INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LTD

Corporate Plan

2021/22 - 2023/24

March 2021

OFFICIAL SIGN-OFF

MINISTER'S FOREWORD

This Corporate Plan of the Industrial Development Corporation (IDC) has been prepared by the management for consideration by the Executive Authority and tabling in Parliament. The Annual Performance Plans (APP) and Corporate Plans of public entities identify the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible to ensure the APP and Corporate Plan is aligned with the Strategic Plan, the institution's mandate and government's priorities and to provide direction on the development and implementation of strategic priorities and policies.

The Covid-19 pandemic changed the landscape within which DTIC-entities operate and they are therefore expected to adjust their operations to address the new environment and new priorities. There is an urgent need to boost levels of economic growth and economic recovery, support transformation and build a capable state.

In particular, the Corporate Plan for the 2021/22 financial year will need to reflect the policy priorities set out in Budget Vote statements tabled in Parliament during this Administration and those that arise from:

- The Economic Recovery and Reconstruction Plan tabled in Parliament in October 2020 by President Ramaphosa.
- The priorities set out in the 2021 State of the Nation Address
- The new performance compacts between members of the Executive and the Presidency signed in November 2020; and the
- New District Development Model as an integration of development efforts at local level.

This Corporate Plan is tabled and updates to the Plan – when these are effected – will be tabled in Parliament in due course, taking account of the above.

As the practical means to ensure alignment between Corporate Plans and policy priorities, the Annual Performance Plan for the DTIC itself has sets out the requirement to ensure integration between the work of the department and all public entities that report to it. Seven new Joint-Indicators (J-KPIs) have been developed for the DTIC that contain the major policy priorities and these are expected to be included in the work of the IDC, with progress against these to be reported to the Ministry on a quarterly basis.

The entity will be expected to show how, within its legal mandate, it has contributed to the achievement of the outcomes for the following seven Joint Indicators (details of which are contained in more detail in the APP of the department itself):

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner. The Joint-Indicators cover, among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state. In respect of Joint-Indicator 7 for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

The IDC has identified certain target for the disbursement of capital, both from their own balance sheet, and from partners on a managed basis. These targets have been established on a prudent basis, and will be reviewed periodically over the course of the financial year based on taking into account GDP performance; and the IDC balance sheet. On conclusion of any revisions to take inter alia the above into account, a revised Corporate Plan will be tabled in Parliament.

The IDC will be required to support Sector Master Plans and the localisation projects within the DTIC portfolio in a range of areas including project management, research and data analysis, as well as support services to industries in addition to the IDC's investment activities in these areas. While these are not currently reflected in the Key Performance Indicators, they are in the core work areas of the IDC.

I therefore endorse the work to align the Corporate Plan of the IDC with the national priorities and accordingly table the Corporate Plan for the IDC in accordance with the request by the Speaker.

This Corporate Plan is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work.

EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

Date: 31 March 2021

BOARD CHAIRPERSON AND CHIEF EXECUTIVE STATEMENT

The following Corporate Plan for the period 2021/22 – 2023/24 was prepared by the management of the Industrial Development Corporation and approved by the Board for submission to the Shareholder on 26 February 2021.

This version of the Corporate Plan is tabled at a crucial time in our country's history, as we drive the revival of the economy, negatively impacted by the Covid-19 pandemic.

The Economic Reconstruction and Recovery Plan (ERRP) clearly articulates priority interventions that, if timeously and fully implemented, will support a faster expansion momentum and raise the economy's long-term growth potential.

The plan therefore represents IDC's contribution in supporting economic reconstruction and recovery programme (ERRP), in catalysing and sustaining the recovery of productive sectors, while ensuring that their expansion is sustainable and inclusive. It emphasises IDC's ongoing support of Government's priority development areas including:

- re-industrialisation and jobs growth by contributing to and leveraging from policy initiatives such as Industry Master Plans, Special Economic Zones, and localisation;
- expediting transformation in the economy through our support for black industrialists, black-owned companies, broad-based ownership, women-empowerment, youth-empowerment and small businesses;
- improve the performance of IDC subsidiaries and investments; and
- increasing its project development impact.

At the same time, the Plan recognises the need for the IDC to continuously improve and expand on its capabilities to ensure its sustainability and ability to increase its relevance in the economy.

The economic environment remains fragile in the medium term and the Corporation will strive to implement this plan with the support of our Shareholder Representative and other key stakeholders such as our funders and clients.

The medium-term targets included in section 9 have been set with due regard to financial prudence. These targets will be reviewed annually taking into account the state of the economy and the IDC's financial position. At the time of finalisation of the plan, weights for different indicators included in the targets have not been concluded. These will be confirmed following further engagement between the IDC and the Shareholder Representative.

Mr TP Nchocho

Chief Executive Officer – IDC

Signature: ....

Date: 25 March 2021

Ms Busisiwe Mabuza

Board Chairperson – IDC

Signature: ....

Date: 26 March 2021

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Summary and Corporate Identity

1. EXECUTIVE SUMMARY

IDC's achievements over the last 10 years reflect a good story to tell - with R120 billion disbursed to ca. 2 100 entrepreneurs impacting on over 242 000 employment opportunities, more than R28 billion in funding support to Black Industrialists, and overall R70 billion support to black-empowered and -owned companies.,

However, current realities require the Corporation to address:

- Deteriorating economic conditions exacerbated by the Covid-19 pandemic.
- A subsequent weakening of the IDC's financial strength.

To address this, we recommit to implement our *Long-Term Sustainability Plan*, strengthening the IDC's twin pillars of financial sustainability and development effectiveness, increase efficiencies in the IDC's value chain of deal origination, development and execution while also addressing enablers such as partnerships and human capital.

Successful implementation will translate to above-average industry growth and competitiveness, supporting the *Economic Reconstruction and Recovery Plan,* increased employment levels, transformation, and spatial development.

To drive financial sustainability, we aim to achieve above inflation, steady growth in our reserves, maintaining manageable levels of debt and sufficient cash flows to support our operations.

1 IDC OBJECTIVE, PURPOSE AND VISION

- **Objective:** Industrial capacity development
- **Purpose:** Grow sustainable industries, support entrepreneurs, improve lives
- **Vision:** Create globally competitive industries realising Africa's potential

2 INVESTMENT PHILOSOPHY

Strengthening the **IDC's Twin Pillars** of **Financial Sustainability** and **Development Effectiveness**

3 STRATEGIC PRIORITIES

- Financial Sustainability
- Development Effectiveness
- Organisational Capabilities
- Strategic Positioning and Stakeholder Alignment

- Effective execution
- Stakeholder alignment
- Disciplined financial & risk management
- Leadership effectiveness
- Decision making speed

4 ORGANISATIONAL IMPROVEMENT AND TRANSFORMATION INITIATIVES

Investment value chain priorities

- A: Grow IDC's proactive **pipeline of opportunities, connections, and partnerships.**
- B: **Execute quality deals efficiently**, driving **client-centricity** and **partnerships**
- C: Maximise **investment value growth** across IDC's portfolio

Critical enablers

- D: Build and grow the right mix of **IDC's financial capability / health** and **funding sources**
- E: **Ensure the right mix of people and organisational capability** to deliver on IDC's strategic objectives
- F: **Profile, engage and position** IDC proactively across all stakeholders

5 MEASURES OF SUCCESS

- **Industry growth:** +10% growth in output at clients p.a.
- **Sustainable employment creation:** Employment growth at clients exceeds benchmark by 5%
- **Sustainable transformation:** 60% of clients in portfolio in targeted groups
- **A simplified, frictionless and a value-adding client journey:** Customer satisfaction score ≥ 8
- **A reputable organisation:** Reptrack survey score ≥ 75
- **Growth in fair value of portfolio:** +10% growth for unlisted equity p.a.
- **Growth in reserves:** R107 billion by end 2025/26
- **Reduction in impairment ratio:** 21% by end 2025/26
- **An engaged workforce driven by a culture of excellence:** 85% of employees promotes IDC

6 ECONOMIC ENVIRONMENT

The economic environment is expected to show some recovery over the planning period

- GDP growth expected to rebound to 2.3% in 2021 after worst recession on record
- Private sector fixed investment in 2021 mostly for maintenance with expansionary investment from 2022
- Modest recovery in employment levels earlier in the outlook period.

7 RISK APPETITE METRICS AND LIMITS

IDC remains constrained by risk metrics being breached

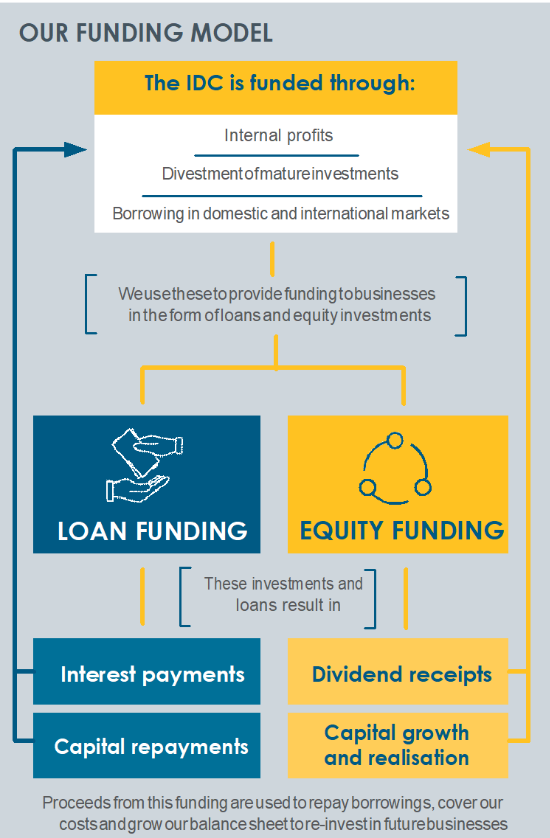
Portfolio probability of default: <21%	**Impairment ratio:** <27%	**NPL ratio:** <15% **IFRS NPL ratio:** <25%	**Credit loss ratio:** <5%
Write-off ratio: <0.75% of capital base	**Debt to equity ratio:** <60% (an additional 5% allowed for severe economic shocks)	**Industry concentration:** ECL capped at 30% of the Capital Base	**Rest of Africa Portfolio limit:** USD 908 million

2. CORPORATE IDENTITY

MANDATE

The Industrial Development Corporation (IDC) of South Africa Limited was established in 1940 through an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940) and is fully owned by the South African Government. The IDC's priorities are aligned with the national policy direction as set out in the National Development Plan (NDP), Industrial Policy Action Plan (IPAP), industry Master Plans and more recently the Economic Reconstruction and Recovery Plan. The Corporation's mandate includes proactively maximising its development impact through effective and sustainable industrial development, not only in South Africa but across the Continent. It is further mandated to contribute to an inclusive economy by amongst others, funding black-owned companies, black industrialists[1], women and youth-empowered enterprises[2]. At the same time, the IDC needs to ensure its long-term sustainability through prudent financial and human capital management, whilst safeguarding the natural environment and positioning itself as a forerunner in development finance in South Africa and the Continent.

PURPOSE	VISION	VALUES
Grow sustainable industries, support entrepreneurs,	Create globally competitive industries realising Africa's	Passion Partnership Professionalism



STRENGTHENING THE IDC'S TWIN PILLARS OF FINANCIAL SUSTAINABILITY AND DEVELOPMENT EFFECTIVENESS

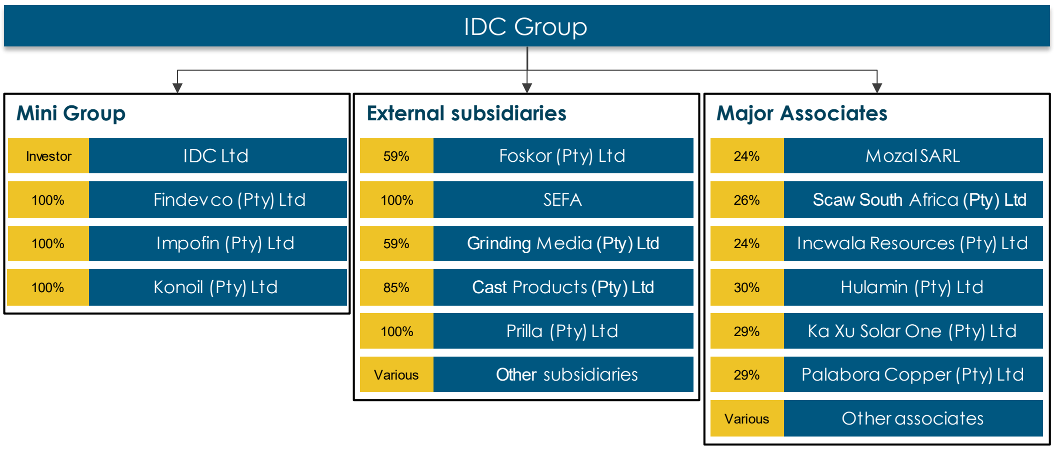
[1] A black industrialist is defined as a black entrepreneur who creates and owns industrial capacity and provides long-term strategic and operational leadership to the business and is by definition not a portfolio or purely financial investor.

