeting for information.

Board committees

The Board is supported by five committees, namely the Audit Committee, Risk and Sustainability Committee, Social and Ethics Committee, Human Capital and Nominations Committee and Investment Committee. Committee members are appointed by the Board and authority is delegated through the terms of reference. Each committee is chaired by a non-executive director who reports to the Board on the activities of the committee and makes recommendations to the Board for approval. Committee terms of reference are reviewed annually, or more regularly as may be required, to maintain alignment with legislation and governance prescripts.

Audit Committee members are appointed by the shareholder at the annual general meeting. The Board Chairperson and the CEO are standing invitees to all committee meetings, while other executives attend as needed or when invited.

Board and committee evaluation

The performance of the Board, the Chairperson, individual Board members and Board committees is assessed regularly. Every second year, the assessment will be conducted through a formal external process. During the period under review, the Board conducted an internal self-assessment to consider and reflect on the discussions and performance of itself and its committees. The Board scored an overall rating of 3.53 out of 5.0, which denotes 'satisfactory' to 'meet best practice. The assessment depicted the current culture as ethical and collegial with a good balance between size and composition. The assessment further highlighted the need to stagger the rotation of directors to prevent a loss of institutional memory and ensure continuity and long-term sustainability.

Board remuneration

Annual fees for non-executive directors are approved by the shareholder at the annual general meeting. For the period under review, the fees remained unchanged. Directors do not receive performance-based remuneration or retainers.

The fees paid to non-executive directors during the reporting period appear on page 102 of the group annual financial statements.

Chief Executive Officer

The day-to-day management of operations is delegated to the CEO, assisted by the Executive Management Committee. The current CEO's contract will expire in December 2023. On 3 March 2023, the Board announced the CEO's decision not to seek an extension when his fixed-term contract expires. Consequently, the Board has started to identify a successor to allow for a seamless transition.

Currently, outside of the IDC mini-group positions, the CEO serves as a non-executive director of Sedibelo Resources Limited.

Company Secretary

The group Company Secretary supports the Chairperson of the Board and all directors. She provides guidance to Board members on the execution of their duties, keeping the Board aware of changes in legislation and corporate governance best practice. All directors have access to the services of the group Company Secretary and may obtain independent professional advice. She is also secretary to the Board committees. The Company Secretary is independent of the Board and not a director of the Corporation.

The Board appoints the Company Secretary and ensures that she has the knowledge and experience to discharge the duties. Adv Maseapo Kganedi was appointed to the role on 1 May 2022. The Board is satisfied that she is suitably qualified, competent and experienced to provide the required support and guidance.

COMBINED ASSURANCE

The Board and Board committees promote a common approach to governance and risk management based on the IDC's integrated risk management framework, which supports the Corporation's strategy and sets strategic risk management standards.

This is the basis for the combined assurance model, which incorporates and optimises all assurance services and functions to create an effective, holistic control environment, thus supporting the integrity of information used for decision-making by management, the Board and its committees. The model has three lines of defence:

First line of defence

This involves functions such as line management that own and manage risks daily and includes operational management processes covering the development and implementation of systems and procedures, management reviews, risk ownership and control self-assessments.

Each strategic business unit or department must maintain and review its operational risk register annually so that material common operational risks are detailed on the strategic risk register.

Although this line of defence commonly lacks independence and objectivity, its value is in those who are close to the business and in their understanding of day-to-day operations and activities and their risks.

Second line of defence

This involves functions that oversee risk, providing guidance and challenging management teams. These functions monitor management activities, ensuring adherence to policies and performance in line with the stipulated risk appetite. The second line is separate from those responsible for delivery, but not independent of the organisation's management chain, such as the risk management and compliance functions.

Combined risk management and assurance model

Third line of defence

This is independent and more objective assurance of the adequacy of design and effectiveness of systems and controls, governance and risk management processes. It focuses on the role of the internal audit function and external assurance providers such as auditors and regulatory and supervisory bodies.

Governance oversight

The Board Audit Committee and BRSC, which oversee assurance matters, evaluate the effectiveness of the combined assurance model and activities against key risks. The committees also review the results presented annually in the combined assurance dashboard to satisfy themselves that appropriate assurance activities, including operating controls over key risks, are implemented and are adequate and effective.

Combined Assurance Forum

The Combined Assurance Forum, which comprises the internal audit, enterprise risk management and compliance and regulatory affairs departments, is chaired by the Chief Risk Officer and mandated to administer the combined assurance model. This includes compiling annual combined assurance plans and reports and implementing feedback from both the risk and sustainability and the audit committees.

Focuses

The forum approved a revised combined assurance plan, updated to align and link the various assurance providers' planned activities for 2022/23 to the revised 12 key strategic risks detailed in the strategic risk register in September 2021 (pages 43 to 45). The 2023/24 revised plan will be tabled for input to BRSC and for approval to the Board Audit Committee in the third quarter of 2024 financial year.

The dashboard will lead to a 2023/24 combined assurance report for discussion at the Board Audit Committee and noting by the BRSC.

The approach has enhanced collaboration among assurance providers and eliminated duplication to produce succinct outcomes.

As required by the approved 2023/24 combined assurance plan, the forum will present a consolidated report on the outcomes of assurance activities to executive management and committees during 2023/24 to assist management in its oversight.

The three assurance providers will continue to assure the emerging risks identified and highlighted in the operational risk registers and strategic risk register. The forum will consider the following as part of its assurance activities in 2023/24:

- The adverse impact of the macroeconomic environment and subdued economic conditions due to:
  - Rising capital costs and interest rates, which may adversely affect the sustainability of the IDC's business partners, leading to rising impairments and non-performing loans
  - Challenging operating and trading conditions coupled with constrained growth in the domestic economy, which may have an impact on the developmental objectives of the IDC
  - Electricity supply and transport and logistics challenges adding serious threats to business sustainability
- Cybersecurity remains a priority risk to be managed, moreover because of greater reliance on information technology with its significant flow of data and critical information though electronic media, and the increase in cyber-related crime. The forum will continue to review controls to ensure data protection and integrity.

Risk management – second line of defence

Maximising development impact through sustainable activities and economic inclusion relies on managing risk. Risk is inherent in IDC strategy, processes and operations, hence the enterprise-wide risk management framework. The risk universe is managed through a risk lifecycle, which includes risk identification, risk assessments and measurement, risk treatment and monitoring through key indicators and combined assurance. The diagram on page 103 depicts our approach to enterprise risk management. Strategic and operational risks are captured and monitored on an integrated governance, risk management, compliance and audit software solution. The system is also used by the compliance and internal audit departments for greater alignment.

Managing strategic risks

The Enterprise Risk Management Department uses different methodologies to identify and analyse strategic risk exposures and their potential impact on the achievement of strategic objectives. Methodologies range from one-on-one interviews and distribution of surveys to workshops with the Board, management and employees. During 2022/23, the department facilitated the review of key strategic risks and presented these for approval by Exco and the BRSC. Refer to pages 43 to 45 for the key strategic risks.

Operational risk management

This is the risk of loss from inadequate or failed processes, people, systems and/or external factors. This could evolve rapidly with significant overlap across other risk types and have financial and non-financial implications.

Operational risk is managed through:

- Risk and control self-assessments for all departments and business units, with annual reviews. Assessments ensure a dynamic and iterative process for consistently and comprehensively identifying, assessing, mitigating, monitoring and reporting key operational risks
- Business unit and department collaboration to embed a sound risk ownership culture through appointed risk champions, who are ambassadors responsible for operational risk and business continuity in their areas, guided by the Enterprise Risk Management Department
- Oversight of operational risk losses and incidents management policies.

Business continuity management

The IDC's business continuity management programmes respond effectively to disruptive events that may affect service provision. Programme management is guided by the good practice-aligned business continuity management policy and disaster management plan. The function ensures that the Corporation maintains acceptable delivery levels of key products and services after a severe disruption or incident by:

- Organisation-wide business continuity management plans
- Prioritising crucial business processes and implementing agreed recovery strategies to minimise the effect of business disruptions
- Collaborating with internal departments, units and/or external stakeholders
- Annual testing and validation of business continuity plans to ensure they are fit for purpose and increase the Corporation's recovery capability.

Oversight

The Operational Risk and Business Continuity Forum ensures that policies are well designed. It also reviews and challenges key operational risks and issues identified through risk self-assessments, compliance reviews, key risk indicator monitoring, incidents management and other assessments. Undesirable risk exposures are escalated to Exco and BRSC.

Credit risk management

Our well-entrenched credit and investment risk management processes entail robust engagement with internal departments and stakeholders. Our core credit risk processes are:

- A due-diligence team with financial, marketing and technical skills and operational support resources that include the legal, environmental, health and safety, technical services and credit risk management departments
- An independent credit and investment risk assessment by the Credit Risk Management Department
- Credit approval committees that include the executive management team, senior managers, external members and independent non-executive directors of the Board Investment Committee. The credit committees operate in line with Board-approved delegated limits and policies
- The Client Support and Growth Division, which manages the portfolio after the first disbursement until

final settlement. A dedicated and experienced team that focuses on large equity investments is assigned to monitor and manage subsidiaries and significant investments
- A business advisory and turnaround team that provides specialist insight on strategic actions to turn around and restructure businesses in distress.

The Group Risk Division, under the leadership of the Chief Risk Officer, reports quarterly to Exco and BRSC on portfolio performance, including the key risk metrics of the risk appetite framework, such as concentration risk and portfolio performance (non-performing loans, impairments and breaches). Breaches of prudential risk limits are interrogated and condoned as necessary by the Board, which also oversees implementation of targeted interventions to address such breaches. The Board provides active oversight on the biggest impaired and non-performing exposures.

Asset quality

Focus has increased on asset quality to ensure realignment to our risk appetite levels. There has been positive movement in the risk profile of our portfolio and new approvals, which is expected to improve the quality of our portfolio to an acceptable risk profile aligned with our risk appetite.

Growing macroeconomic vulnerabilities may aggravate client risk profiles, placing a strain on cashflows. We expect clients to be affected by the energy supply and transport and logistics infrastructure constraints. In similar vein to our response to contain the impact of the Covid pandemic and KwaZulu-Natal and Gauteng unrest, we will closely monitor our exposures to ensure proactive response with a bespoke plan if needed. In contrast to commercial and investment banks, the IDC's credit and investment exposures are to a diversified target market with credit risk taken over a medium- to long term. Portfolio reviews are undertaken and analysed to assess the impact of observed migration in portfolio quality and identify portfolio concentrations to ensure that risk mitigating strategies are implemented.

Management of concentration risk extends to industry, credit and counterparty risk, considering the aggregate exposure to a single counterparty or group counterparty. To manage concentration within portfolios, remedies are considered, including the selling-down of exposures if necessary.

Impairments

During the year, clients had to deal with challenging macroeconomic conditions, exacerbated by widespread electricity disruptions and poor infrastructure delivery. Despite this, impairments were contained through targeted strategic interventions introduced in the previous financial years and continuous review of our internal systems and procedures to intensify post-investment monitoring.

The overall level of impairments – including solely payments of principal and interest provision for impairments (R23.7 billion) and impairments for equity valued below cost (R13.9 billion) – increased from R34.5 billion in 2021/22 to R37.6 billion in 2022/23. The total impairment ratio decreased from 37.6% to 37.5%. The impairment charge (including write-offs) in the year under review increased from R3.4 billion to R4.7 billion, due mainly to write-offs of long-outstanding non-performing exposures.

Non-performing loans (company)

The IDC measures and monitors non-performing loans on the basis of amortising loans and IFRS stage 3 assets methodology. The value of non-performing loans increased from R12.8 billion in 2021/22 to R13.4 billion in 2022/23. The non-performing loan ratios are trending in the right direction. Amortising non-performing loans improved from 31% in 2021/22 to 28.3% in 2022/23 and the IFRS stage 3 non-performing loan ratio reduced from 52% in the previous year to 35%. Non-performing loans are concentrated on a few material exposures for which strategic plans have been implemented. BRSC continues to provide independent risk oversight over portfolio performance and closely monitors the status of action plans to remedy non-performing assets.

Future priorities

Continued monitoring of asset quality will protect the IDC's balance sheet and ensure financial sustainability. A concerted drive will ensure that the large legacy non-performing exposures that continue to affect the portfolio are resolved, so that the IDC can fulfil its development mandate while maintaining financial stability. This will enable competitive borrowing of funds, which will allow the Corporation to further entrench its developmental impact. Prevailing risk appetite levels were reviewed and will be monitored to ensure alignment with strategic objectives.

Liquidity risk management

Liquidity risk is governed by the liquidity and liquidity risk premia policy. The Asset and Liability Committee provides objective oversight and delegates decisions within the Board-established prudential guidelines and policies for liquidity risk exposures.

The IDC uses liquidity coverage ratios to test liquidity stress. These 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 currency convertibility and the ability to raise funding, including foreign currency funding, to meet simulated maturing liabilities.

Early-warning indicator methodology

The IDC's early-warning methodology is based on early-warning indicators appropriate for the Corporation. The red, amber or green 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 contingency funding plan aims to mitigate, as far as possible, the impact of liquidity stress on the IDC mini-group through a robust operational governance framework that:

- Links liquidity stress testing and contingency planning
- Articulates mechanisms for monitoring early warning signs
- Itemises the IDC's contingency funding sources
- Defines contingency funding plan escalation processes
- Outlines responsibilities for managing the Corporation through liquidity stress
- Identifies the names and contact details of people implementing the plan.

As the delegated authority accountable for managing liquidity risk, the Asset and Liability Committee manages the Corporation through a liquidity stress event and operationally empowers the liquidity management team to provide heightened management information required by the committee for the execution of approved management actions.

Liquidity crisis simulation workshops are organised at least annually and are supported by independent external facilitators. Identified shortcomings are addressed and improvements incorporated into the contingency funding plan.

Key focuses

The IDC has implemented models in several critical strategic areas, including credit risk, liquidity risk, pricing and economic forecasting. In the year under review, several of these models were rigorously validated, most notably credit rating and pricing, to ensure that they continued to function in line with the base outcomes established during their development and without introducing undue and unforeseen business risk.

The team applied a risk-based approach towards the model validation and selected high-priority models to ensure that the model risk controls were adequately tested to provide business assurance about their operation.

These models are important to the Corporation as they are used in risk pricing, financial reporting and forecasting. Validation findings are attended to by the model owners within agreed timelines.

Compliance – second line of defence

The Board charter requires the Board to ensure ethical behaviour and compliance with laws and regulations, and audit and accounting principles, including codes of conduct. The implementation of compliance management has been delegated to management, but the Board monitors and reviews compliance with key regulatory and legal requirements through regular reports to the social and ethics, audit, and risk and sustainability committees.

The IDC's Compliance and Regulatory Affairs Department performs day-to-day compliance and assists the Board in creating an enabling, compliance-based culture. The department also assists the business units to identify and assess regulatory risks applicable to the various operations and develop compliance risk management plans to mitigate and control them. Regulatory risks are monitored constantly and reported to stakeholders.

Key focuses and regulatory developments

The Compliance and Regulatory Affairs Department, as per King IV recommendations, has adopted a risk-based approach in line with the organisation's established materiality levels and ensures that internal stakeholders receive information relevant to their oversight responsibility.

King IV requires the governing body committee to ensure implementation of the combined assurance model to optimise all assurance services and functions so that, holistically, these make for an effective control environment and support the integrity of information used for internal decision-making by management, the governing body and its committees.

Every organisation faces myriad risks that can threaten its operations, reputation and bottom line. The Compliance and Regulatory Affairs Department navigates these risks through its robust and effective compliance programme, which includes staff training in the proven knowledge that training distinguishes companies that successfully navigate those risks from those that become cautionary tales.

The Financial Intelligence Centre Act 38 of 2001 (FICA), as amended, provides a regulatory framework for South Africa's anti-money laundering and counter financing of terrorism programmes and positions the Financial Intelligence Centre as the supervisory body overseeing compliance with the framework. FICA complements the Prevention of Organised Crime Act, the Protection of Constitutional Democracy against Terrorism-related Activities Act and the Prevention and Combating of Corrupt Activities Act. It gives the Financial Intelligence Centre authority over accountable institutions in South Africa.

Ensuring compliance with FICA mitigation interventions includes close monitoring and physical reviews of high-priority clients, desktop reviews of low- to medium clients, compilation of reports for internal approving committees, and training of and engagement with staff and IDC subsidiaries.

FICA delivers domestic compliance with the Financial Action Task Force's 40 recommendations, considered the global standard. South Africa is a member of the task force and thus must implement its policies and procedures. In February 2023, the task force greylisted the country following an assessment of the effectiveness of its anti-money-laundering and counter-terrorist financing system. It will be subject to increased monitoring as a result.

Protection of Personal Information Act 4 of 2013

The Corporation complies with the Protection of Personal Information Act. The Records Department is the custodian and is responsible for associated policies and ensuring adherence to the requirements of the Act across the IDC and all subsidiaries.

Public Finance Management Act 1 of 1999

The IDC's day-to-day operating activities are regulated by sections of the Public Finance Management Act (PFMA). In terms of Section 92 of the PFMA, the Corporation has sought exemptions and specific arrangements for itself and some subsidiaries.

The compliance and regulatory affairs and the procurement departments have a compliance project to support affected subsidiaries to improve their compliance with the Preferential Procurement Policy Framework Act (PPPFA) and regulations.

Training sessions continued during the year under review, including a tool pack to assist with systems and procedures and other National Treasury prescripts. On request, the Corporation also helped subsidiaries to align their tender processes to the PPPFA.

Internal audit – third line of defence

The Internal Audit Department is the third line of defence of the Corporation's enterprise-risk management framework.

The department provides independent, objective assurance to the Board that governance processes, risk management and internal control systems are adequate and effective in mitigating the most significant risks that threaten the achievement of the Corporation's strategic objectives. The department also, on request, provides ad-hoc assistance to subsidiaries. The detailed responsibilities are set out formally in a charter approved by the Board Audit Committee.

Key focuses

The department implemented a risk-based internal audit plan based primarily on the registers compiled by the Operational Risk Management Department, the IDC's revised corporate plan and key emerging risks highlighted by the external auditors and internal audit experts. The department also has a dedicated forensics team to which matters may also be reported anonymously via an external service provider.

We maintain internal controls to provide reliable financial and performance information and reasonable assurance that transactions are concluded according to laws, regulations and the delegation matrix approved by the Board, and that assets are protected adequately against material loss and recorded fully and correctly. During the year, the control environment architecture was adequate to manage most identified operational risks effectively.

Management remains committed to enhancing the control environment where weaknesses are identified by internal audit. Internal audit:

- Reviewed revised processes of the Client Support and Growth Division, such as value creation plans and capability advisory services, in line with the revised target operating model and provided trend analysis and lessons learnt on common causes of high impairment levels and non-performing loans

- Assessed the effectiveness of processes and the Corporation's readiness to deal with natural and other disasters that may affect it and its business partners
- Reviewed initiatives identified by management as improving the effectiveness of risk management, controls and governance processes, and ensuring the achievement of long-term strategy
- Assessed MS Dynamics project implementation governance processes against Project Management Institute guidelines
- Sourced an appropriate data analytical tool to unpack complex reconciliation on data, customised analytics to identify trends and/or anomalies hidden in data, bank statement analysis, procurement analytics and ad-hoc analytics to support investigation and assist with application of funding review by the Client Support and Growth Division
- Through awareness programmes, provided trend analyses on previous years' forensic and operational reports and identified themes and lessons learnt to be shared with IDC staff to enhance continuous and proactive management of risks.

Internal audit also collaborated with the Learning and Development Department to train and upskill strategic business units and departments on systems and procedures drafting. With the Compliance and Regulatory Affairs Department, an anti-money-laundering awareness programme was rolled out.

Assurance continued on core activities such as due diligence and various application reviews, including an assessment of risk grading and pricing system controls, part of credit risk management activities, and monitoring of the portfolio.

Reports detailing management actions taken to address weaknesses noted by internal audit are submitted to both the Board Audit Committee and executive management quarterly. During the financial year, management continued to demonstrate its commitment to resolving issues noted during audits.

The Internal Audit Department continued to provide financial crime awareness training to employees, with 188 employees attending virtual training.

New staff members received training on fraud matters, including reporting crime and corruption and the role of Tip-offs Anonymous.