[2] A youth- or women-empowered enterprise entails a youth- or women-entrepreneur with a shareholding of > 25% in the business.

2.1. Group Structure

IDC creates its value by funding entities that play a significant role in a range of productive sectors of the economy, resulting in majority and/or significant shareholding in some of these entities. Figure 1 below shows the IDC Group structure in so far as its operational subsidiaries and associates with assets exceeding R250 million. This is in accordance with the IDC's materiality level. The group structure changes from time to time as investments are exited, exposure is reduced and new significant investments.

Figure 1: IDC Group Structure



2.2. Funding Activities

As demonstrated in Table 1 below, the bulk of IDC's business and funding activities, products, sectors, and regional involvement are consistent with the previous planning period with an increased focus on advisory and value-adding technical support to key stakeholders and business partners. Our activities correspond well with the key activities of a development finance institution, namely: funding aimed at the development of enterprises; playing a catalytic role to attract industry players and develop ecosystems to promote industrial capacity development and addressing gaps in the market.

IDC's emphasis is on providing seamless access to finance and customised products and offering support through a differentiated approach to different business segments. In the planning period, the Corporation is also enhancing its activities to emphasise development activities that go beyond funding activities such as 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 IDC's balance sheet.

Table 1: IDC's business and funding activities

Activities	Clients	Business lifecycle	Sectoral involvement	Funding products	Regional
• Provision of development finance • Project development • Research and policy inputs • Development of an enabling environment and strategic partnerships • Fund management • Business Support • Capacity building	• Business segmented: Small, Medium, Large • Other DFIs	• Conceptual • Pre-feasibility • Feasibility • Product commercialisation • Establishment • Expansion • Mature • Distressed business	• Machinery, equipment and electronics • Automotive and transport equipment • Chemicals, medical and industrial mineral products • Textiles and wood products • Agro-processing and agriculture • Tourism and services • Media and audio-visual • Mining and metals • Energy • Infrastructure • New technologies	• General debt • Quasi-equity • Equity • Export/import finance • Short-term trade finance • Bridging finance • Guarantees • Lines of credit • Syndication and lead arranging	• South Africa • Rest of Africa • Global exports of South African goods

Strategic Context

3. OPERATING ENVIRONMENT

3.1. External Environment

3.1.1. Economic Analysis

The Covid-19 pandemic and measures taken globally to control its spread have had a devastating impact on most of the world's economies. South Africa was not spared.

The South African economy, as is the case with numerous others, is still struggling to recover from the unprecedented demand and supply-side shocks imposed by stringent and prolonged lockdown restrictions. The extraordinary adversity was evident in terms of domestic spending, production levels, export performance, employment or investment activity. The output of the manufacturing and mining sectors plummeted, retail trade sales tumbled, and the tourism and hospitality sector basically came to a standstill.

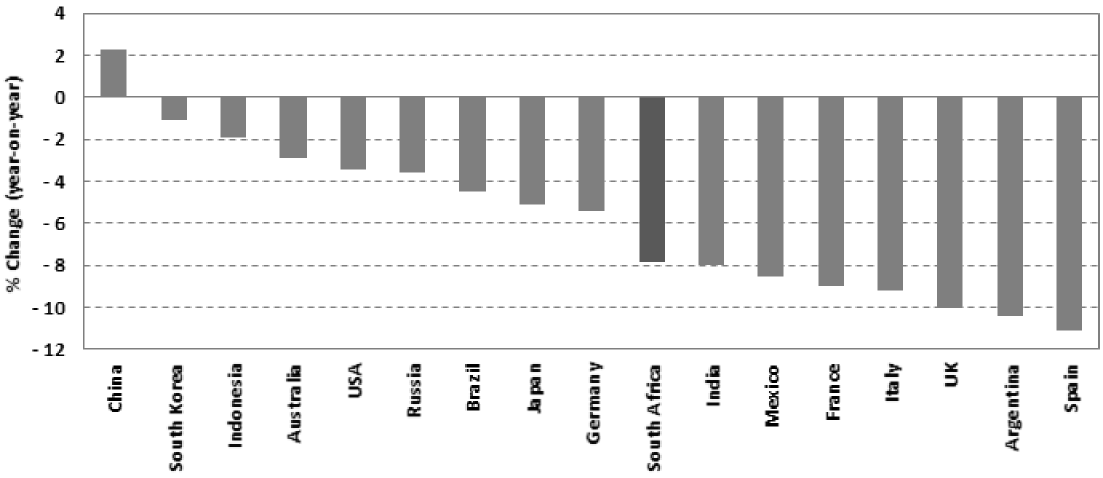
Following a sharp quarterly decline of 16.6% in the second quarter of calendar year 2020, economic activity rebounded strongly in the third quarter, with gross domestic product (GDP) up by 13.5% in real terms, on a quarter-on-quarter and non-annualised basis. Nonetheless, the severe damage inflicted by the harsh lockdown restrictions under Levels 5 and 4 resulted in considerably lower output across most broad sectors of the economy.

Economic activity rebounded during the second half of 2020, particularly in the third quarter of the year as restrictions were gradually eased. Domestic manufacturing production is recovering, bolstered by a steep up-tick in the output of the sub-sectors producing motor vehicles, parts and accessories; beverages; structural metal products; and non-metallic mineral products, among others. Output growth in the mining sector has tapered off more recently. The tourism industry, in turn, remains in severe distress and faces a long and difficult road to recovery.

Unable to generate revenue over a prolonged period, numerous enterprises, particularly SMEs, were unable to survive the economic crisis. The socioeconomic impacts were devastating, considering the enormous employment losses, the substantial drop in household incomes, and increased poverty and inequality.

As the economic downturn intensified and operating conditions deteriorated, many private business enterprises either postponed or re-evaluated their investment plans. Facing major financial constraints, public sector entities also reduced their capital expenditure. The gradual easing of lockdown restrictions saw capital spending by both the private and public sectors recovering in the third quarter of 2020. Total fixed investment spending over the period January to September 2020 was 17.8% lower in real terms compared to the corresponding period in 2019. Foreign direct investment (FDI) flows into South Africa are estimated to have totalled USD2.5 billion in 2020, compared to USD4.6 billion in 2019.

South Africa's GDP is estimated to have declined by 7.8% in real terms in 2020 (IDC estimate).



Source: Compiled using International Monetary Fund (IMF) estimates, except for South Africa (IDC estimate)

Figure 2: Real GDP growth estimates for selected economies in 2020

3.1.2. Economic Projections

Even though the domestic economy rebounded as lockdown restrictions were gradually lifted, the recovery momentum is still weak and fragile. Operating and trading conditions for business enterprises remain generally difficult. Furthermore, despite interest rates being at their lowest level in close to 50 years, household demand for credit and spending activity remain subdued, reflective of a difficult consumer environment and stretched household balance sheets. This points to a gradual and modest recovery in economic activity in the short- to medium-term. The following table summarises the key assumptions underlying the IDC's projections for key economic indicators over the outlook period 2021 to 2025.

Table 2: Key assumptions

Key assumptions		SA growth outcomes
Global economy	**South African economy**	
• World GDP growth rebounds to 5.2% and 4.2% in 2021 and 2022, respectively (IMF October 2020 projections); • Renewed confinement measures amid 2nd and 3rd waves of Covid-19 infections affect economic activity in the near-term; • Progressive recovery in global economic sentiment in 2021 as Covid-19 vaccinations gather momentum; • Subdued inflationary pressures provide room for highly accommodative monetary policy stances to continue in advanced economies; • Fiscal support measures provide safety nets and support the economic recovery, including through spending on infrastructure development; • Gradually improving conditions in several industrial commodity markets; • Concerns over substantially higher levels of indebtedness in numerous economies and the impact of excessive liquidity in global markets underpin a degree of financial market volatility; • A more collaborative US approach to external commercial relations under the	• Restrictions on individual mobility and certain types of business activity due to the 2nd wave of Covid-19 infections continue to affect the economy's performance early in 2020; • High probability of a 3rd wave of Covid-19 infections in winter; • Initially slow roll-out of vaccinations, but gathering momentum from Q2 2021 onwards, with a major portion of the population vaccinated within the next 12 months; • Structural challenges, especially energy supply, are expected to continue constraining the economy's expansion potential for some time, albeit to a decreasing extent as the interventions outlined in the ERRP are progressively implemented; • Investor, business and consumer sentiment edge steadily higher over the outlook period; • Financial constraints limit public sector expenditure, leading to increased efforts to crowd-in private sector financing of	• Worst economic recession on record in 2020, with South Africa's GDP estimated to have fallen by 7.8% in real terms; • Real GDP growth is projected to rebound to +2.3% in 2021; • Significant inventory rebuilding anticipated in 2021; • Private sector fixed investment spending expected to be mostly of a maintenance nature in 2021, expansionary investment gathers momentum from 2022 onwards; • Modest recovery in employment levels earlier in the outlook period, with job creation opportunities progressively increasing as fixed investment activity strengthens in later years. Unemployment rate to remain elevated; • A gradual revival in household consumption spending is anticipated, but the average rate of increase is likely to be subdued over the next 5 years;

Key assumptions		SA growth outcomes
Biden administration, particularly with China and the EU, underscores a gradual restoration of world governance in the areas of trade and investment; • Climate change mitigation and adaptation momentum intensifies across the world.	infrastructure investment, as well as private-public-partnerships (PPPs); • Rand to gradually recover towards its long-term equilibrium trend, but remaining slightly undervalued; • Inflation remains well contained within the SARB's target band, permitting the continuation of a growth-supportive monetary policy stance; • The substantial deterioration of SA's fiscal metrics poses serious macro risks and is a key factor in SA's sovereign credit ratings remaining in sub-investment territory.	• Export performance projected to improve as global demand recovers.

Source: IDC

In general, South Africa's economic environment will remain challenging for some time. At least in the short-term, household consumption spending will continue being adversely affected by reduced employment, lower disposable incomes and yet high levels of uncertainty, leading to a limited propensity to spend. In real terms, consumer expenditure is projected to recover by only 2.4% in 2021 despite the low interest rate environment.

Fixed investment activity is only likely to start recovering meaningfully once there are clearer signs of sustained normalisation of consumption and production, both domestically and globally. The anticipated up-tick in fixed investment outlays over the outlook period is mainly rooted on higher capital spending by the private sector, for financial constraints will limit infrastructure expenditure by the public sector. An effective roll-out of government's announced infrastructure investment plan could play a crucial role in reviving economic activity. Such an investment drive will, however, be highly reliant on the crowding-in of private sector capital and operational participation through public-private-partnerships. Furthermore, surplus production capacity at present, as many companies are operating below design capacity, will have a limiting effect on capital spending on new and/or expansionary investment activity at least in the shorter term.

South Africa's export performance is anticipated to recover in 2021 on the back of reviving demand conditions globally, largely due to rebounding economic activity and improving global sentiment as Covid-19 vaccination programmes are rolled out in numerous countries. The new political dispensation in the United States under the leadership of President Biden should pave the way for a more collaborative approach to global trade and investment relations, including with the African continent, as well as for improved multilateral governance. This should also contribute towards improving business and investor sentiment and support the world economy's recovery, with positive spill-over effects for South Africa's export sector. Increased regional cooperation efforts, particularly the implementation of the African Continental Free Trade Area (AfCFTA) agreement, are likely to open up new trade and investment opportunities over time.

Monetary policy is expected to remain growth-supportive, thus continuing to provide some relief to businesses and consumers. However, there is little space for additional fiscal support due to the marked deterioration of public finances, with sharply higher debt levels projected over the next couple of years.

The worst recession on record will have a lasting impact on the South African economy, for it has detrimentally affected the production capacity and financial health of many enterprises, employment levels, the spending ability and propensity of households, government's fiscal space, the financial standing of most state-owned-enterprises and, among others, the private sector's investment activity and plans. A modest rebound in South Africa's economic growth to 2.3% is projected for 2021 and the pace of expansion is also projected to remain relatively modest in subsequent years. Despite expectations of a gradual recovery of the South African economy through the outlook period, only in 2024 is real GDP likely to exceed the level which was recorded in 2019.