Seventeen cases were reported for investigation in the review year (2021/22: 12), one an internal matter and 16 involving external business partners.

Future focuses

Focuses for the year ahead include:

- Third-party funds review audit to evaluate whether the risks associated with third parties' funds managed by the Corporation are being adequately considered and monitored
- Monitoring implementation of the responsible investment policy, given the increasing need for ESG reporting, with plans for a possible audit in 2024/25
- Assessing how the IDC considers the effects of rising costs on business partners, as part of the audits for due diligence and for post-investment monitoring processes. This will also include a business support audit to determine how the Corporation assists business partners affected by rising inflation and interest rates
- Assessing controls to mitigate cyberattack risk to uphold customer and client confidentiality expectations
- Undertaking the application of funds audit to assess the Client Support and Growth Division's effectiveness in monitoring the use of funding according to signed legal terms and conditions
- With the Combined Assurance Forum, continuing to monitor progress of culture-related initiatives
- Reviewing implementation progress on the optimisation and digitalisation project to automate deal development and portfolio management processes
- Maintaining financial crime awareness training and sharing lessons learnt to improve staff's risk management effectiveness. This exercise will also be extended to subsidiaries
- Continuing the review and provide input on systems and procedures flowing from the organisational realignment to mitigate emerging risks.

Our ESRG and sustainability impact

In 2020, the IDC launched its new strategy, the long-term sustainability plan. Among its strategic priorities is increasing the IDC's role in reducing South Africa's carbon intensity and embedding responsible ESRG and sustainability impact practices to attract further sustainable finance for impact investing, while ensuring and balancing its financial performance. These impact practices are aligned with our commitment to good corporate citizenship, responsible impact investing and long-term sustainability.

In 2022/23, we developed the framework for these practices supported by our responsible investment policy and an action plan. The action plan sets out the IDC's strategic objectives and strategic initiatives supported by annual strategic activities, key performance indicators, deliverables, lead functions, progress

to date and expected delivery dates that shall shape the organisation's ESRG and sustainability impact journey (see page 71).

Other key elements of the framework include dedicated governance and enterprise risk management frameworks, which provide the context for the implementation and integration of the responsible investment policy and its principles. The policy is informed by the IDC mandate, the corporate plan and various sector plans. The action plan was developed on this basis, while the IDC impact indicators reflected in the development scorecard define and measure outcomes and long-term impact of its investments and funding. The monitoring, evaluation and reporting framework then continuously uses the impact indicators to track, monitor and report through sustainability impact reporting on expected outcomes and long-term impact.

ESRG and sustainability impact considerations in the IDC investment cycle

ESRG and sustainability impact considerations are integrated into our due diligence and post-monitoring processes to assist clients with statutory compliance throughout the investment cycle.

The aim of integrating ESRG and sustainability impact practices into investment activities is to allow the IDC governance processes to make an informed decision about the relevance, significance and nature of ESRG risks and impacts.

The IDC screens and assesses each proposed transaction from pre-investment and due diligence stages to determine ESG risks and impacts, risk categorisation, environmental and social action plans to address identified gaps and monitoring/ reporting measures.

The due diligence procedure is based on an internationally accepted project classification system that determines project type, impact and scale, and data needed for our due diligence process. This includes an analysis of case histories, the environmental and social impact likely in certain industries and a project's scale and timeframe.

After a project's risk category is determined, the client's environmental and social performance is assessed for compliance with South African legislation and international standards where applicable.

The scope and level of environmental and social risk assessment undertaken are determined by the nature and/or type of development, level of complexity of environmental and social issues, applicable legislative requirements and the categorisation:

- Category A (high risk)
- Category B (medium risk)
- Category C (low risk).

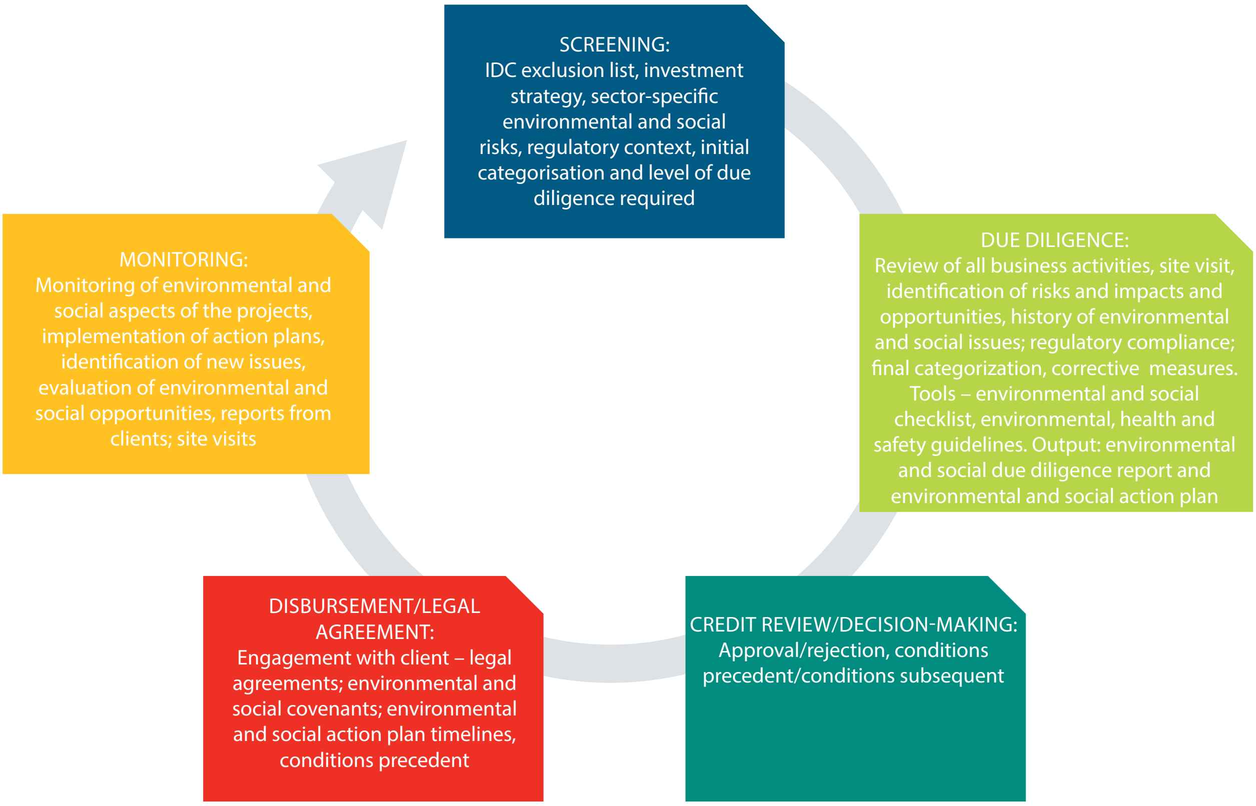
The tools used are supporting documents such as the Environmental and Social Due Diligence Systems and Procedures, World Bank Group General Environmental, Health, and Safety General Guidelines and the environmental and social checklist.

The evaluation and monitoring process of projects has been reviewed by developing a scorecard that will be used both at the due diligence stage and annually for clients to update the IDC with the required environmental, health and safety data per the scorecard.

The IDC currently use the following tools to conduct risk assessments to identify the potential impact that investments may have on society at large:

The process flow is as follows:

Summary of environmental and social due diligence process flow



Performance in 2022/23

Carbon footprint

The IDC has reported on scopes 1, 2 and 3 greenhouse gas emissions. Scope 1 covers emissions released directly from sources used within the operation. Scope 2 covers indirect emissions from the generation of purchased energy. Scope 3 reflects the result of activities from assets not owned or controlled by the IDC, but that in which the organisation has funded or is invested.

For the 2022/23 financial year, the IDC project covered 58 business partners including subsidiaries, listed entities, equity exposures and loan book business partners with an exposure threshold of R100 million and above for the calendar year 2022 (1 January to 31 December 2022). To date 44 (60%) of clients have responded with information.

Carbon footprint IDC offices

As shown in the table below, our total (scopes 1 and 2) in-house operational emissions for the review year decreased to 4 132.90 tCO_2e from 4 429 tCO_2e in 2021/22, and remain lower than the 2014 baseline of 6 220 tCO_2e and the 2019/20 pre-Covid level of 5 134 tCO_2e. Scope 1 increased by 66.7% to 331.34 tCO2e from the previous year, while scope 2 decreased by 6.7%. The increase in scope 1 is attributed to increased consumption of diesel due to loadshedding and increased usage of pool cars. This trend is noted by most subsidiaries, again due to increased business activity. A detailed analysis of the group's carbon footprint is presented in the IDC online report at www.idc.co.za.

	Verified	Verified	Verified	Verified	Unverified
Base year	**2014/15**	**2018/19**	**2020/21**	**2021/22**	**2022/23**
	Baseline	**Update**	**Update**	**Update**	**Update**
Scope 1 (tCO_2eq)					
Fleet cars	68	82	30	46	68.40
Generator fuel	9	29	40	< 1	189.00
Aircon gas (R22)	98	76	37	52	54.30
Aircon gas (R407)	-	-	2	11	-
Aircon gas (R404)	-	-	12	28	13.04
Jet fuel	(-230)	-	-	-	-
Refrigeration gas (R134)	2	92.00	-	3	6.50
Refrigerant (410) *	-	12.00	3	60	0.10
Subtotal scope 1	177	292.00	124	199	331.34
Scope 2 (tCO_2eq)					
Electricity	6 043	4 842	3 911	4 230	3 801.56
Scope 3 (tCO_2eq)					
Newspaper	5	5	5	4	3
Stationery	20	7	3.00**	4.00	4.40
Mixed waste	13	346	13	21*	44.23
Car rentals	35	0.0236	6.30	< 1	-
Business air travel[1]	2 343	358	23	123	642.35
Staff commute	1 280	751	290	-	2 830
Business mileage claim	174	77	12	-	-
Water	55	40	39.36	25	30.90
Subtotal scope 3	3 804	1 584	392	177	3 554.88
Subtotal scopes 1 and 2)	**6 220**	**5 134**	**4 035**	**4 429**	**4 132.90**
Total IDC (scopes 1, 2 and 3)	**10 024**	**6 718**	**4 427**	**4 606**	**7 687.78**
Emission intensity (IDC scopes 1, 2 and 3)	12.11	8	5.63	5.71	9.04
Emission intensity (IDC scopes 1 and 2)	7.51	6.13	4.99	5.21	4.86
Emission per m^2 (IDC only)	0.28	0.2	0.12	0.12	0.12

[1] *Business air travel includes business mileage claim and car rentals*

Legacy rehabilitation projects

The IDC has two legacy rehabilitation projects, Samancor/Columbus and African Chrome. African Chrome remains a challenge with water extraction and monitoring of groundwater requiring particular attention. Vandalism and theft of assets has compounded these challenges. IDC continues to support utilities, care and maintenance of the site. An action plan to address the challenges substantively has been developed, including proposals to improve security and maintenance and engagements with the Department of Water and Sanitation on applicable requirement status and conducting an independent environmental risk assessment on groundwater.

At Samancor/Columbus, steady progress is being made in the removal of the legacy dump, with an average of eight kilotons removed monthly. To fast track the project, the intention is to remove 20 kilotons per month. An exit option has been proposed and will be negotiated with a fast-tracked option of seven years to remove the waste.

BOARD COMMITTEE REPORTS

Board Audit Committee

The Board Audit Committee is a statutory committee constituted in terms of Section 94 of the Companies Act 71 of 2008, as amended, and Section 77 of the Public Finance Management Act 1 of 1999, as amended, read with King IV and the JSE Limited (JSE) debt listing requirements. It assists the Board to discharge oversight of the finance function, internal and external audit, combined assurance, financial risk management and integrated reporting. The challenging economic conditions within which the IDC operates prescribe that the Corporation maintains a good balance sheet, manages the quality of its assets and ensures financial sustainability to deliver on its mandate.

Composition and attendance

During the year under review, the committee comprised three non-executive directors and two external members elected at the annual general meeting. The Chairperson of the Board is not a member of the committee. The CEO, CFO and a representative from the office of the Auditor-General are permanent invitees to meetings.

The committee held nine meetings, five of which were special meetings. The table below details attendance:

Members	Scheduled meetings	Special meetings
NP Mnxasana (Chairperson)	4/4	5/5
Dr SM Magwentshu-Rensburg	3/4	5/5
RM Godsell	3/4	5/5
R Pitot*	4/4	5/5
P Mathidi*	3/4	5/5

** External members of the committee*

Activities and focuses

During the review period, the committee considered the following matters:

Governance

- Reviewed and recommended its terms of reference to the Board for approval
- Approved its annual workplan
- Recommended the relevant section of the delegation matrix to the Board for approval
- Recommended the appointment of the new external auditor for the IDC group to the Board for onward recommendation to the shareholder

External audit

- Recommended, through the Board, the appointment of the external auditor of the IDC group to the shareholder at the annual general meeting
- Recommended approval of audit fees to the Board and shareholder
- Approved the engagement letter, audit plan and scope of work for the financial year
- Assessed the skills, independence and performance of the external auditor and monitored the effectiveness of audit plan execution and reporting
- Reviewed the external auditor's report and management's responses

Financial management

- Monitored the appropriateness and effectiveness of the Corporation's finance function
- Consulted and agreed with executive management on the engagement letter, terms, audit plan, scope of work and audit fees for the financial year
- Reviewed the group's quarterly financial statements and recommended them to the Board for approval and submission to the shareholder
- Reviewed and recommended the audited annual financial statements to the Board
- Reported to the Board on the effectiveness of the Corporation's internal controls
- Considered and supported the 2023/24 to 2025/26 corporate plan, budget and borrowing mandate for the period ending 31 March 2024

Internal audit

- Assessed the independence and effectiveness of the function
- Ensured that the combined assurance model addressed all significant risks
- Approved the internal audit plan and monitored its execution
- Deliberated on internal audit's processes of identifying weaknesses and breakdowns of systems and internal controls, and assessed the effectiveness of management actions and implementation plans to address any adverse audit findings.

Going concern
The committee agreed that the going-concern assumption was appropriate for the preparation of the consolidated annual financial statements, subsequent to a review of management's documented assessment of the Corporation and the IDC group as a going concern.

Future focus
In 2023/24, the committee will prioritise:
- The appointment of the external auditor for recommendation to the shareholder
- Monitoring developments in the financial sustainability reporting frameworks and ensure that the Corporation responds adequately to the changing landscape
- Monitoring of internal controls.

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

NP Mnxasana
Board Audit Committee Chairperson
14 September 2023

Board Investment Committee

The Board Investment Committee is an equity and credit-granting committee with delegated authority to consider transactions within limits set by the Board. The committee also reviews transactions where the transaction or counterparty limits and sector or regional limits have been breached and strategic transactions for recommendation to the Board. It further supports the IDC's primary role in facilitating South Africa's industrial capacity by financing viable businesses within key sectors to stimulate the country's economic growth.

Composition and attendance

During the year under review, the committee comprised six non-executive directors, including the Board Chairperson. Executives including the CEO are permanent invitees to meetings of the committee. Other persons may be invited at the committee's discretion.

The committee held 18 meetings, six of which were special meetings. The table below details attendance:

Member	Scheduled meetings	Special meetings
Dr SM Magwentshu-Rensburg (Chairperson)	12/12	5/6
BA Mabuza	11/12	6/6
NP Mnxasana	10/12	6/6
PM Mthethwa	9/12	5/6
Adv ND Orleyn	10/12	2/6
Dr NE Zalk	10/12	6/6

Activities and focuses

Governance

The committee reviewed and:

- Recommended its terms of reference to the Board for approval
- Recommended the relevant section of the delegation matrix to the Board for approval.

The committee:

- Approved 15 transactions with a gross value of R6 billion, including guarantees. An amount of R1.2 billion was approved for small and medium enterprises and R226 million was approved for black industrialists. These transactions are expected to create 2 897 jobs
- Reviewed for recommendation to the Board transactions where counterparty, sector or regional limits were breached
- Considered strategic transactions and investments for recommendation to the Board
- Received regular updates on the management of the deal pipeline compared to liquidity.

In addition, the committee met jointly with the Board Risk and Sustainability Committee to consider matters pertaining to the operating environment and portfolio performance, which included the following:

- Review of the credit dashboard, the IDC portfolio and the top 20 non-performing loans
- Review of the balanced approach to development and financial sustainability that the IDC seeks to drive through a pipeline of new investment opportunities
- Consideration of the IDC view on investments in the natural gas value chain and coal-related investments.

Future focus

The committee will consider regular updates on the performance of approved transactions.

It is satisfied that it fulfilled the responsibilities in its terms of reference for the reporting period.

Dr SM Magwentshu-Rensburg
Board Investment Committee Chairperson
14 September 2023

Board Risk and Sustainability Committee

Committee Chairperson: LI Bethlehem

Committee terms of reference
The Board Risk and Sustainability Committee is a standing committee of the Board established to support the Board with its oversight role on risk governance, financial sustainability, and provides independent portfolio oversight for the committee oversees the development of the Corporation's risk appetite framework and ensures that its portfolio risk profile is within risk appetite parameters. The committee's terms of reference were reviewed and approved by the Board.

Composition and attendance
During the year under review, the committee comprised five non-executive directors, including the Board Audit Committee Chairperson. The Chief Risk Officer is a permanent invitee to meetings.

The committee held seven meetings, two of which were specially constituted. The table below details member attendance:

Member	Attendance
LI Bethlehem (Chairperson)	7/7
BA Dames	6/7
A Kriel	6/7
PM Mthethwa	5/7
NP Mnxasana	7/7

Activities and focuses of scheduled meetings
The committee approved the following risk governance frameworks and policies:
- Enterprise risk management framework
- Foreign exchange risk management policy
- Risk management and compliance programme
- Cash investment management policy
- Operational risk policy
- Debt funding policy
- Financial institutions counterparty review.

The committee exercised its oversight on the following:
- Noted the compliance status report
- Considered the Corporation's strategic risks and their potential impact on the achievement of set strategic goals, and assessed the adequacy of action plans and strategies to mitigate identified risks through the combined assurance model
- Reviewed the status and adequacy of the Corporation's information technology ecosystem
- Noted activities on liquidity and market risks, which included equity price risk, interest rate risk and exchange rate risk
- Noted the 2022 IDC desktop liquidity crisis simulation exercise report
- Reviewed the top 20 non-performing loans and noted the status of the IDC portfolio under management
- Provided guidance to the IDC view on investments in the coal value chain
- Noted the IDC pricing methodology.

Future focuses
In 2023/24, the committee will:
- Embed the sustainability responsibility of the committee
- Focus on regulatory compliance, especially FICA
- Continue oversight role on the top 20 investments
- Review the adequacy of the Corporation's business continuity strategies
- Focus on digitalisation and data improvement plans.
- Risk appetite review
- Attaining balance on portfolio concentrations.

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

LI Bethlehem
Board Risk and Sustainability Committee Chairperson
14 September 2023

Board Social and Ethics Committee

The Board Social and Ethics Committee, as a statutory committee constituted in terms of Section 72 read with Regulation 43 of the Companies Act 71 of 2008, as amended, contributed to ensuring that the Board and management of the Corporation considered stakeholder interests, maintained positive stakeholder relations, embedded an ethical culture, acted responsibly, managed significant reputational risks and ensured the IDC remained a good corporate citizen.

The IDC's financing activities and associated social impacts have a measurable impact on stakeholders. As a result, the committee continued to monitor the impact of such activities on the Corporation's performance.

Composition and attendance

During the year under review, the committee comprised six members, four non-executive directors and two divisional executives. The CEO, Chief Operating Officer and Chief Risk Officer are permanent invitees to committee meetings.

The committee held six meetings, two of which were special meetings. The table below details attendance:

Member	Scheduled meetings	Special meetings
Adv ND Orleyn (Chairperson)	4/4	2/2
P Mthethwa	3/4	2/2
A Kriel	3/4	2/2
Dr NE Zalk	4/4	1/2
T Legodi	4/4	2/2
D Jarvis	4/4	2/2

Governing and managing ethics

The committee monitors the implementation of the approved code of ethics and conflict of interest policy to ensure that ethics are adequately governed and managed.