Furthermore, the risks to the growth outlook are tilted to the downside as the economy's performance will continue being affected by numerous challenges, at least in the short- to medium-term. These include a limited fiscal space, energy supply constraints, the imperative of structural reforms in various areas, as well as low confidence levels among businesses and consumers. In addition, the possibility of confinement restrictions being reintroduced to contain a potential further waves of Covid-19 infections should not be ruled out.

A timeous and effective implementation of the Economic Reconstruction and Recovery Plan would, however, propel the economy's growth trajectory substantially higher.

Table 3: IDC projections for key performance indicators of the South African economy

Indicator (% change or % of GDP)	2016	2017	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
Real GDP growth and its components:										
Household consumption expenditure	0.6	2.1	1.8	1.0	-6.6	2.4	1.8	1.9	2.0	2.5
Government consumption expenditure	2.2	0.2	1.9	1.5	0.3	-0.5	0.3	0.6	0.7	1.3
Gross fixed capital formation (GFCF)	-3.5	1.0	-1.4	-0.9	-17.4	2.2	6.0	3.4	3.9	4.5
Exports	0.4	-0.7	2.6	-2.5	-11.2	2.6	1.7	2.0	2.2	2.6
Imports	-3.9	1.0	3.3	-0.5	-16.6	3.8	4.1	3.7	3.2	3.1
GDP	**0.4**	**1.4**	**0.8**	**0.2**	**-7.8**	**2.3**	**2.5**	**2.1**	**2.3**	**2.4**
Consumer price inflation	6.3	5.3	4.6	4.1	3.3	3.9	4.4	4.7	4.6	5.1
Current account balance (% of GDP)	-2.9	-2.5	-3.5	-3.0	1.0	-2.0	-2.5	-3.1	-3.6	-4.0
GFCF as % of GDP	19.4	18.8	18.2	17.9	16.0	16.0	16.7	17.0	17.3	17.7

Source: Historical figures compiled using South African Reserve Bank (SARB) data; IDC forecasts

Refer to Annexure A for a more detailed analysis covering the global, regional and domestic economic environment, prospects and implications.

3.2. Internal Environment

Internally, and as depicted in Table 4 below, the Corporation is set to face strong headwinds during the planning period although opportunities to support economic recovery are being pursued. In line with advancing sustainable industrial development and economic inclusion, the IDC will also continue to build on its success of developing black industrialists and support to youth and women entrepreneurs and black-owned companies.

Table 4: Strengths, Weaknesses, Opportunities and Threats

STRENGTHS	WEAKNESSES

• Knowledge and networks
• Strong reputation with funders/sources of capital
• Industry research capacity and capability
• Strong corporate governance
• Reputation as an effective organisation
• High calibre of professionals and dedicated support
	• Weakening financial position resulting from a long period of countercyclical activity and the recent impact of Covid-19
	  ○ Balance sheet strength
	  ○ Increasing impairments
	  ○ Reduced collections
	  ○ Credit ratings downgrade
	• Portfolio concentration in resource-based sectors and single counters resulting in volatility and income concentration
	• Quantum of high-risk clients in portfolio and difficulty turning around underperforming subsidiaries and significant investments

OPPORTUNITIES	**THREATS**
• Increased cooperation by social partners to drive economic recovery • Leverage on the Economic Reconstruction and Recovery Plan, SA investment drive, industry masterplans, Jobs Summit, and Infrastructure Fund • Further integration of SA businesses into global supply chains as companies all over the world seek to diversify sources of supply of input products • Other export market development opportunities; • Import replacement and localisation in the domestic market. • An increased awareness of the importance of environmental sustainability giving impetus to greening of industries • Acceleration in the uptake of the digital revolution. • A worldwide imperative to reducing inequality • Altering patterns of globalisation, opening up space for a greater degree of regionalisation, as well as localisation • Closer cooperation with other DFIs, SOCs and other economic development entities • Greater role for Black Industrialists, black owned companies, youth and women entrepreneurs • New industries and technologies e.g. 4IR • Strengthen management in subsidiaries • Enhance project development capacity • Enhance systems and processes to boost effectiveness and efficiencies • Continuous improvement of the IDC Culture	• Ongoing uncertainty regarding the full extent and duration of the Covid-19 crisis • Job losses due to decreased profitability, particularly in manufacturing and tourism • Rising unemployment rate means IDC needs to further increase its impact • 4IR challenging existing business models • Unreliable electricity supply and other infrastructure deficits impacting on development agenda • Requirement by other SOEs for developmental finance support • Expectations for IDC's potential impact outweighing resources

Strategic Priorities

4. STRATEGIC OVERVIEW

The IDC mandate is to proactively maximise its development impact through effective and sustainable industrial development, not only in South Africa but across the continent. Core to this mandate is the creation of sustainable direct and indirect employment through industrialisation and contributing to an inclusive economy. Inclusivity efforts include funding black-owned companies, black industrialists, women and youth-empowered enterprises. At the same time, the IDC needs to ensure its long-term sustainability through prudent financial and human capital management, whilst safeguarding the natural environment.

The Corporation adopted a new strategic framework, the *'Long-Term Financial Sustainability Plan (LTSP)'* in February 2020, to enhance implementation of its mandate as per above. This, following a comprehensive review on progress the Corporation has made in fulfilling its mandate of development of industrial capacity, and emerging realities the Corporation must contend with and confront (as summarised below).

5. Our achievements demonstrated our abilities and commitment in making a difference

IDC's achievements reflect a good story to tell in our efforts to create industrial capacity and boost inclusive economic development. In the last ten years the Corporation has disbursed approximately R120 billion to c.a. 2 100 entrepreneurs, impacting over 242 000 employment opportunities. Our economic inclusion financing programme is unmatched, with over R28 billion funding support to Black Industrialists, and overall R70 billion support to black-empowered and -owned companies.

We have also invested in strategic programmes such as the Renewable Energy Independent Power Producer Programme (REIPPP), where the projects we supported contributes substantial capacity to the grid and some are already operational and the establishment BAIC automotive project, the automotive industry's biggest greenfield investment in 40 years.

6. Emerging realities driving urgency in financial sustainability and sustainable, enhanced industrial development outcomes

The Corporation also consciously considered shifts in internal and external realities that have significant impact (presenting both challenges and opportunities) on the Corporation's implementation of its mandate in the near and long-term future:

- The economic conditions, particularly in our country have been deteriorating for the last 7 years, the Covid-19 pandemic has exacerbated the situation and emerging gains from recent government interventions were reversed due to the severe economic impact Covid-19 has had. Government continues to devise ways and plans to reverse this trend and put our economy on a growth path. The Economic Reconstruction and Recovery Plan presents a unique opportunity in this regard and an opportunity for the IDC to also reframe/rethink its role and implement impactful programmes that will support South Africa's economic recovery and growth.
- At the same time and, while recovering from a low point of March 2020, there has been a gradual decline in the IDC's balance sheet strength, as a result of perpetual countercyclical investment activities since the 2009 economic crisis as an attempt to resuscitate and grow economic activity in the country. We have seen a significant increase in non-performing loans, impairment ratio and expected credit losses, increased borrowings and a reliance on sale of shares to fund new business activities.

6.1. Long Term Sustainability Plan Framework

The Long-Term Sustainability Plan adopted in early 2020 is still relevant and is premised on ***'sustainable industrial development and economic inclusion',*** *as* articulated in the Corporation's vision and purpose statements and business model below (Figure 3 below).

This positions the Corporation for enhanced development effectiveness and sustainable impact; whilst safeguarding its long-term financial sustainability; and strengthening its proactive partnership approach. Superior client experience and a satisfied, high-performance workforce is also a key element of the IDC strategic framework.

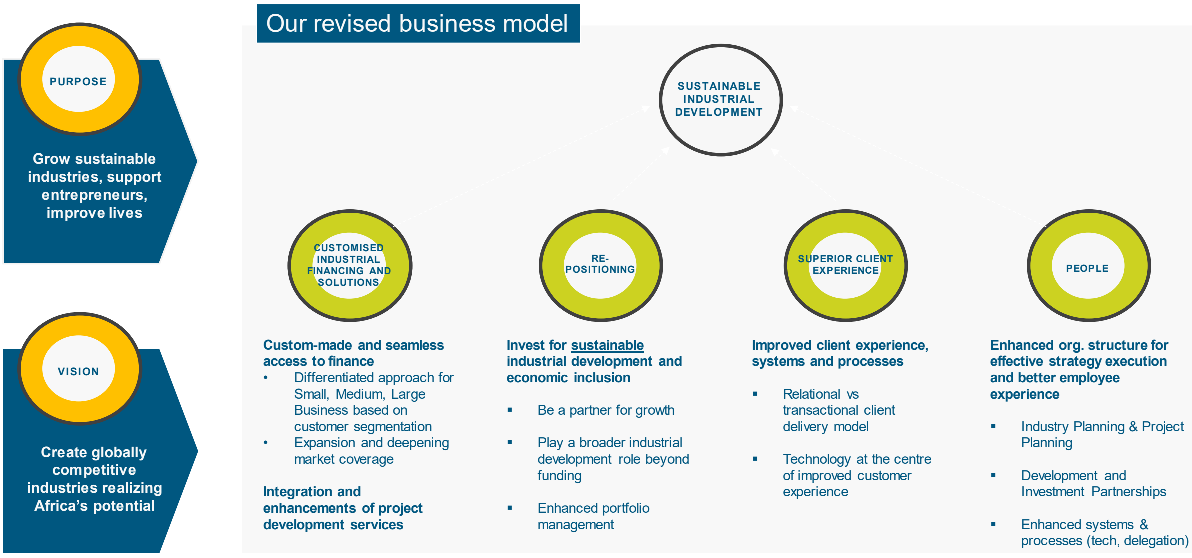


Figure 3: LTSP Strategic Framework

The LTSP strategic framework articulated above remains relevant, however, the Corporation, has in the recent months experienced a significant shift in key assumptions as a result of the Covid 19 pandemic and listed shares performance amongst others. We have therefore refined the Corporation's investment philosophy and strategic priorities to navigate the emerging realities (Figure 4 below).

Figure 4: Strengthening IDC's Twin Pillars of Financial Sustainability and Development Effectiveness

6.1.1. Investment philosophy (Twin Pillar Approach)

IDC is self-financing focusing on contributing to economic growth, industrial development and economic empowerment through its financing activities. IDC generally operates within the traditionally prescribed DFI role, which is to provide development finance to address market failure, encourage private sector development and at times provide financial products that are not readily available in the market, thereby taking higher risk than other financiers (see Figure 5 below). DFIs play this catalytic role **while maintaining a balance between the developmental outcomes and financial returns** achieved through their funding activities.

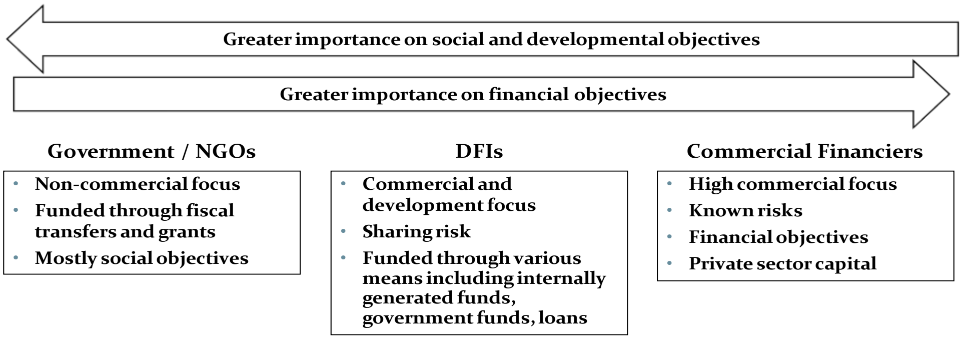


Figure 5: DFIs aim to balance developmental and financial objectives

Our investment decisions are therefore guided by sound business practices that drive industrial development by supporting commercially viable businesses, therefore every application or proposal for funding must be considered strictly on its economic merit as mandated by the IDC Act.