Activities and focuses

During the review period, the committee considered the following issues:

General

- Reviewed its terms of reference and recommended them to the Board for approval
- Reviewed and approved its annual workplan
- Reviewed the relevant section of the delegation matrix and recommended it to Board for approval
- Noted the inclusion of the publication of personal information clause in financing agreements, in line with the Protection of Personal Information Act

Ethical culture

- Received 13 forensic investigation reports, all of which related to unethical conduct by external parties
- Noted that from the Tip-offs Anonymous reporting portal, nine cases were received, five of which related to IDC employees. All were investigated and were found to be either unsubstantiated or misinformed
- Noted that awareness training sessions were conducted on anti-money-laundering and prevention and combatting of corrupt activities

Labour and employment matters

- Noted the steady decline in the number of cases of misconduct from 23 cases in 2019/20 to five in 2021/22. Over the same period, staff grievance numbers reduced from nine to two
- Reviewed and accepted management's report on training of line managers to chair disciplinary and grievance proceedings
- Noted a report highlighting management gender disparity and accepted management's plan of action to address this
- Noted a reduction in spend on labour law firms from about R9 million in 2020/21 to R4 million in 2021/22

Reputational risk

- Approved the list of IDC-funded business partners for publication on the IDC website, identifying those associated with domestic politically exposed persons (DPEPs) and foreign politically exposed persons (FPEPs). Of the 142 approved business partners, 45 involved DPEP/ FPEPs, three of which were FPEPs.
- Considered a report on reputationally sensitive matters involving 22 IDC clients

Transformation and B-BBEE

- Noted that to advance transformation, management has appointed a panel of small, medium and black female-owned law firms to deal with IDC labour matters
- Reviewed and reported to the Board the disappointing drop in B-BBEE rating for the Corporation from level 2 to level 5. IDC performed well across most categories except for Enterprise and Supplier Development and Socio-Economic Development which are measured as a percentage of net profit after tax. The significantly higher levels of profitability compared to the previous year resulted in spend not keeping pace with the growth in profitability resulting in a B-BBEE level of 4, further discounted due to the Supplier Development sub-minimum not being achieved. The Committee is monitoring plans to enhance the B-BBEE level in the year ahead.
- Received a report that indicated the IDC did not meet the prescribed minimum score of 40% for supplier development due to increased profitability, resulting in a score of 39.33 of a possible 58 (including bonus points)

- Considered and made input into management's action plan to ensure that all areas in the organisation responsible for delivering on the scorecard have clear targets
- Noted that management will keep track of elements that have an impact on and benefit youth, women and people with disabilities, particularly in procurement and learnerships

Corporate social investment

- Noted that the IDC approved R52.3 million to support 72 initiatives in partnership with non-governmental organisations
- Noted that with the flood relief and other IDC humanitarian relief programmes, more than 45 000 people across 250 flood-affected locations were reached
- Received a report on the IDC's support of education and skills development through established partnerships with the departments of basic education and higher education and training, with technical and vocational education and training colleges receiving funding to improve their training infrastructure
- Noted that under entrepreneurship development, 12 projects were funded that support and sustain livelihoods through income-generating projects for youth, women and people living with disabilities. The projects assisted 7 148 beneficiaries

Social Employment Fund

- Considered a report on the IDC's continued role as the implementing agency of the Social Employment Fund, part of the Presidential Employment Stimulus programme
- Noted that the fund created 65 033 unique work opportunities and disbursed R679 million. Participants are located throughout the country and are engaged in meaningful work that benefits both themselves and their communities

Sustainability

- Approved a discussion paper on the role of the IDC in the just transition
- Considered the IDC just transition framework, which defines the Corporation's role in aligning and driving the just transition in South Africa and the rest of Africa. The role is defined through growing sustainable industries, supporting entrepreneurs and inclusive industrial development
- Noted that a working group on the just transition is being set up to identify, track and monitor the role of the IDC

Client experience management

- Received progress reports on client experience management activities
- Noted a sustained improvement in the resolution of commonly cited complaints on long turnaround time, complex information requirements, bureaucracy, rigid systems and processes and lack of communication
- Noted and supported initiatives being implemented to optimise complaints management and improve the end-to-end deal development process by closing feedback loops through innovation and continuous improvement

Stakeholder management

- Considered a report on stakeholder engagement initiatives and outcomes
- Noted that the Corporation's reputation score was 72.4 out of 100 – healthy, but indicating room for improvement
- Noted that the IDC had 73 formal engagements in 2022/23 to profile and position itself as a DFI that supports sustainable industries, finances entrepreneurs and improves lives through its operations
- Considered a report on the stakeholder perception survey that was conducted among 200 respondents
- Advised on including stakeholders from the townships and rural economies in the next survey
- Provided guidance on the creation of a definitive customer value proposition for the organisation and effective communication thereof

Litigation

- Considered and monitored progress on pending litigation having high reputational risk.

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

Adv ND Orleyn
Board Social and Ethics Committee Chairperson
14 September 2023

Board Human Capital and Nominations Committee

The Board Human Capital and Nominations Committee has devoted its time and activities to ensuring that the IDC has policies and plans to look after its most important asset, the staff of the Corporation. The committee assists the Board in securing talent and leaders in a competitive landscape. In addition, it supported the Board with oversight of the implementation of the approved remuneration philosophy, human capital policies, plans and performance goals for the Corporation. The committee also oversees the nomination of directors of the IDC in concurrence with the shareholder and nominating of non-executive directors to its key subsidiaries and investee companies.

Composition and attendance

During the year under review, the committee comprised five non-executive directors, including the Board Chairperson. The CEO and the Divisional Executive for Human Capital are permanent invitees to committee meetings.

The committee held seven meetings, three of which were special meetings. The table below details attendance:

Member	Scheduled meetings	Special meetings
BA Dames (Chairperson)	4/4	3/3
B Mabuza	4/4	3/3
A Kriel	2/4	1/3
Adv T Orleyn	4/4	1/3
B Godsell	4/4	3/3

Activities and focuses

During the review period, the committee considered the following matters:

Governance

- Reviewed and recommended its terms of reference to the Board for approval
- Reviewed and approved its annual workplan
- Reviewed sections of the delegation matrix relevant to the committee and recommended them to the Board for approval
- Considered the human capital strategic priorities for the 2022/23 financial year

Human capital

- Advised management on human capital policies to ensure that IDC policies enable the attraction, development, motivation and retention of talent. In particular, the committee reviewed and approved the leave policy
- Reviewed progress made against employment equity targets of the current three-year employment equity plan and the report to the Department of Employment and Labour
- Monitored performance of the Corporation primarily on staff development and employment practices
- Reviewed and advised on succession management processes and outcomes for executives and key roles
- Provided guidance and input on the culture transformation imperative to enhance the Corporation's ways of working

Remuneration

- Considered annual salary adjustments for staff and executives and approved these in line with the remuneration philosophy
- Reviewed the CEO's annual salary based on the evaluation of his performance and market-related imperatives
- Approved the long-term incentive nominations tabled by management
- Recommended a special incentive award for staff as recognition of contribution to the improved corporate performance for 2021/22

Performance management

- Reviewed the Corporation's targets included in the corporate plan and recommended these to the Board for approval
- Reviewed the Corporation's full-year performance against corporate targets for 2021/22
- Assessed the CEO's performance against the Corporation's targets
- Received a report on executives' performance
- Reviewed and approved the 2022/23 performance compacts of the CEO and executives

Nomination and evaluation of directors

- Oversaw the Board and committees evaluations and received a report. The outcomes of the evaluation are detailed on page 97
- Deliberated on Board rotation and succession, since several long-serving members would retire, and provided a recommendation to the shareholder.

Future focuses

In 2023/24, the committee will prioritise:

- Management's proposal for retaining key and critical skills
- CEO succession
- Ongoing review of culture transformation work that will lead to improved staff engagement and high performance
- Support for and approval of key leadership capability initiatives
- Ensuring that the employee value proposition remains compelling so that the IDC is a great place to work, grow and thrive
- Building a customer-centric ethos
- Implementing the recommendations from the Board evaluation report.

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

BA Dames
Board Human Capital and Nominations Committee Chairperson
14 September 2023

CHIEF FINANCIAL OFFICER'S REPORT

'Compared to that of 2021/22, our performance over the last year was outstanding, with revenue, profit and disbursements all at record levels. This can be attributed to the resilience of our investments, interest in dividends received and capital repayments resulting from client turnaround, but also to strict management of our impairments, the strength and resilience of our people and the sound project pipeline we've generated over the last two years.

'Group returns were impressive, at R10.7 billion. Net profit after tax and operating profit were excellent, driven by a healthy topline, muted impairments and stringent management of operational costs.

'Our results are a clear indication that our people understand the mandate of the IDC and work tirelessly to originate revenue-generating business while fulfilling our developmental imperative.'

The IDC in 2022/23 remained strong and resilient, with the determination of its people in these difficult trading conditions focused on enhancing the organisation's financial sustainability. Their efforts are evident in the outstanding financial results I share here. Revenue, at R25.6 billion, outperformed both that of the previous year and budget. Group profits improved significantly, to R10.7 billion compared to R6.3 billion in 2021/22, with company profit at R5.9 billion compared to R2.7 billion in 2021/22.

Throughout the year, we kept our commitment to maximising 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.

Our performance was driven mainly by collections, namely interest and capital repayments and dividend income from listed and unlisted strategic investments. The value of disbursements also increased substantially, with R17.8 billion on-balance-sheet disbursed against R7.2 billion in the previous year. Company operating costs increased by 9.8% due to the inflationary headwinds experienced in the financial year under review.

Ailing economy

The South African economy entered 2022/23 amid serious challenges, including ongoing infrastructure-related constraints that will take time to resolve, particularly electricity supply shortages that have resulted in far more regular and intensive periods of loadshedding, constraints on the rail network and bottlenecks at ports. These factors, with escalating production costs and consumer prices, have had a profound impact on economic activity, curtailing production and export volumes, while also affecting household expenditure and being major deterrents to fixed investment activity.

Segments such as energy generation from renewable sources and specific agricultural interests are likely to continue performing well. Agriculture production has been under some pressure since the latter part of 2021/22, with sectoral GDP contracting by 2.4% in the fourth quarter of 2022 and by a further 12.3% in the first quarter of 2023, due mainly to lower field crops and animal production. Confidence in the agri-businesses sector has fallen sharply since its peak in quarter two of 2021, with sentiment in quarter two of 2023 the lowest in three years.