The **twin pillar approach** is an overarching investment philosophy underpinning IDC's sustainability imperative. It is a deliberate emphasis on reciprocal dependency between financial sustainability and development effectiveness as we implement our mandate:

- The pursuit of a **sustainable development finance programme** can only be carried out on the back of a progressively **strengthening balance sheet.**
- The deal origination and underwriting of business will align to a **revised investment risk strategy**, contributing to progressive strengthening of the balance sheet.
- Ensuring **quality deal origination** in recognition that no development impact is achieved if businesses we support succumb to risks that were inherent and not mitigated. This entails a sustainability driven approach to deal structuring and risk management of the transactions we support.
- Quality deal origination must go hand-in-hand with a **post-investment approach** that manages risk with a view to creating value for our clients and IDC by building sustainable businesses.
- **Financing partnerships/ deal syndication** must be a **prominent strategy** for risk sharing and distribution.
- **Investment/financing activities** have to be objectively planned on the basis of **capital adequacy** and sustainable long-term funding plans.

In essence, IDC will repair historical assets quality, underwrite new better-quality assets, and place both the Corporation's balance sheet and industrial development objectives on a sustainable path.

6.1.2. Strategic Priorities

Similarly, we have strengthened our **strategic priorities** to navigate the current realities and build resilience into our long-term strategy.

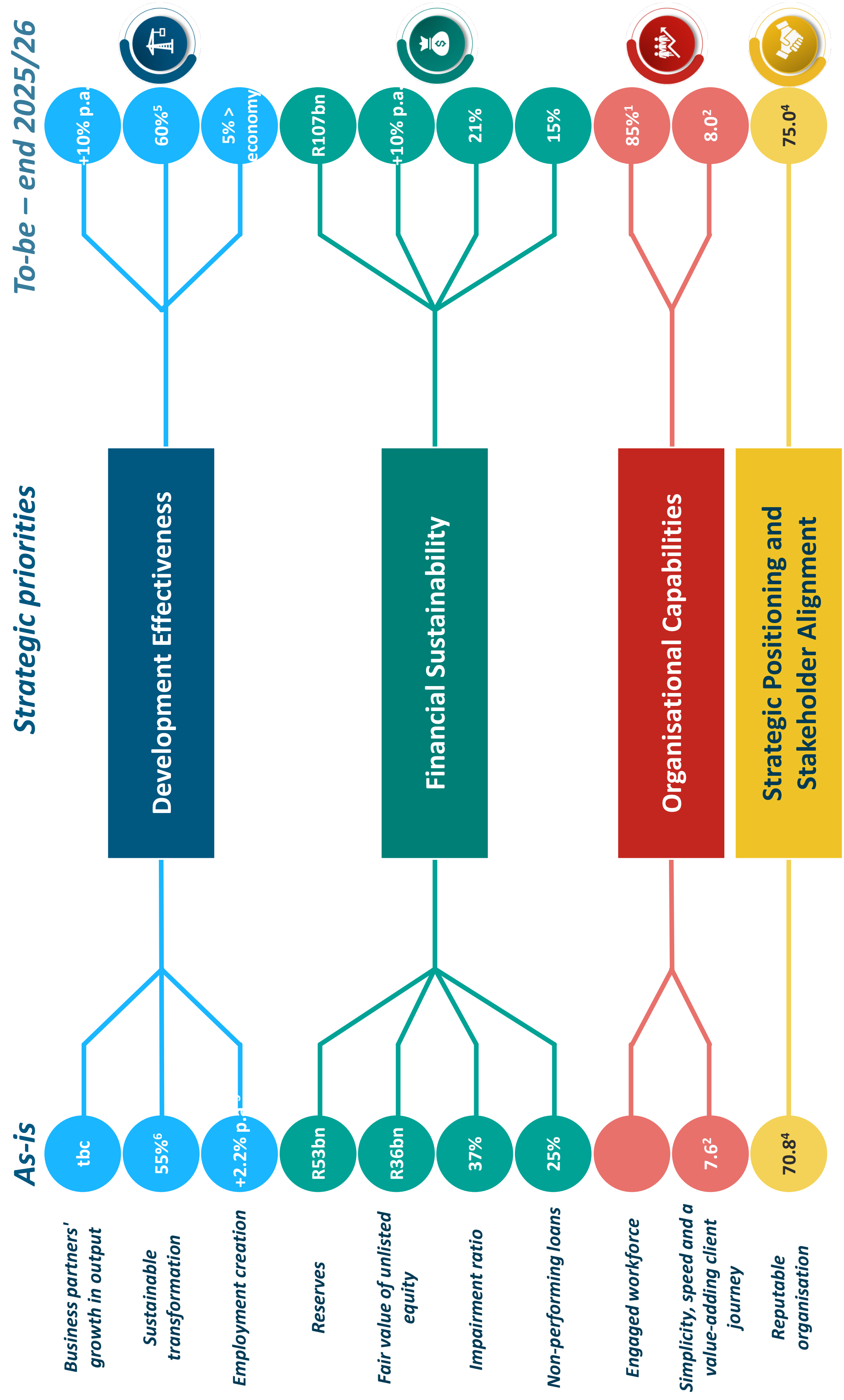
- Refined financial sustainability strategic priority imperatives to elevate **balance sheet optimisation and an improved funding model and a strategy** to both preserve value of listed holdings and to enhance capital.
- **Expansion of development programmes in addition to funding activities** in order to make a meaningful contribution to industrial development.
- An **enhanced economic inclusion financing and support programme** for sustainability.
- The vulnerability and fast-paced changes we have witnessed in the operating environment, has necessitated a **focus on our organisational capabilities to build an agile organisation** able to withstand and adapt to shocks in the environment.
- **Elevated stakeholder alignment activities** in recognition of the centrality of stakeholder engagement and partnerships in the implementation of our strategy.

The concept of Joint Key Performance Indicators (J-KPIs) for the Department of Trade, Industry and Competition (DTIC) and its entities has been introduced, whereby the department and its entities are to have aligned KPIs. This Plan is aligned to these J-KPIs, namely:

- Joint Indicator 1: Integrated Support to Drive Industrialisation
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

More detail on each of the J-KPIs may be found in the Annual Performance Plan for the DTIC for the 2021/22 financial year. The IDC will be required to report quarterly to the Minister of Trade, Industry and Competition in respects of its contribution towards each of the J-KPIs. The Corporation’s performance indicators have thus been aligned to the Joint-KPIs of the DTIC.

6.2. What success looks like – our five-year aspirations



[1] Percentage of employees positive or neutral about IDC; [2] Customer satisfaction index; [3] Avg. for surveys 2016 to 2020; [4] Reptrak survey; [5] Share of number of clients in portfolio in targeted groups; [6] Includes targeted groups plus companies with black shareholding of more than 50%

Figure 6: Our five-year aspirations

Our financial capital enables us to fulfil our industrial development financing mandate, and therefore long term financial sustainability is a critical imperative for the Corporation. Above inflation and less volatile ***growth in reserves (to R106 billion in five years),*** *and a significant* ***reduction in the impairment ratio (to be at our 21% desired threshold)*** and the ratio of ***non-performing loans (to at most 15%)*** are amongst measures that will demonstrate our success in restoring IDC's financial capability, enabling long term investment activity and cushioning the Corporation from unexpected shocks.

Linked to the above, our financial health is dependent on the entrepreneurs, businesses and entities that we finance and partner with, therefore our ***business partners' sustainability and growth*** is a critical measure of effectiveness of our interventions - aiming for ***at least 10% growth p.a. in the fair value of equity we hold in our unlisted Business Partners.*** While IDC has recently been placing greater focus on making funding available to entrepreneurs, the resultant impairment ratio and non-performing loans require improved post investment support and partnership with our business partners to ensure achievement of their original business objectives and continued growth.

Sustainability and growth of our business partners will be amongst the key drivers of enhanced development outcomes, ***sustainable employment creation*** in particular. Because of the poor operating environment, most industries have been shedding jobs, with the unemployment rate currently at 32.5% percent. Enhanced deal origination, proactive and differentiated portfolio management approach and partnerships should at least results in ***growth in total jobs in our business partners to be 5% higher than performance in sectors targeted by IDC,*** contributing notable increase in employment levels in the industries we are supporting.

Apart from sectors such as financial services, ICT and tourism, most sectors in South Africa have been experiencing a decline or muted growth over a long period, especially in manufacturing. Our interventions are aimed at reversing this trend and driving these industries towards substantial growth and performance. One of the key measures of success in creating industrial capacity will be IDC's investment activity contribution to above average ***industry growth and competitiveness*** – demonstrated by amongst others, ***increase in economic output in the industries and export market share,*** where our business partners operate.

IDC's support to industry development programmes such as masterplans and policy support would have resulted in government programmes, implemented with social partners and business that support industrialisation and competitiveness.

We will also aim for a successful ***implementation of at least 3 high impact projects*** in areas such as agriculture and agro-processing, minerals beneficiation, and manufacturing that firstly drive ***critical levers of growth and competitiveness*** such as technological innovation, acknowledged industry leadership and/or export penetration. We will also drive the ***development of identified regional industrial areas*** with thriving SME ecosystems that we cultivated through partnerships with our business partners and other economic actors.

Historically IDC has been a key funder of transformed businesses, being the largest funder of empowered companies, Black Industrialist, women and youth entrepreneurs. ***Sustainable transformation*** will continue to be a focus of IDC activities resulting in greater access to funding and support for targeted entrepreneurs in sectors we support.

We also aim to drive ***simplicity, speed and a value-adding client journey and experience*** that delivers quality deals, fosters long-term, sustainable relationships and financially sustainable investment opportunities. The client experience will be enhanced by the digital transformation of IDC systems and processes resulting in speedier and more efficient decision making.

IDC will strive to have an ***engaged workforce driven by a culture of excellence***. Culture and leadership transformation will raise the performance of the Corporation as employees are engaged, loyal and open to innovation and change.

Through strategic partnerships we will increase our development effectiveness and improve our ***reputation***.

A detailed corporate scorecard measuring our impact/immediate successes in the next three years has been developed with relevant key performance indicators (KPIs), measures and target levels (included in section 7). **The scorecard maps our short and medium-term steps to the realisation of vision of success and is aligned to the Joint-KPIs of the Department of Trade, Industry and Competition**.

7. IMPLEMENTING OUR STRATEGY

For IDC to achieve our vision, we need to ensure that our strategy is implemented effectively. The four strategic priorities that we have identified are covered through six implementation themes, each addressing one or more aspect of the strategic priorities with **defined, measurable, organisational improvement and transformation initiatives**. This Corporate cycle will be characterised by an emphasis on the implementation of these initiatives to support the ongoing turnaround of the Corporation. Progress on service delivery improvements arising from the implementation of the initiatives will contribute to J-KPI 7, *Strengthening and Building a Capable State*.

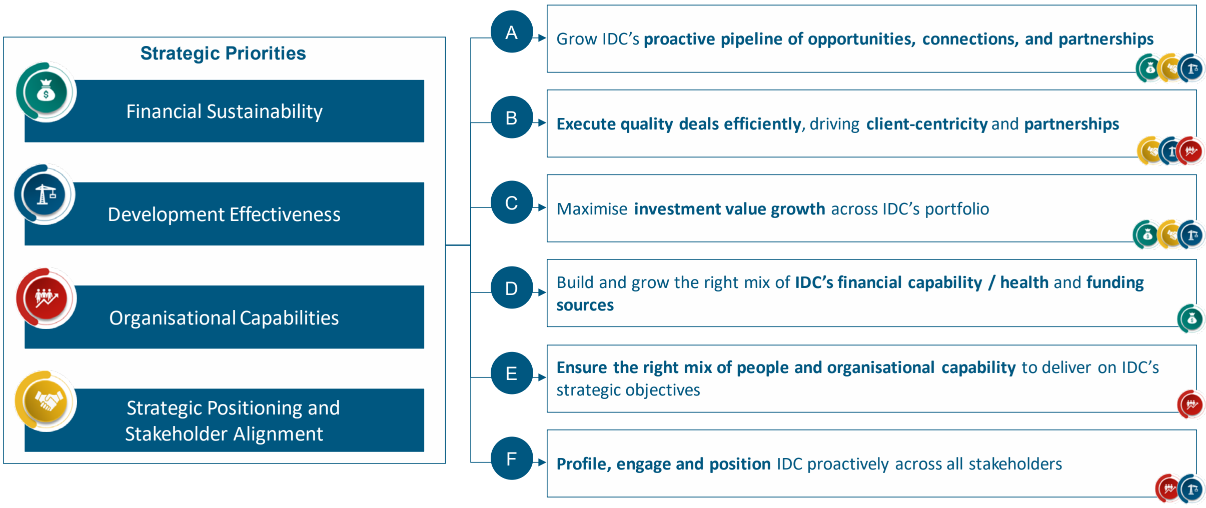


Figure 7: Four strategic priorities implemented in six action themes

7.1. Theme A: Grow IDC's proactive pipeline of opportunities, connections, and partnerships

Improving the development effectiveness of our funding and the quality of our portfolio requires a focussed and proactive approach to build a pipeline that conforms with these objectives. More proactive facilitation of industry development and the sourcing and development of deals and projects will assist with this objective.

Industry planning entails the identification of opportunities with the greatest sustainable impact and as such implies planning for interlinkages across value chains. The project development initiative prioritises projects in the pipeline and intends to reduce the time for a project to reach a bankable stage. Business development will drive the sourcing of quality, high impact deals.

This proactive approach will allow us to be more effective in contributing to national priorities such as the country's Economic Reconstruction and Recovery Plan, industry Master Plans, localisation, and transformation. By being proactive in building strong relationships with businesses we will also create a source of sustainable competitiveness for the IDC.

The IDC has been involved in the industry Master Plans that has been concluded[1] and most of those that are being developed and being finalised[2].

[1] Automotive Industry; Poultry; Retail, Clothing, Textiles, Leather and Footwear; Sugarcane
[2] Forestry; Steel and Metals Fabrication; Furniture; Plastics; Chemicals; Aerospace and Defence; Agriculture and Agro-processing

We have also identified priority value chains where IDC will be increasing its proactive role in developing industries.

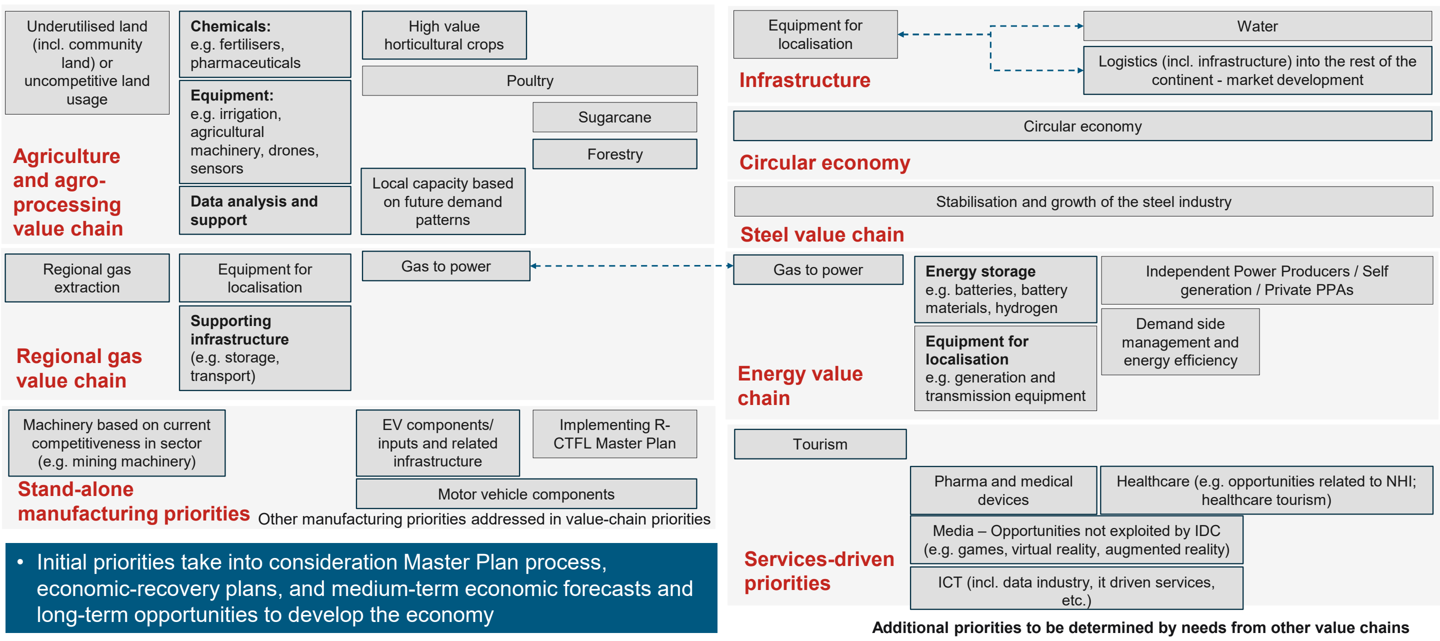


Figure 8: IDC priority value chains

As part of our review that informed the LTSP, the impact of the activities of the then New Industries unit was assessed. The review indicated that in general, the investments in this area struggled to achieve commercial success. As such, incorporating 4IR, new technologies and innovation into all value chains has become part of our proactive focus. This is being implemented in both the industry planning functions as well as in applications for finance in the normal course of IDC's business.

4IR and technology improvements are critical to driving efficiency and sustainability in all industries and is not only being pursued as an opportunity of technology but as a strategic enabler across value chains. Furthermore, as part of the industrial planning and projects focus new industry opportunities are being identified and pursued including mineral beneficiation for vanadium battery and electric vehicle purposes, development of the hydrogen economy, green steel, the circular economy and technological advancements in agriculture and other value chains.

The early-stage project pipeline currently consists of 40 projects with a potential investment value of R64 billion in the pre-feasibility and feasibility stages.

Goal: To build a pipeline of high-quality investable opportunities for IDC to address the need to increase its development impact and financial sustainability

Objectives

Have the bulk of the deals that the IDC approve be originated proactively and contribute to the implementation of industry Master Plans and other industry priorities

Initiative	Description
Policy Development	• Influence policy to create an enabling environment for industry development, and for the achievement of development outcomes such as job creation and transformation.
Industry Planning	• Develop implementable plans with measurable milestones and outcomes for priority industries. • Define IDC's role in implementing industry Master Plans.
Business Development	• Proactively seek opportunities for investments for IDC that supports industry development plans, development objectives and financial sustainability.
Project Development	• Assist with the development of projects that have significant impact on sector development, developing infant industries, and building IDC's balance sheet through feasibility stages up to being ready for investment.

Figure 9: Theme A - Goal, objectives and initiatives

7.2. Theme B: Implement quality deals efficiently, driving client-centricity and partnerships

To effectively deliver on our strategy, we need to have streamlined processes to drive simplicity, speed and a value-adding client journey and experience that delivers quality deals, fosters long-term, sustainable relationships and financially sustainable investment opportunities. This will be achieved through the optimisation of processes. To further improve our effectiveness, we need to leverage partnerships with clients and other businesses, thereby driving sustainable growth for business partners and creating new early-stage development opportunities and new businesses.

Streamlining processes and building strong partnerships will assist in improving our client satisfaction and competitiveness.

Goal: To implement quality deals efficiently, driving client-centricity and partnerships

Objectives

- Streamline IDC's end-to-end client and deal engagement process to drive quality deals
- Transform our investment portfolio to foster a value-chain building ecosystem

Initiative	Description
Streamline client and deal engagement processes	• Optimise the deal development process • Digital transformation of the organisation's end-to-end deal management process through business technology, data and solution strategies, technology leadership thinking and behaviour • Embed client-centric culture and entrepreneurial leadership
Develop an ecosystem around IDC investment	• Implement alternative empowerment model for meaningful community broad-based ownership and benefit from projects • Implement "SME Connect" by developing the capabilities to leverage of projects and other partners for SME development • Facilitate meaningful broad-based ownership in industrial assets aligned to best practice benchmarks (e.g. through community trusts) • Support for set-up, implementation and investment in SEZs and for other regional development initiatives • Align investment outcomes and measurements approach to the National Development Plan and SDGs with a focus to aligning to the Principles of Responsible Banking

Figure 10: Theme B - Goal, objectives and initiatives

7.3. Theme C: Maximise investment value growth across IDC's portfolio

The diagnostic undertaken by IDC in 2019 highlighted several key issues regarding the performance of the IDC's portfolio and an urgent need to address issues such as declining revenues, high impairment rates, an increasing trend in non-performing loans, and muted growth of our equity portfolio. To improve portfolio performance and to enhance growth and value creation in our investments, we are adopting a differentiated approach to portfolio management. This new 'target operating model' for portfolio management has been designed and is ready for implementation.

Simultaneously non-performing clients are assessed and, depending on each client's circumstances, decisions will be implemented to either exit the investment, or turn the business around.

Goal: To maximize growth of IDC's portfolio by adopting a value creation approach to IDC's business partners and leveraging the Target Operating Model

Objectives

- Clean out non-performing assets to minimise impairments
- Turnaround recoverable assets to minimise impairments and re-build portfolio value
- Proactively drive and enable the management of value upliftment of IDC's investee portfolio

Initiative	Description
Implement a differentiated portfolio management model	• Implement a fully functional operating model • Establish a fully capacitated department with operationalized new ways of working
Clean and fix the portfolio	• Adopt a targeted approach to accelerate exits or turnarounds for non-performing investments and debt exposures

Figure 11: Theme C - Goal, objectives and initiatives

Material subsidiaries are crucial for the implementation of our strategies and growing the value of our portfolio. In this regard, individual plans for each subsidiary are being developed while others are at the implementation stage. Moreover, internal processes, along with structures are being improved. Details regarding the strategies and performance of subsidiaries are discussed below. However, in the main, the performance of subsidiaries is being enhanced through:

1. Enhancing governance structures, as well as human resource capacity within subsidiaries to ensure delivery of their strategies
2. Implementing an enhanced portfolio management strategy focusing on ensuring that there are clear plans of turning subsidiaries around while creating value
3. Allocating the subsidiaries along different strategic investment clusters in the portfolio management strategic intent of Clean (exit), Turnaround and Proactively managing to increase value
4. Identifying suitable Strategic Equity Partners (SEPs) with requisite technical skills and strong financial muscle to turn subsidiaries around and derive value. There is also an increased focus to ensure that the exit plans are implemented timeously
5. The long-term strategic intent of the IDC is not to be the majority shareholder or the only funder of any investee company
6. Closer oversight and monitoring to unlock value and achieve the required return on investment.
7. Focusing on Value Creation for the Subsidiaries and ensuring that investee companies implement their strategies and growth strategies
8. Making input into and ensuring alignment of subsidiary strategies with those of the IDC
9. Where necessary, availing IDC resources and services such as financial management, internal audit, and risk management
10. Formally reviewing management and board performance with appropriate interventions.

1. FOSKOR (PTY) LTD

IDC established Foskor in 1951 and currently owns 59% of the company, with a foreign shareholding of 15% and the balance of 26% being held by management, workers and B-BBEE investors. Foskor's main activities involve producing and exporting phosphate-based fertilisers and phosphoric acid. The company employs about 1 800 people at its phosphate mining operations in Phalaborwa and its phosphoric acid production plant in Richards Bay. Foskor plays a strategic role in the South African agricultural sector as the only integrated phosphoric acid operation in the country and creates valuable linkages to the fertiliser industry.

Foskor has been making losses for several years, and technical problems at the Richards Bay plant continue to have a negative impact on Foskor's cashflows. This has also been exacerbated by volatile market conditions. Over the last five years, the IDC has disbursed about R3.7 billion in support of turnaround efforts and operational improvements. By March 2020, the revenue from Foskor dropped by 36% from the previous year to R3.9 billion. This was mainly driven by the reduction in production volumes due to a strike and plant breakdowns.

The IDC has been providing most of the funding required since Foskor's establishment. To date, minority shareholders have either not been able to provide additional capital or have chosen not to assist Foskor. It was therefore important for the IDC board to approve the turnaround and begin a process of introducing the Strategic Equity Partner (SEP) into Foskor.

In April 2020, the IDC Board approved a turnaround plan for Foskor with the view of increased production in both the mine and the plant as well as cost savings. The services of foreign shareholder on the acid plant and consulting service provider on the mine have been enlisted to drive the turnaround plan. The IDC provided funding for the turnaround and we are beginning to see green shoots.

At the same time IDC has also embarked on a process to find a SEP for Foskor. This process is expected to be concluded during the 2nd–3rd Quarter of 2021, with transaction close subject to regulatory approvals.

2. SMALL ENTERPRISE FINANCE AGENCY (sefa)

The Small Enterprise Finance Agency (sefa) was incorporated on 1 April 2012 in terms of Section 3(d) of the Industrial Development Act as a development finance institution with a mandate to provide financial support to SMMEs and Co-operatives. The institution was formed through a merger of Khula Enterprise Finance and the South African Micro Apex Fund (SAMAF). sefa is a wholly-owned subsidiary of the IDC and reports to the Minister of Small Business Development, its Executive Authority. sefa functions as both a wholesale lender, capacitating SMME financial intermediaries, and as a direct lender to SMMEs and Co-operatives, in support of government economic policy.

sefa has invested in the South African economy and significantly impacted the small business sector. Since its inception up to the end of March 2020, sefa has financed 405 543 Small Medium Micro Enterprises (SMMEs) and Co-operatives and facilitated a substantial number of jobs into the economy. The majority of the businesses supported were Black-owned entities, with a key focus on women and youth-owned businesses, Township-based enterprises and rural towns and villages.