Considering the pivotal role of public infrastructure in creating a more enabling business environment, it is crucial that public sector investments be rolled out swiftly and effectively. This is often dependent on crowding-in of private sector financial and operational participation in the light of constraints faced by several state-owned companies. Private sector investment decisions, in turn, are being affected by not only infrastructure-related challenges but weak domestic and external demand, with surplus production capacity in several economic sectors.

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

Figures in rand million	2022/23	2021/22	2020/21	2019/20	2018/19
Statement of financial position					
Cash and cash equivalents*	7 468	8 196	8 225	7 043	9 233
Loans and advances	25 628	21 982	24 520	28 199	29 094
Investments	122 763	134 201	108 801	75 603	116 706
Property, plant and equipment	33	280	318	53	58
Other assets	6 032	6 115	1 153	1 612	363
Total assets	**161 924**	**170 774**	**143 017**	**112 510**	**155 454**
Capital and reserves	102 729	109 770	82 990	53 851	93 097
Other financial liabilities*	45 896	45 406	52 498	56 038	54 125
Other liabilities	13 299	15 598	7 529	2 621	8 232
Total equity and liabilities	**161 924**	**170 774**	**143 017**	**112 510**	**155 454**
Statement of comprehensive income					
Operating profit/(loss) before finance costs	7 293	6 247	6 851	-1 858	1 749
Finance costs	-1 067	-2 394	-3 272	-2 563	-2 573
Profit/(loss) before taxation	**6 226**	**3 853**	**3 579**	**-4 421**	**-824**
Taxation	-298	-1 190	-282	1 305	354
Profit/(loss) for the year	**5 928**	**2 663**	**3 297**	**-3 116**	**-470**

** Refer to note 36 in the annual financial statements for details on the restatements.*

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

Figures in rand million	2022/23	2021/22	2020/21	2019/20	2018/19
Statement of financial position					
Cash and cash equivalents*	11 907	11 708	11 625	8 776	9 809
Loans and advances	26 896	24 304	25 505	29 099	27 162
Investments*	98 820	109 321	85 275	57 956	93 801
Property, plant and equipment	6 442	5 404	6 122	7 084	7 343
Other assets	15 258	13 265	7 319	6 716	6 492
Total assets	**159 323**	**164 002**	**135 846**	**109 631**	**144 607**
Capital and reserves*	108 524	112 010	83 384	60 704	95 602
Non-controlling interest	-224	-898	-821	-514	-299
Other financial liabilities*	29 561	30 895	38 270	41 236	39 486
Other liabilities	21 462	21 995	15 013	8 205	9 818
Total equity and liabilities	**159 323**	**164 002**	**135 846**	**109 631**	**144 607**
Statement of comprehensive income					
Operating profit/(loss) before finance costs	8 236	6 460	3 230	-3 764	2 327
Finance costs	-1 316	-2 523	-224	-2 747	-2 825
Income from associates	3 830	4 434	1 200	1 005	644
Profit/(loss) before taxation	10 750	8 371	-2 360	-5 506	146
Taxation	-305	-1 146	-1 127	1 717	574
Profit/(loss) for the year from continuing operations	10 445	7 225	-3 487	-3 789	720
Profit/(loss) from discontinued operations	224	-365	-	-	-
Profit/(loss) on loss of control	-	-569	-	-	-
Profit/loss for the year	**10 669**	**6 291**	**-3 487**	**- 3 789**	**720**

** Refer to note 36 in the annual financial statements for details on the restatements.*

Growing our revenue

Group revenue increased by 37.6%, from R18.6 billion during 2021/22 to R25.6 billion for 2022/23. This increase far exceeded inflation of 7.1% in March 2023 and was due mostly to the significant increase in revenue attributable to the increase in interest income and improved performance of subsidiaries.

Dividend income

Both listed and unlisted dividend income contributed greatly to revenue. The top three listed investments contributors were BHP with R2.5 billion, Kumba with R1.9 billion and Sasol with R1.2 billion. The top three unlisted contributors were Mozal with R1.4 billion, Eyesizwe with R683 million and Palabora Mining Company with R200 million.

Interest income

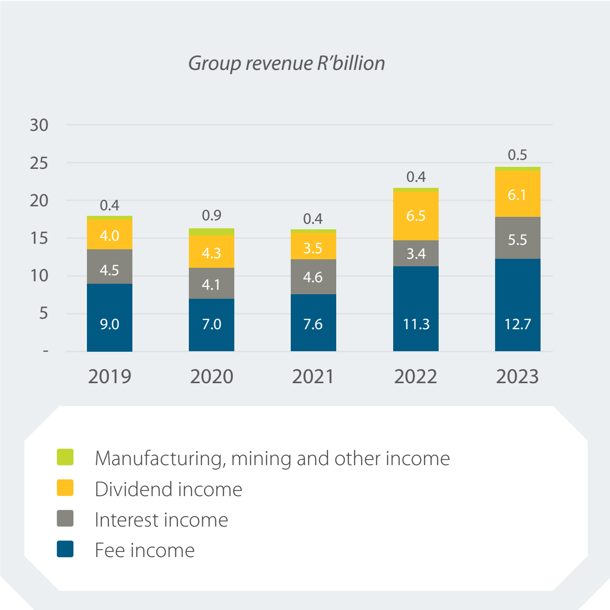
Interest income, which is fundamental to the Corporation's sustainability and growth, showed a marked improvement of 69.7% year-on-year (group). This was driven by higher interest rates (prime averaging 9.4% in 2022/23 vs 7.1% in 2021/22) and an increase in the loan book. Our efforts to attract new business paid off in a 40.7% increase in interest from loans and advances, which was spurred by new business, with the remainder attributed to elevated interest rate hikes.

Subsidiary revenue

Foskor's revenue increased by 64.8% during the period due to increased sales volumes and commodity prices, and an overall improved operating environment. Grinding Media revenue grew by 14.1% also due to stronger commodity prices.

Improved performance and profitability

The group reported a consolidated operating profit after tax of R10.7 billion during 2022/23, driven primarily by income from associates at R3.8 billion. This increase in value was again driven by the group's investments in the resources sector,



which generated great profits. Furthermore, there is a much lower drag on group profits by subsidiaries, most of which have shown either radically reduced operating losses or marginal operating profits.

Successful turnarounds

The major subsidiaries continue their turnaround from a loss-making position, except sefa and Prilla, which reflected a loss. sefa reported a loss of R120 million (2021/22: R98 million profit), a decrease of 222% from the previous year's net profit. The agency continues to grapple with high impairment levels (R568 million in 2022/23), resulting in increasing losses from lending activities. Prilla made a loss of R75 million in 2022/23 (2021/22: R0.3 million profit). Foskor, with improved profits of R2.8 billion, managed to turn around a loss of R541 million in 2021/22 through cost efficiencies and a marked recovery of impairments on financial assets. Grinding Media made a profit of R226 million, up from its profit of R40 million in 2021/22.
The IDC sold 61% of its share in this company to Magotteaux International SA, resulting in a loss of control subsequent to year-end. Grinding Media was thus disclosed as a non-current asset held for sale in 2022/23.

Non-performing loans, impairments and write-offs (group)

Our commitment and proactive efforts to work on the top 10 non-performing loans continued. In 2022/23, there was a notable migration of our clients from stage 3 (non-performing) to 2 (underperforming). This was driven by a recovery in sectors such as tourism and focused turnaround strategies.

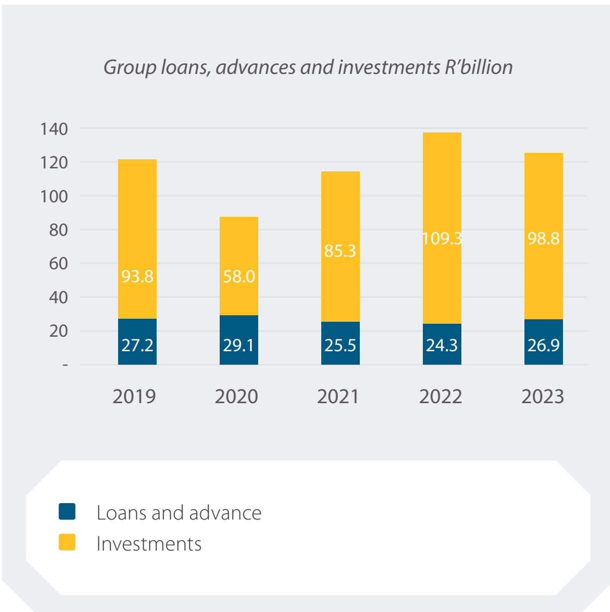
The non-performing loan ratio is still high but has improved in recent years. Management is improving security and credit risk mitigants by, for example, bolstering collateral requirements to reduce the impairment risk and optimise the balance sheet.

Impairments are expected to improve on the back of our strategic commitment to originating better quality DFI risk grade assets, while continuing to focus on our developmental mandate, albeit at the cost of a reduced margin (lower price, longer tenure). Currently, IDC loans carry a higher risk grading than those of an average lender with more conservative impairment models.

Our key assets

Disbursements improved from R7.2 billion in 2021/22 to R17.8 billion in 2022/23. This indicates concerted efforts to stimulate economic activity and improve economic conditions. The Corporation's increased liquidity and strong gearing position will continue to support the achievement of its disbursement target of R20 billion.

A decline in the share prices of listed equities reduced value of investments to R49.8 billion (2021/22: R65.5 billion). The group has significant exposure to the resources sector and has initiatives underway to diversify its portfolio and limit volatility from share prices.



Borrowing sustainably

The approved borrowing mandate is adequate and the pipeline of new transactions is robust. This is supported by the opportunity to assist the country in resolving the energy crisis such as through the SME Energy Solutions Fund launched on 5 May 2023.

Group borrowings decreased by 4.3% – driven largely by R4.3 billion in repayments to public bonds and foreign loans (R2.8 billion and R0.8 billion respectively) and a drawdown of R2.2 billion from existing committed facilities. Debt repayments of R2.4 billion were strategically made to reduce cost of debt. This strategy prompts other lenders to renegotiate cost of debt reduction instead of debt repayment.