Although sefa is performing well on its development mandate, its financial performance continues to struggle, largely due to the sector in which it operates. The department of Small Business Development has indicated to the IDC that it is looking at consolidating Seda, sefa and NEF. The main reason being to achieve three objectives, which are (1) repurposing the entities to enable them to assist the government to deliver on its developmental mandate (2) eliminate mandate duplication and, (3) reduce costs. The Board's and management focus areas are to diversify sources of funding and revenue streams; cost management, implementation of more efficient approval and post-investment monitoring processes to improve collections and reduce impairments.

The focus for the IDC with regards to sefa as a subsidiary, for the next three financial years, is to ensure that sefa is finically sustainable and it is able to meet its development mandate.

3. PRILLA 2000 (PTY) LTD (Prilla)

Prilla is a cotton spinning mill that was established in 1975 and is situated in Pietermaritzburg. The raw material (cotton) is mainly sourced from Zambia, Zimbabwe, and South Africa. The relationship between IDC and Prilla was initiated in 1992 when IDC provided funding to the company. Prilla is the only independent cotton yarn supplier in the country, spinning 100% cotton yarn for both knitting and weaving applications and yarn trading. It employs 300 people and supplies yarn to local weavers and knitters estimated to collectively employ 2 400 people.

The poor financial performance continued in 2020 with negative results worsening when compared to the previous years when Prilla was profitable. The reason for the poor financial performance by the company is due to the slowdown in the retail sector as their towelling and knitting customers, who were not running at capacity. The current uncertainty in the global markets coupled with the outbreak of the COVID-19 pandemic will further exacerbate the situation.

The IDC team, together with Prilla management have worked with consultants both locally and internationally to put forward a credible turnaround plan. The final turnaround proposal was put to the IDC in late November 2020 and IDC is in the process of conducting due diligence to verify the validity of the plan which will determine the future path for Prilla.

4. Cast Products South Africa (Pty) Ltd (CPSA)

CPSA started operating as a standalone business on 1 March 2018 following the unbundling of Scaw. In this regard, Scaw was divided into three separate companies, with CPSA being one of them. The IDC owned 100% of CPSA after Scaw was divided until the introduction of Strategic Equity Partner (SEP). CPSA is a key local supplier of wheels, locomotive frames, and wagon build components to the Transnet Freight Rail business and Eskom. Furthermore, it plays an important part in South Africa's industrial capacity in the metals and engineering value chain. The strategic rationale behind the transaction is preserving industrial capacity in the steel sector.

The SEP commenced with the implementation of turnaround initiatives in April 2019 when it took over the management of CPSA and acquired a minority stake of 15% on 1 September 2019. The SEP has an option to increase its shareholding in CPSA to 49% based on milestones achieved on the turnaround plan. In this regard, they will increase their shareholding to 24% on the company attaining a positive EBITDA (within 4 years from the effective date) and will increase their shareholding to 49% within 7 years from the effective date on the condition of certain amounts of the dividends paid out to the IDC.

The turnaround initiatives being implemented by the SEP are based on the following:

1. Increase in turnover via export sales and more tonnages delivered to Transnet
2. Improvement of operational efficiencies, and
3. Cost-cutting measures.

Through the above initiatives and support from the SEP, CPSA is projected to reduce its EBITDA loss to R181 million in FY2021 (ending Mar-21), a decrease of 50% compared to the previous financial year and is budgeting to achieve a positive EBITDA of R40 million by end of FY2022. Following which the IDC will reduce its shareholding in CPSA, in line with the strategic intent of introducing the SEP.

5. Grinding Media South Africa (Pty) Ltd (GMSA)

GMSA was established during the process of unbundling of Scaw and comprises of two divisions: High Chromium media and Forged media balls. The strategic rationale behind the transaction is preserving industrial capacity in the steel sector. GMSA is the leading producer and market leader in the supply of high chrome and forged grinding media in Africa for the Platinum, Gold, Ferrochrome, Base Metals, Power Generation and Cement industries. GMSA is one of the few grinding media operations globally with the capability and intellectual property to produce both high chromium and forged grinding media.

The IDC successfully introduced a Strategic Equity Partner (SEP) in GMSA on 1 August 2018. The SEP took over management with an initial shareholding of 15% with an option to increase the shareholding to 51% within four years from 1 August 2018 depending on achieving certain milestones. The current shareholding comprises of IDC's at 59%, BEE at 26% and the SEP at 15%.

The SEP has started implementing initiatives to improve the performance of GMSA. However, the performance has been impacted by the COVID-19 pandemic. Compounded by the current economic climate, low levels of mining production as well as fierce competition from imports. Currently, the steel sector is depressed, and business confidence is low, also intense price pressure from imports are impacting on margins and on High Chrome volumes balls.

The projected performance for FY2021 is forecasted to be behind budget, which might cause a delay in the plan to reduce IDC's shareholding in GMSA.

7.4. Theme D: Build and grow the right mix of IDC's financial capability/health and funding sources

IDC's successful turnaround will also hinge on improved strategic financial planning and management. Stagnant revenue despite annual increases in disbursements, increasing impairments and concentration risk of IDC's portfolio need to be addressed to ensure our long-term financial sustainability. Other factors that are impacting our finances include an over-reliance on debt and low debt service coverage. In addition to these factors, downgraded credit ratings could impact on the IDC's future capacity to access credit lines without proactive actions.

To address these issues, we are embarking on a programme to restructure the balance sheet for long term sustainability, reassess and adjust our funding model, and enable quality deal origination and sustainable projects to underpin developmental lending.

Goal: To build, grow and manage the right mix of IDC's financial capability/health and funding resources

Objectives

- Optimise IDC's funding model to manage market volatility and cost of capital
- Recalibrate asset and sector mix to optimise balance sheet growth
- Diversify revenue sources to reduce balance sheet volatility and optimise risk pricing and mitigation

Initiative	Description
Optimise the IDC funding model and capital structure reform	• Manage off-balance sheet funding to blend with IDC funding or co-fund from separate pools of funding • Leverage IDC's balance sheet through partnerships with other funders • Alternative sources of capital
Diversify balance sheet and revenue sources	• Improve quality and risk of assets and manage borrowings • Cashflow generation improvement • Reduce and liquidate debt • Managing volatility of our investments, • Listed share portfolio strategy • Framing an appropriate investment philosophy for the deployment of capital

Figure 12: Theme D - Goal, objectives and initiatives

7.5. Theme E: Ensure the right mix of people and organisational capability to deliver on IDC's strategic objectives

Human capital is a key input in terms of performance and capacity for implementing the LTSP. The human capital strategy must enable IDC's objectives of ensuring financial sustainability and increasing development outcomes. This requires capable leaders, staff with the right tools, systems, and processes to drive high-performance and to achieve strategic objectives.

Goal: To ensure the right mix of people and organisational capability to drive IDC's strategic objectives

Objectives

- Build IDC's leadership and team capabilities to drive strong delivery
- Drive our staff engagement, trust, and organizational culture towards strategy execution
- Improve our performance management, remuneration and rewards approach

Initiative	Description
Build leadership and people capabilities	• Build IDC's leadership team capabilities • Leverage existing IDC capabilities to build a high-performance culture
Improve performance and remuneration/recognition approach	• Develop an improved reward and recognition framework with a focus on retention
Drive a high-performance culture and ensure an engaged workforce	• Drive staff engagement, trust and organizational culture towards execution • Foster a sustainable change, agile culture

Figure 13: Theme E - Goal, objectives and initiatives

7.6. Theme F: Profile, engage and position IDC proactively across all stakeholders

The purpose of this Theme is to proactively drive stakeholder engagement and alignment to reposition the IDC brand and reputation with its stakeholders. Issues that necessitate the review of IDC's historically reserved approach to stakeholder communication include:

- Challenging macroeconomic conditions and investment returns at their lowest
- Weak business confidence levels
- Recessionary conditions, low consumer spending and high unemployment
- Increased expectations of economic role-players
- Expanding requirements for disclosure and regulatory attention
- Growing stakeholder requirements for ESG reporting and responsible management
- Importance of public perception and proactive reputation management

Goal: Profile, engage and position IDC proactively across all stakeholders

Objectives

- Build and institutionalise IDC-level partnerships and engagements to drive IDC's goals
- Impart IDC's purpose and impact story to cement IDC's reputation and trust

Initiative	Description
Manage partnerships through engagement systems and procedures	• Identify and map key partners and relationship owners • Facilitate, monitor and evaluate key stakeholders to assess value add • Managing stakeholder expectations and relations • Training and capacity building of internal stakeholders • Implement a stakeholder management tool • Form key partnerships with other DFIs
Proactively communicate IDC's purpose and tell its development impact story	• Crisp and accurate articulation of messaging to ensure consistent, clear and candid understanding of IDC and its impact • Proactive communication of IDC's socio-economic contributions and the multiplier effect of activities

Figure 14: Theme F - Goal, objectives and initiatives

Strategic Outcomes

8. FINANCIAL PLAN

8.1. Capital Allocation

Capital Allocation is a process of distributing and allocating the capital available to IDC (based on the affordability) amongst Strategic Business Units to facilitate and ensure the achievement of the overall Corporate and Sectoral Strategic Objectives. In the current Corporate Plan, the objective is to maintain financial sustainability, achieve a risk balanced portfolio, extend our co-financing/ partnership and leveraging reach, grow transformation, economic empowerment, and preserve the balance sheet through improved quality clients sourcing and growth in reserves.

Over the next 3 years of the Corporate Plan, IDC has the capacity to facilitate funding investments totalling R32 billion from its own balance sheet and R5.2 billion from funding partnerships. The on-balance sheet distribution will be incremental with R9.4 billion to be disbursed in 2022, R10.5 billion and R12 billion in FY2023 and FY2024 respectively.

The capital allocation has been adjusted in line with IDC's strategy to emphasise the importance of achieving development effectiveness and financial sustainability. This is due to the balance sheet strain brought upon by, *inter alia* the volatility in the markets affecting the listed share portfolio. Covid-19 has also reduced the dividends and revenue collection that support the growth of our balance sheet, thus hindering aggressive disbursements in the short term.

The Corporation is placing greater emphasis on developing quality deals and projects' pipeline in its effort to migrate the current portfolio (skewed towards high risk) to one that is predominantly of a medium risk profile. IDC is enhancing its capacity to leverage and facilitate investments to ensure developmental outcomes and resultant benefits are achieved.

A breakdown of the capital allocation for funding directly from IDC's balance sheet per Strategic Business Unit (SBU) is provided in the table below.

Table 5: Historical and planned funding per sectoral focus area

		R'm						% of total		
Division	**SBU**	**Pipeline**	**Historical approvals 3 years**	**Allocation - 2021/22**	**Allocation - 2022/23**	**Allocation - 2023/24**	**Allocation 2021/22 to 2023/24**	**Portfolio at cost**	**Historical approvals 3 years**	**Allocation 2021/22 to 2023/24**
Agro-Industries, Services and Small-Business Finance	Agro-processing and Agriculture	855	2 009	1 083	1 213	1 407	3 703	5%	5%	12%
	Media and Audio-Visual	266	1 102	289	324	376	990	1%	3%	3%
	Tourism and Services	728	1 474	363	406	472	1 241	7%	4%	4%
Manufacturing	Automotive and Transport Equipment	7 577	2 221	834	934	1 083	2 853	6%	6%	9%
	Chemicals, Medical and Industrial Mineral Products	9 281	10 196	1 228	1 375	1 596	4 200	17%	27%	14%
	Machinery, Equipment and Electronics	3 932	2 546	639	716	831	2 187	3%	7%	7%
	Textiles and Wood Products	894	2 692	469	526	610	1 605	5%	7%	5%
Mining and Metals, Infrastructure and Energy	Energy	3 364	360	1 445	1 619	1 879	4 943	13%	1%	16%
	Infrastructure	1 661	1 602	1 362	1 526	1 771	4 658	4%	4%	15%
	Mining and Metals	3 231	13 441	1 327	1 486	1 725	4 537	39%	36%	15%
Sub-total		**31 789**	**37 643**	**9 039**	**10 125**	**11 750**	**30 917**	**100%**	**100%**	**100%**
	Small Business Finance	113	585	331	371	430	1 132			
Total		**31 902**	**38 228**	**9 370**	**10 497**	**12 182**	**32 049**			

Key considerations are taken into account in arriving at the sectoral allocation:

1. Financial Sustainability / Affordability

The Corporation has not been spared the negative impact of market volatility brought about by Covid-19 and performance of listed shares. The IDC has allocated its capital based on affordability. However, this will not compromise the impact of the Corporation as IDC is targeting other institutions for leveraging, partnership and co-funding. This is discussed in detail in section 5.4.

The operating environment is still volatile and recovery in some sectors is still in early stages therefore strict investment prioritisation will continue to guide how capital will be deployed and adjusted if required.

2. Developing Key Sectors and Prioritisation

In line with the National Reconstruction and Recovery Plan, the IDC has earmarked certain sectors for prioritisation. Therefore,

- The IDC will follow through on increasing participation in the Agro-processing, Infrastructure and Energy sectors as key national priorities in terms of their impact on industrialisation and their ability to create sustainable jobs. Agro-processing and Agriculture's share in the allocation increases to 12% of total compared to 5% actual funding approved over the past three years and Infrastructure and Energy's allocation makes up 15% of the total allocation, respectively.
- The stabilisation of the energy sector is critical to attract and retain foreign direct investment and to support economic development within the country. The manufacturing capacity will also benefit from stable and affordable energy supply.
- The market for Media, Audio Visual and Tourism and Services is undergoing disruption brought on by the recent economic changes and therefore have been moderated to a combined 7% of the capital allocation (keeping it constant at 7% as per historic approvals).
- The Manufacturing sector requires support as they undergo structural transformation and therefore have been allocated 21% (with the exclusion of Chemicals, Medical and Industrial Products).

3. Risk

The revised capital allocation attempts to address concentration risk predominantly through the reduction in the allocation to Mining and Metals. The Mining and Metals SBU has seen large amounts of funding for coal, Kalagadi Manganese, and Scaw and its breakaway entities in the past 3 years. The reduced allocation (14% versus 35% of approvals over the last 3 years) will be focused on the development of new opportunities in these sectors. The allocation furthermore has considered the sectorial economic forecast data in as far as post Covid 19 recoveries are concerned.

4. Other considerations

In line with the Long-Term Sustainability Plan, there is an increased focus on industry planning and project development, which is not covered in the capital allocation above, with at least R430 million expected to be expensed on project development over the next 3 years. This expense is covered in the Corporation's budget.

Off-balance sheet funding to bolster our strategy for co-funding, partnerships and leveraging remains a key consideration to support our financial sustainability and increase development impact. IDC currently has R13.1 billion of off-balance sheet funds that are managed with a healthy short to medium-term pipeline of R3 billion under negotiation.

8.2. Financial Projections - IDC Mini-group

The financial projections consider the affordability of the IDC's planned activities, balancing this with the expected delivery on its mandate. The budget is therefore based on an optimal level of investment while maintaining financial sustainability. The impact of the Covid-19 pandemic and the drop in Sasol's share price had a significant impact on the IDC as the year started.

Although there has been a good recovery of a large portion of the listed portfolio at the back of commodities, the IDC's finances remain vulnerable. This is as a result of lower collection rates as well as dividends from listed shares while the environment remains unpredictable.

Under the base scenario, the IDC is budgeting disbursements of R75 billion over the next five years while a high road scenario will see disbursements of R85 billion.

Of the IDC's major subsidiaries, Foskor and sefa is still expected to record large losses in 2020/21, with the outlook for Foskor improving in 2021/22 due to the implementation of the turnaround strategy.

Table 6: Financial Projections - IDC Mini-group

Mini Group R million	Estimate				Forecast
Cash flows	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**TOTAL 3 years**
On-balance sheet advances (R'm)	8 866	9 977	11 927	14 182	36 086
External funds raised (R'm)	10 750	4 689	3 858	10 755	19 303
- of which foreign borrowings	3 855	2 539	1 258	2 455	6 253
Proceeds from sale of shares	862	1 478	1 085	1 393	3 956
Balance sheet	**2020/2021**				**end-2023/24**
Financing at market values (R'm)	123 554	127 982	126 516	131 978	131 978
Borrowings (R'm)	44 582	44 130	44 763	49 238	49 238
Debt/equity (%)	52%	48%	50%	54%	54%
Impairments as % of SPPI at cost	34%	30%	26%	24%	24%
Impairments as % of portfolio at cost	36%	33%	28%	26%	26%
Total Assets	135 906	140 687	138 118	145 195	145 195
Income statement	**2020/2021**				**2021/22 to 2023/24**
Dividend income	3 761	3 778	4 126	4 517	12 421
Interest and fee income	4 358	4 221	4 403	4 642	13 266
Borrowing costs	2 827	2 320	2 450	2 687	7 457
Impairments and bad debt write-offs	2 807	1 436	419	1 002	2 857
Profit Before Tax	821	2 210	3 535	3 245	8 990
Net operating income before capital realisations	1 620	2 381	3 515	2 866	8 762

8.3. Risk Appetite

The IDC's Risk Appetite refers to the aggregate level and type of risks the organisation is willing to accept to achieve its strategic objectives. A high-risk appetite will consume a much greater portion of the risk capacity, whilst a low-risk appetite will consume a smaller portion thus providing a greater buffer and reducing the vulnerability of the organisation's capital adequacy.

The risk appetite framework of the Corporation has been designed to enable comparatively higher risk-taking in pursuit of its development mandate. The limits and thresholds are based on a very short-term view and will be reviewed when the post-Covid economic environment can be predicted with certainty.

Table 7: IDC Core Risk Appetite Metrics

Metric	Definition	Measurement Methodology	Threshold/ Limit
Average portfolio probability of default	The probability that a borrower/ group of borrowers will default	It is measured as an average probability of default based on the IDC internal risk grading model	<21%
Impairment Ratio	Level of cumulative impairments over the total portfolio at cost	Measured as a ratio of total balance sheet impairments over the total portfolio at cost (total impairments = cumulative expected credit losses (ECL's) on SPPI facilities plus negative fair value adjustments on non-SPPI facilities)	Total impairment ratio < 27%
Non-performing loans Ratio	Loan book with capital more than 90 days past due over the loan portfolio at cost	Capital outstanding on loans that are more than 90 days in arrears, expressed as a percentage of the total loan book at cost	<15%
IFRS Non-Performing Loans Ratio	All stage 3 non- performing assets.	All stage 3 Solely Payment of Principle and Interest (SPPI) assets over the SPPI book	<25%
Credit Loss Ratio	Level of actual credit losses incurred during the year as a percentage of the total portfolio	Measured as the ratio of the annual impairment charge per the income statement over the portfolio at cost	<5%
Write-off Ratio	Level of debt and equity written off during a financial year in relation to the capital base	Measured as a ratio of total write-offs post recoveries and expressed as a percentage of the IDC's capital	<0.75% of capital base
Debt to Equity Ratio	It measures the extent of the IDC's interest-bearing debt relative to its equity.	Ratio of total interest-bearing liabilities to the total equity.	60%[3]
Industry concentration limits	Industry concentration refers to concentrations in areas of the economy in which businesses share similar products or services and/or similar characteristics. The assigned limit considers the composite attractiveness model which considers the risk of the industry	The acceptable risk levels take into account the probability to default as well as the loss given default of the portfolio.	Expected Credit Loss capped at 30% of the Capital Base
Rest of Africa Portfolio limit	It measures the extent of the IDC's exposure outside South Africa.	The Rest of Africa portfolio limit is set at 30% of the IDC total capital	USD 908 million

Annexure K provides an overview of the IDC's strategic risks.

[3] There is an additional 5% headroom reserved for severe economic shocks.

9. PERFORMANCE INDICATORS

IDC Performance indicators for the coming period emphasise the implementation of the Organisational Improvement and Transformation Initiatives in the short term and their impact on outcomes over the later years of the Corporate Plan. The Indicators include both leading and lagging KPIs, mapping a path to achieve our strategic ambitions and the IDC that we aspire to. The indicators are aligned to the Joint-KPIs of the department of Trade, Industry and Competition (and such alignment is covered in the table below). These targets have been established on a prudent basis, and will be reviewed periodically over the course of the financial year taking into account GDP performance; and the IDC balance sheet.

	Focus Areas	Performance Indicators	2021/22		2022/23		2023/24	
			Base	Stretch	Base	Stretch	Base	Stretch
Lending, investment and fund management	a) Total investment flows facilitated/ unlocked	a) Total investment flows facilitated/unlocked (R'm) (a1+a2+a3) (J-KPI 1,3,6)	25 118	27 784	31 268	35 264	38 477	43 926
	a1) IDC own balance sheet funding	a1) Value of on-balance sheet funding disbursed (R'm)	9 977	10 977	11 927	13 427	14 182	16 182
	a2) Managed development funds[4]	a2) Value of off-balance sheet funding disbursed (R'm)	2 441	2 807	2 641	3 037	2 995	3 444
	a3) Co-funding leveraged/ syndicated/ catalysed[5]	a3) Value of other disbursements[6] to be facilitated by IDC (R'm)[7]	12 700	14 000	16 700	18 800	21 300	24 300
Industry planning, project development and development	b) Industrial policy inputs and implementation	b) Value of funds committed[8] and facilitated for businesses that supports IDC priority sectors and Master Plans[9] (R'm) (J-KPI 1)	7 080	7 790	7 940	8 730	9 200	10 100
	c) Project development	c) Investment value of projects that graduated from preparation to the	1 200	1 800	2 400[10]	3 600[9]	4 800[9]	7 200[9]

[4] Includes disbursements from Manufacturing Competitiveness Enhancement Programme (MCEP); Clothing and Textiles Competitiveness Scheme (CTCP); Downstream Steel Industry Competitiveness Fund (DSICF); Khoebo Innovation Promotion Programme (KIPP); Agro-processing Competitiveness Fund (APCF); Tirisano Construction Fund; Tourism Equity Fund; Green Tourism Incentive Programme (GTIP); Social Economy Fund (Flanders Fund); Additional funds sourced.
[5] Black Industrialist dtic grants facilitated; Funding disbursed from other sources for syndicated loans; Funding disbursed from other sources on the back of guarantees provided by IDC; Any other funding disbursed from other financiers into projects supported by IDC or internal funds generated by the business/project used for the project being funded.
[6] Expected in year 1
[7] Excludes contributions by other funders where IDC is a participant in syndicated funding or similar 'tag along' situations (except where it is a lead arranger or its funding plays a major part in unlocking the project)
[8] This takes into account facility agreements signed and post clearance of all CPs
[9] Includes the current IDC priority industries: Agriculture and agro-processing value chain; Energy value chain; Regional gas value chain; Infrastructure; Steel value chain; Stand-alone manufacturing industries (Clothing, textiles, footwear and leather; Motor vehicle components; Electric vehicle components or inputs and related infrastructure; Machinery based on current areas of competitiveness in the sector); Services-driven priorities (Tourism, ICT, Healthcare, pharmaceuticals and medical devices), Circular economy. Completed Master Plans as well as those being developed include: Automotive Industry; Poultry; Retail, Clothing, Textiles, Leather and Footwear; Sugarcane; Steel and Metals Fabrication; Furniture; Plastics; Chemicals; Aerospace and Defence; Agriculture and Agro-processing; Tourism; Forestry; Digital Economy; Health Economy; Creative Sector; Renewable Energy. There are significant overlaps between the IDC priorities and the Master Plan sectors
[10] Targets for years 2 and 3 will be reviewed and may be adjusted upwards based on progress with project preparation activity

	Focus Areas	Performance Indicators	2021/22		2022/23		2023/24	
			Base	Stretch	Base	Stretch	Base	Stretch
		investment phase (R'm) (J-KPI 3,6)						
	d) Job creation and preservation	d) Number of jobs expected to be created/saved from committed funds (Number) (J-KPI 3)	20 000	27 000	23 000	26 000	29 000	33 000
	e) Change in levels of jobs supported by IDC clients	e) Percentage change in the number of people employed in RSA companies in IDC's portfolio (% change y-o-y) (J-KPI 3)	Match growth in IDC sectors	Growth in IDC sectors + 5%	Match growth in IDC sectors	Growth in IDC sectors + 5%	Match growth in IDC sectors	Growth in IDC sectors + 5%
	f) Transformation	f) Funds committed and facilitated for priority groups of entrepreneurs (R'm) (J-KPI 5):	8 100	9 200	9 600	10 900	11 400	12 900
		f1) Black Industrialists (R'm) (J-KPI 5)	4 400	4 800	5 200	5 700	6 200	6 800
		f2) Black-owned businesses [11] and broad-based ownership [12] (R'm) (J-KPI 5)	7 000	7 700	8 300	9 100	9 800	10 800
		f3) Women-entrepreneurs (R'm) (J-KPI 5)	2 100	2 300	2 500	2 700	2 900	3 200
		f4) Youth-entrepreneurs (R'm) (J-KPI 5)	900	1 000	1 100	1 200	1 300	1 400
Technical assistance programmes and policy support	g) Funding support for small businesses and businesses in SEZs and Industrial Zones	g1) Value of funding approved with agreements signed for businesses in spatial priorities including SEZs and Industrial Zones (R'm) (J-KPI 4)	580	900	810	1 260	1 350	2 070
		g2) Number of businesses supported through IDC's small industrial finance channel (number approved) (J-KPI 4)	30	35	33	39	36	42
		g3) Number of jobs created per R1 million approved by IDC for businesses supported through IDC's small industrial finance channel (J-KPI 4)	2.0	2.4	2.1	2.5	2.2	2.6