The debt/equity ratio increased to 45% from 42%, driven by a decrease in equity fair values. A total of R2.2 billion was externally raised to cover disbursement and operational requirements against the budgeted R11 billion.

Decreased asset base (group)

The asset base decreased by 2.9% to R159.3 billion (2021/22: R164 billion) attributable largely to a decrease in the fair values of both listed and unlisted investments. The top three listed investments decreases are Kumba (R8.5 billion), Sasol (R6.1 billion) and ArcelorMittal (R558 million). The top three unlisted investments decreases are Palabora Mining Company (R1.5 billion), Alphamin (R1 billion) and Pilanesburg Platinum (R881 million).

Managing impairments and write-offs

An expected credit loss and write-offs of R4 billion were reported in the year under review (2021/22: R2.5 billion loss) on financial assets, which include loans and advances, financial guarantees, cash and cash equivalents and trade receivables.

Non-performing loans ratio improved from 51% in 2021/22 to 36% in 2022/23 with the success of turnaround strategies to improve the quality of the IDC portfolio. The expected credit losses ratio remained relatively flat, from 37.6% in 2021/22 to 37.5% in 2022/23. Initiatives by management to increase collections are starting to bear fruit, reflected in repayments of R10.5 billion (2021/22: R8.8 billion), which is 60.6% above the budget of R6.5 billion.

The developmental nature of our loan book means that we continue to support distressed industries such as tourism. We are well positioned to increase our developmental impact by injecting funds into the economy through loans and grants.

Increased irregular expenditure

Reconciliation of irregular expenditure

	Group		Company	
Figures in R'000	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Irregular expenditure confirmed	7 579 288	5 779 297	2 660	104
Less: Irregular expenditure recoverable	-	-926 554	-	-
Closing balance	**7 579 288**	**4 852 742**	**2 660**	**104**

a) Reconciling notes to the annual financial statement disclosure

	Group		Company	
Figures in R'000	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Irregular expenditure for the current year	7 579 288	5 779 297	2 660	104
Total	**7 579 288**	**5 779 297**	**2 660**	**104**

b) Details of current and previous year irregular expenditure (under assessment, determination and investigation)

	Group		Company	
Figures in R'000	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Irregular expenditure under assessment	-	-	-	-
Irregular expenditure under determination	-	-	-	-
Irregular expenditure under investigation	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**

c) Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

	2022/23	2021/22
Non-compliance with certain aspects of procurement policy. Warning issued and relevant training has been provided to officials involved.	-	104
Total	**-**	**104**

e) Details of current and previous year irregular expenditure recoverable

	Group		Company	
Figures in R'000	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Irregular expenditure recovered	-	926 554	-	-
Total	**-**	**926 554**	**-**	**-**

IDC group incurred R7.6 billion in irregular expenditure for 2022/23 (2021/22: R5.8 billion), the major contributors being:

- The Foskor spend relates to domestic expenditure incurred on specialised OEM repair work. This spend falls outside of Foskor's existing PPPFA exemptions. Foskor applied for a condonation which was declined.
- A further increase in irregular expenditure is as a result of the imports of sulphur which were disallowed as regular expenditure. The external Auditors are of the view that Foskor's supply chain management policy was not adhered to inline with the requirements of the PPPFA.

IDC company incurred R2.6 million:

- Culture project payments of R1.7 million were more than the contracted amount
- Procurement of diesel exceeded National Treasury guidelines R0.6 million
- Appointment of a global rating company issued before a suspensive condition was cleared (R0.3 million).

General Motors South Africa spend of R1 billion to buy scrap metal at spot as per established industry practice (without quotations or going out on tender) and legacy contracts inherited during the split from Scaw Metals.

Lodox, which spent R22 million on machine components from a supplier whose contract had expired. Lodox is renewing the contract and a condonation is being sought.

Sheraton, which spent R144 million on purchases from suppliers the majority of which related to the purchase of raw materials from foreign suppliers as the raw material is not available locally.

IDC subsidiaries applied for exemptions from compliance with the PPPFA, which were declined by National Treasury, with the exception of an exemption for international purchases granted to Foskor in May 2022.

National Treasury set out alternatives to regularise spend, including procurement by means such as amendments to subsidiaries' procurement policies and procedures.

We will continue to support the subsidiaries in their efforts to comply with the PPPFA as they pursue the alternative methods suggested by National Treasury.

Opportunities despite weak economic outlook

GDP in the first quarter of 2023 increased by 0.4% following a decrease of 1.1% in the fourth quarter of 2022. Power cuts are expected to shave two percentage points off GDP growth and also contributed to the depreciation of the rand (declined more than 11% in 2023), which has stoked inflation and interest rates. With interest rates at multi-year highs, the cost of capital is also playing a significant role, while an economic outlook characterised by very weak growth and high uncertainty over the short-term may prevent much-needed capital expenditure to propel economic growth.

Key focus sectors for the IDC, particularly manufacturing and mining, continue to face difficult operating and trading conditions. Their sectoral output for the quarter ending in March 2023 had yet to fully recover from severe losses incurred during the Covid pandemic. With this sub-optimal performance and poor prospects for a meaningful reversal at least in the short-term, the IDC may encounter challenges in related segments of its existing portfolio and in pipeline development. Nevertheless, areas such as renewable energy generation and transmission and specific agricultural sub-sectors are likely to continue performing well.

Our healthy financial position and gearing ratio remained consistent, assisting us to carry out our developmental mandate. Therefore, we can borrow from capital markets and are supported by the strength of our listed and legacy investments, which are producing substantial returns.

We are well prepared to leverage our balance sheet to boost our contribution to the economy, hence our goal to disburse R20 billion, which is achievable given our performance projections.

However, with sustainability top of mind, we will continue to balance strategically our countercyclical role as a DFI with the need to protect our asset base while we ensure optimal injection into the economy to drive activity.

Isaac Malevu
Chief Financial Officer

INDEPENDENT AUDITORS' SUSTAINABILITY ASSURANCE REPORT

Report on Selected Key Performance Indicators

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described above, and presented in the Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2023 (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 conclusion in our report on the following selected key performance indicators (KPIs). The selected KPIs described below have been prepared in accordance with IDC's reporting criteria and the reporting boundary is IDC's operations.

Perspective Material issues	Focus areas	Key performance indicator	Unit of measure
Development effectiveness	a) Total investment flows facilitated	a) Total investment flows faciliated (R'm) a1+a2+a3)	Rand Value (R'm)
	a1) IDC own balance sheet funding	Value of on-balance sheet funding disbursed (R'm)	Rand Value (R'm)
	a2) Managed development funds	Value of off-balance sheet funding disbursed (R'm)	Rand Value (R'm)
	a3) Co-funding leveraged/ syndicated/ catalysed *	Value of leveraged funding committed by other funders	Rand Value (R'm)
	b) Funds committed (financial close reached) and facilitated to support policy priorities: transformation *	b1) Total funds committed and facilitated in support of transformation (Aggregate comprised of i) IDC own funds, ii) Off-balance sheet funds and iii) Leveraged/ catalysed funds). Transformation is broadly defined to include funding for Black Industrialists, black-owned companies, companies with broad-based ownership, trade union owned entities, women-entrepreneurs, and youth-entrepreneurs (R'm)	Rand Value (R'm)
	b) Funds committed and facilitated to support policy priorities: Transformation (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed)	b1.1) Black Industrialists	Rand Value (R'm)
		b1.2) Black-owned businesses	Rand Value (R'm)
		b1.3) Broad-based ownership (including worker and trade union participation)	Rand Value (R'm)
		b1.4) Women-entrepreneurs	Rand Value (R'm)
		b1.5) Youth-entrepreneurs	Rand Value (R'm)
	b) Funds committed (financial close reached) and facilitated to support policy priorities: Localisation and beneficiation *	b2) Localisation and beneficiation	Rand Value (R'm)
	b2) Funds committed and facilitated to support policy priorities: Master Plans and IDC Industry Priorities (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed)	b2) Total: Industry Master Plans and IDC Industry Priorities	Rand Value (R'm)

Perspective Material issues	Focus areas	Key performance indicator	Unit of measure
Development effectiveness	b3) Funds committed and facilitated to support policy priorities: Regional/spatial development (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/catalysed funds).	Funds committed and facilitated to support policy priorities: b3.1) Special Economic Zones	Rand Value (R'm)
	b5) Export development *	b5) Marginal increase in exports generated for intra-regional and global trade through funds committed	Rand Value (R'm)
	b6) Support for SME development *	b6) Number of SMEs for which funding was approved (number approved)	Number (#)
	c) Job creation and preservation	c) Number of jobs expected to be created/saved from committed funds	Number (#)
	d2) Project development *	Investment value of projects that graduated from preparation to the investment phase	Rand Value (R'm)
Financial sustainability	e) Improve quality of the portfolio through i) managed exits of non-performing assets, ii) appropriate origination of quality deal flow, iii) turnaround actions	e1) Impairment ratio (total book)	Percentage (%)
		e2) Non-performing loans (NPls)	Percentage (%)
		e4) Risk profile of the portfolio (predominantly medium risk portfolio)	Percentage (%)
		e5) Risk profile of new funding approved.	Percentage (%)
	f) Proactively driving and enabling the management of value increase of the IDC's unlisted portfolio	% appreciation in carrying value of unlisted investments (excluding listed assets)	Percentage (%)
	g) Optimise the balance sheet for long term sustainability	Growth in the value of reserves (y-o-y; %)	Percentage (%)
Organisational capabilities	i) Achieve efficiencies in terms of end-to-end deal process to meet desired service standards and deliver the right products and solutions to clients	i1) Customer satisfaction index (scale of 1 to 10)	Number (#)
		i2) Percentage of applications where the turnaround time from receipt of application to legal agreements having been signed is within the service standard of 64 business days (excluding projects and days between ECIC approval and BIC/Board submissions)	Percentage (%)
Strategic positioning and stakeholder alignment	j) Enhance IDC's reputation and build trust amongst its stakeholders.	j) Reputation survey score (scale of 1 to 100)	Number (#)
Socio-economic development		Number and value of Social and Solidarity Economy Enterprises and initiatives funded	Number (#)
		Number of workers' and community trusts	Number (#)
		GHG determination in accordance with the GHG protocol	Text Claim
Human Capital		Talent retention (voluntary turnover rate of individuals in critical roles)	Percentage (%)
		Leadership index (360 leadership survey)	Number (#)
Governance, Risk and Compliance		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	Text Claim

**KPIs not assured in prior year.*

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 materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

In particular, where the information relies on factors derived by independent third parties, our assurance work has not included 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 other ethical requirements of the Code of Professional *Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Nexia SAB&T applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibilities

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 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 judgement 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 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 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 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 above for the year ended 31 March 2023 are not prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

Other matters

Our report includes the provision of limited assurance on the KPIs which we were previously not required to provide assurance. These KPIs are indicated in the table above relating to the subject matter.

The KPIs have been presented in a tabular format for ease of reference. The comparatives have however not been included as the definitions for some of the KPIs previously audited have been amended.

The maintenance and integrity of the IDC's Website (www.idc.co.za) is the responsibility of IDC directors. 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 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.

Nexia SAB&T

Nexia SAB&T
Ayisha Ramasike
Chartered Accountant (SA)
Registered Auditor
Director

19 September 2023

119 Witch-Hazel Avenue,
Highveld Technopark,
Centurion

Indicators and audit outcomes for information audited as part of the audit of performance information and sustainability audits

Key performance indicators	Achievement
Total investment flows facilitated (R'm)	43 086
- *Value of on-balance-sheet funding disbursed (R'm)*	*17 817*
- *Value of off-balance-sheet funding disbursed (R'm)*	*2 655*
- *Value of leveraged funding committed by other funders (R'm)*	*22 614*
Funding facilitated and committed – total: transformation (R'm)	11 368
Funding facilitated and committed – localisation and beneficiation (R'm)	9 640
Number of jobs expected to be created/saved from committed funds (R'm)	34 035
Achievement of milestones and outcomes for specific projects	63%
Impairment ratio (total book)	37.5%
Non-performing loans	28.3%
Achieve critical milestones in the turnaround plans for Cast Products SA, Grinding Media SA, Foskor and Kalagadi Manganese	Milestones achieved on average
Appreciation in carrying value of unlisted investments (excluding listed assets)	5.1%
Growth in the value of reserves	-6.4%
Black industrialists (R'm)	7 648
Black-owned businesses (R'm)	7 730
Broad-based ownership (including worker and trade union participation) (R'm)	3 014
Women entrepreneurs (R'm)	1 125
Youth entrepreneurs (R'm)	501
Funding facilitated and committed – total: Industry masterplans and IDC industry priorities (R'm)	32 537
Agro-processing and agriculture masterplan (R'm)	2 523
Automotive and new energy vehicles masterplan (R'm)	2 106
Steel industry and metal fabrication masterplan (R'm)	4 991
Energy (R'm)	18 063
Infrastructure (R'm)	1 467
Digital economy (R'm)	2 225
CTFL masterplan (R'm)	2 198
Tourism (R'm)	31
Poultry masterplan (R'm)	272
Sugarcane masterplan (R'm)	1 292
Chemicals masterplan (R'm)	977
Plastics masterplan (R'm)	506
Furniture masterplan (R'm)	28
Funding facilitated and committed – SEZs (R'm)	2 373
Value of funds committed per district municipality for four priority districts	>R200 million; R82 million; R34 million; R5 million in respective districts
Marginal increase in exports generated for intra-regional and global trade through funds committed (R'm)	40 646
Number of SMEs supported (approved)	74
Investment value of projects that graduated from preparation to the investment phase (R'm)	1 960
Risk profile of the portfolio (predominantly medium-risk portfolio)	51.2%
Risk profile of new funding approved (excluding Foskor, Scaw, Kalagadi, Cast Products, Grinding Media)	47.0%
Organisational effectiveness – streamline the IDC's end-to-end client and deal engagement process to drive	
Customer satisfaction index (scale of 1 to 10)	7.7
Percentage of applications where the turnaround time from receipt of application to legal agreements having been signed is within the service standard of 64 business days	40%
Profile and positioning among other stakeholders – enhance the IDC's reputation and build trust among its stakeholders	
Reputation survey score (scale of 1 to 100)	76

ACRONYMS

AfCTA	African Continental Free Trade Area
B-BBEE	Broad-based black economic empowerment
BRSC	Board Risk and Sustainability Committee
CEO	Chief Executive Officer
CO_2e	Carbon dioxide equivalent
CSI	Corporate social investment
CTFL	Clothing, textile, footwear and leather
DFI	Development finance institution
the dtic	Department of Trade, Industry and Competition
ESG	Environmental, social and governance
ESRG	Environmental, social, resilience and governance
FICA	Financial Intelligence Centre Act
GDP	Gross domestic product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IDC	Industrial Development Corporation
IFRS	International Finance Reporting Standards
IT	Information Technology
NDP	National Development Plan
PEP	Politically exposed person
PFMA	Public Finance Management Act
PIP	Prominent influential person
PPPFA	Preferential Procurement Policy Framework Act
PSA	Public Servants Association of South Africa
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SDG	Sustainable Development Goal
sefa	Small Enterprise Finance Agency
SME	Small and medium enterprise
SMMEs	Small medium and micro enterprises
SOE	State-owned enterprise

CONTACT INFORMATION

Head office

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Regional offices

Eastern Cape	
East London:	2nd Floor Block B, Chesswood Office Park, Winkley Street, Berea, East London PO Box 19048, Tecoma 5214 Tel: 043 721 0733/4 | Fax: 043 721 0735 | Email: eceast@idc.co.za
Gqeberha:	Southern Life Gardens, Block A (Ground) 70 2nd Avenue, Newton Park, Gqeberha PO Box 27848, Greenacres, Gqeberha 6057 Tel: 041 363 1640 | Fax: 041 363 2349 | Email: ecwest@idc.co.za
Mthatha:	Ground Floor, ECDC House, 7 Sisson Street, Fort Gale, Mthatha 5201 Tel: 047 504 2200 | Fax: 047 531 1587 | Email: ecwest@idc.co.za
Free State	
Bloemfontein:	No 10 Barnes Street, 2nd floor, Westdene, Bloemfontein Private Bag X11, Suite 25, B hof 9324 Tel: 051 411 1450 | Fax: 051 447 4895 | Email: fs@idc.co.za
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Pietermaritzburg:	1st Floor, ABSA Building 15 Chatterton Road, Pietermaritzburg PO Box 2411, Durban 4000 Tel: 033 328 2560 | Fax: 033 342 5341 | Email: kzn@idc.co.za
Limpopo	
Polokwane:	73 Biccard Street, Maneo Building, Suite 1 Postnet Suite 422, Private Bag X9307, Polokwane 0699 Tel: 015 299 4080/4099 | Fax: 015 295 4521 | Email: lp@idc.co.za
Mpumalanga	
Mbombela:	Maxsa Building, 15 Ferreira Street, Suite 702, 7th Floor, Mbombela PO Box 3724, Mbombela 1200 Tel: 013 752 7724 | Fax: 013 752 8139 | Email: mp@idc.co.za
Northern Cape	
Kimberley:	Sanlam Business Complex, 13 Bishops Avenue, Kimberley 8301 PO Box 808, Kimberley 8300 Tel: 053 807 1050 | Fax: 053 832 7395 | Email: nc@idc.co.za
Upington:	De Drift Plaza, Block 6, Olyvenhoutsdrift Settlement, Louisvale Avenue, Upington 8800 Tel: 054 337 8600 | Fax: 054 334 0835 | Email: nc@idc.co.za

North West

Rustenburg:	Suite 16, New Heights Office Park, 67 Brink Street, Rustenburg Postnet Suite 290, Private Bag X82245, Rustenburg 0030 Tel: 014 591 9660/1 | Fax: 014 592 4485 | Email: nw@idc.co.za
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Mahikeng:	Postnet Suite 89, Private Bag X2230, Mahikeng 2791 Tel: 018 397 9942 | Email: nw@idc.co.za

Western Cape

Cape Town:	Office 2405, Foreshore Place, 2 Riebeeck Street, Cape Town PO Box 6905, Roggebaai 8012 Tel: 021 421 4794 | Fax: 021 419 3570 | Email: wc@idc.co.za

Satellite offices

Satellite offices are not permanently staffed and appointments must be arranged in advance.

Free State

Phuthaditjhaba:	Mapoi Road, Phuthaditjaba 9869 Tel: 051 411 1450
Welkom:	1 Reinet Street, Welkom 9460 Tel: 051 411 1450

KwaZulu-Natal

Richards Bay:	Suite 17, Partridge Place, cnr Lira and Tasselberry roads, Richards Bay 3900 Tel: 031 337 4455

Limpopo

Thohoyandou:	Seda office: Old Mutual Building, Old Group Scheme Offices, Mphephu Road, Thohoyandou 7950 Tel: 015 299 4080
Tzaneen:	1st Floor Prosperitas Building, 27 Peace Street, Tzaneen (Seda) 0850 Tel: 015 299 4080

Mpumalanga

eMalahleni:	23 Botha Avenue cnr Rhodes Street, Hi-Tech House, eMalahleni 1035 Tel: 013 752 7724
Secunda:	South Wing, Municipal Building Lurgi Square, Secunda 2302 Tel: 013 752 7724

North West

Klerksdorp:	Office 35, West End Building, 51 Leask Street, Klerksdorp 2571 Tel: 018 462 6586 | Fax: 018 462 5061
Vryburg:	Dr KK District Municipality Economic Agency 83 Vry Street, Vryburg 8601 Tel: 053 927 0590 | Fax: 053 927 0590

Western Cape

George:	Beacon Place, 125 Meade Street, George 6529 Tel: 021 421 4794

ADMINISTRATION

Directors

Executive
TP Nchocho (CEO)

Non-Executive
Busisiwe Mabuza (Chairperson)
Lael Bethlehem
Brian Dames
Bobby Godsell
André Kriel
Dr Sizeka Magwentshu-Rensburg
Nomavuso Mnxasana
Philisiwe Mthethwa
Adv Thandi Orleyn
Dr Nimrod Zalk (resigned from the Board effective 31 July 2023)

Auditors

Deloitte (Johannesburg)
Nexia SAB&T (Pretoria)

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Company secretary

Adv Maseapo Kganedi
Registration number:
1940/014201/06

IDC

Industrial Development Corporation

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