[11] >50% black ownership
[12] At least 20% ownership by community or workers trusts

	Focus Areas	Performance Indicators	2021/22		2022/23		2023/24	
			Base	Stretch	Base	Stretch	Base	Stretch
	h) Funding support for localisation	h) Funds committed and facilitated for localisation (both public procurement and effective import replacement) (R'm) (J-KPI 1)	5 678	6 246	7 497	8 247	8 672	9 540
	i) Funding support for intra-regional trade development	i) Value of funding approved with agreements signed for transactions that will lead to increased intra-regional exports (R'm) (J-KPI 2)	Establish baseline		To be calculated on baseline		To be calculated on baseline	
Financial sustainability	j) Cleaning out non-performing assets and turning around recoverable assets	j1) Risk profile of the portfolio (predominantly medium risk portfolio)	47%	51%	52%	57%	57%	63%
		j2) % non-performing loans (NPLs)	21.9%	19.9%	18.5%	16.5%	13.6%	11.6%
		j3) Impairment ratio (total book) (%)	32. 6%	28.8%	28.4%	26.4%	25.8%	23.8%
		j4) Introduce i) new SEP at Foskor and ii) reduce IDC's shareholding in Cast Products SA and Grinding Media SA	i) Finalisation of the SEP process (preferred bidder selected) at Foskor and ii) PFMA approval request of the transaction	Obtaining the requisite regulatory approvals for the Foskor SEP preferred bidder	Board approval to reduce shareholding in any one of the relevant subsidiaries (Foskor, Cast Products, Grinding Media) to <50%	Achieving financial close on one transaction to reduce IDC shareholding to <50%	Board approval to reduce shareholding on a further two of the relevant subsidiaries (Foskor, Cast Products, Grinding Media) to <50%	Achieving financial close on the two transactions to reduce IDC shareholding to <50%
	k) Proactively driving and enabling the management of value increase of the IDC's unlisted portfolio	k) % appreciation in fair value of unlisted investments (excluding listed assets) (J-KPI 1)	Inflation	Inflation + 3 percentage points	Inflation	Inflation + 3 percentage points	Inflation	Inflation + 3 percentage points
	l) Optimise the balance sheet for long term sustainability	l) Growth in the value of reserves (y-o-y; %)	Nominal GDP growth	Nominal GDP growth + 3%	Nominal GDP growth	Nominal GDP growth + 3%	Nominal GDP growth	Nominal GDP growth + 3%
Organisational effectiveness	m) Drive a high-performance culture and ensure an engaged workforce	m) Employee Net Promoter Score	70% rates IDC at passive or higher	80% rates IDC at passive or higher	70% rates IDC at passive or higher	80% rates IDC at passive or higher	75% rates IDC at passive or higher	85% rates IDC at passive or higher

	Focus Areas	Performance Indicators	2021/22		2022/23		2023/24	
			Base	Stretch	Base	Stretch	Base	Stretch
	n) Streamline IDC’s end-to-end client and deal engagement process to drive quality deals	n) Customer satisfaction index (scale of 1 to 10) (J-KPI 7)	7.9	8.1	8.0	8.2	8.0	8.2
Profile and positioning among other stakeholders	o) Enhance IDC’s reputation and build trust amongst its stakeholders.	o) Reputation survey score (scale of 1 to 100) (J-KPI 7)	70.8	72.8	73.0	75.0	75.0	77.0

Supporting Material

Annexure A: Economic Analysis

The table below provides a more detailed analysis of the economic environment.

Observations	Implications
Global economy: • **The world economy has been severely impacted by the spread of Covid-19. According to the most recent International Monetary Fund (IMF) estimates, global GDP declined by 3.5% in real terms in 2020.** • **The Covid-19 pandemic and measures taken worldwide to contain its spread accelerated certain long-term as well as emerging trends in global production, trade, finance and investment.** • **Production and logistical interruptions due to confinement restrictions, alongside intensifying competitive pressures worldwide, have led to a reassessment of supply chains by companies around the globe, for these have realised the importance of diversifying sources of inputs to minimise supply disruption risks and enhance performance.** • **Shifts towards regionalisation and localisation of production, largely on the back of nationalistic tendencies, intensified. The pace may, however, subside to some extent going forward as the United States (US) under the Biden administration adopts a more collaborative approach in its bilateral and multilateral relations. This is being reflected in improving market sentiment.** • **Technological advances have permitted an increased focus on climate change mitigation and adaptation efforts around the globe, a trend which has gained momentum due to the pandemic. Technological change has also been reducing the physical distance in supply chains (e.g. additive manufacturing bringing production closer to consumption points) and expanding trade in services and non-merchandise products (e.g. e-commerce).** • **The global economy has been operating in a low inflation environment, permitting numerous central banks to maintain accommodative monetary policy stances. With real interest rates at historical lows or even negative, there is limited space for conventional monetary policy action in many countries. Efforts by various central banks to support growth through continued quantitative easing are being increasingly complemented by fiscal interventions. Such policy interventions, which could eventually prove difficult to unwind, are leading to escalating governmental indebtedness in several countries and consequently posing serious risks to global financial stability.** • **While the introduction of lockdown measures, firstly in China and soon after in other parts of the world, initially triggered a significant decline in industrial commodity prices, the subsequent reopening of major economies accompanied by significant fiscal policy support reflated commodity prices. Infrastructure-intensive investment in China is further propping-up commodity prices. Improving risk appetite among global investors, amid accelerating Covid-19 vaccinations in major economies, is also expected to support industrial commodity markets. Elevated commodity prices may reactivate previously mothballed production capacity and potentially lead to price consolidation across the commodities complex in the near-to short-term. This could be reinforced by the anticipated tapering of China's policy stimulus.** • **The IMF projects that global economic growth will recover substantially to 5.5% in 2021 and 4.2% in 2022.**	• The recovery of economic activity in several of South Africa's main trading partners should support the performance of key export-oriented industries, from mining to manufacturing and agriculture. However, some volatility may be expected as further waves of Covid-19 infections affect demand conditions in external markets. • Shifting investment, trading and production patterns could prove advantageous for South African producers, potentially encouraging import substitution and localisation of production, as well as attracting foreign direct investment. • Domestic and regional industrial commodity producers are likely to benefit from relatively favourable conditions in various commodity markets, which are being supported by improving investor appetite for risk as the world's economies gradually recover. • The rebound in commodity prices, which started during the second semester of 2020, has had a positive impact on the current account of South Africa's balance of payments. Combined with improved global investor sentiment, this is likely to support the Rand on a trade-weighted basis. • While higher commodity prices may reflate producer price inflation across industrial value chains, such developments are unlikely to reverse the benign inflation trajectory anticipated in the near- to short-term. • The highly accommodative monetary policy stances adopted by many central banks across the world will prompt investors to continuously seek higher yielding investment assets, supporting capital flows into emerging markets such as South Africa. However, these will tend to be of a short-term nature and may thus underscore a significant degree of financial and currency market volatility.

The rollout of Covid-19 vaccinations is supporting the improved outlook, but uncertainty prevails regarding the impact of renewed waves of infection and new variants of the virus.	
Regional economy: • **Following a synchronised economic downturn in 2020, a modest expansion is anticipated for the sub-Saharan Africa (SSA) region in 2021 and 2022, with regional GDP growth forecast by the IMF at 3.2% and 3.9%, respectively.** • **This anticipated upturn in the SSA region's economic performance is predicated on a gradual improvement in external demand and commodity prices, in line with the expected rebound of the global economy. Although relatively slower than previously envisaged, a steady recovery in domestic consumption and investment activity as pandemic related headwinds and restrictions ease should also support regional economic expansion in 2021.** • **The pace of the recovery and growth prospects will differ substantially across SSA countries, with some of the larger economies (such as Nigeria, South Africa and Angola) as well as those that are highly dependent on tourism activity, likely to take longer in returning to pre-Covid-19 GDP levels.** • **As elsewhere in the world, concerns remain over insistent outbreaks, new waves and emergent variants of Covid-19 in several SSA countries, and their respective adverse impacts on economic activity. Together with possible delays in the rollout of vaccination programmes, these may result in weaker-than-anticipated recoveries in some of the region's economies.** • **The resumption or normalisation of fixed investment activity may turn out to be slower in various SSA countries as fiscally-constrained governments continue to reduce spending on big-ticket items such as infrastructure projects.** • **The sharp deterioration of the fiscal and external positions of several countries in the region have increased the risk of sovereign debt crises, warranting a close monitoring of developments.** • **Gradual progress toward the full implementation of the African Continental Free Trade Area (AfCFTA) agreement should provide significant opportunities for intra-African trade and investment in future years. However, much will depend on the speed of the tariff liberalisation process and the extent to which non-tariff barriers are addressed and/or removed.**	• Relatively subdued economic conditions in, and growth prospects for some of South Africa's key regional markets, at least in the near- to short-term, are likely to adversely impact on their import demand. South African exporters across a wide range of manufacturing sub-sectors, as well as in outward-oriented services industries (e.g. engineering and construction services) may thus continue experiencing challenging trading conditions for some time. • Economic conditions are, however, expected to improve over the next couple of years, boding well for the export market development potential of South African producers. • The SSA region remains a very important market for South African exports, especially manufactured goods. Furthermore, considering the continent's enormous import requirements, which reflect its relatively under-developed industrial base, there is a window of opportunity for South African producers to substitute global counterparts in other African markets as they seek to diversify their external sources of critical input materials, intermediate products and end-products. • Increased regional cooperation efforts, particularly the AfCFTA's implementation, are likely to open up new trade and investment opportunities (beyond the member states of the Southern African Development Community (SADC) over time. These should be explored by South Africa's private sector to increase intra-African trade and investment activity and concurrently expand its industrial base. South African participation in regional infrastructure development projects is also likely to increase on the back of the AfCFTA. • With the majority of countries in the SSA region likely to emerge from the Covid-19 induced crisis more indebted and fiscally constrained, the ability to service their external debts may be more challenging, notwithstanding the expected improvement in export receipts going forward.
South African economy: • **The Covid-19 pandemic and measures taken to contain its spread around the globe, including South Africa, inflicted severe damage on the already fragile domestic economy, which had been experiencing recessionary conditions since the second half of 2019.** • **Manufacturing output fell steeply in the second quarter of 2020 as lockdown restrictions took a toll on production activity and demand, both domestic and external. The third quarter witnessed a strong rebound, while growth in manufacturing output in the fourth quarter is estimated at 5.2% (q-o-q; non-annualised). Gradually improving operating conditions, rising global demand, a generally more favourable domestic economic environment, as well as higher sentiment levels among manufacturers, could underpin a steady, albeit slow recovery path during 2021, for significant challenges prevail.** • **Mining production, which plummeted in April 2020 as most mining operations were prohibited to operate at full capacity, recovered as lockdown restrictions were gradually lifted. However, the mining sector posed a drag**	• The worst recession on record will have a lasting impact on the South African economy, for it has detrimentally affected the production capacity and financial health of many enterprises, employment levels, the spending ability and propensity of households, government's fiscal space, the standing of most state-owned enterprises and, among others, the private sector's investment activity and plans. • The rebound in economic activity in recent months is providing a measure of relief to many business enterprises. Higher activity levels in the manufacturing sector should have positive spin-offs along supply chains. • Improving global demand and a resumption of investment spending in China should support a continued recovery in commodity prices and set a more favourable trading environment for domestic mining operations. • It is likely to take many months, if not years, for the tourism sector to fully recover from the

on total GDP growth in the fourth quarter of 2020. For the year as a whole, mining output was 10.7% lower than in 2019.

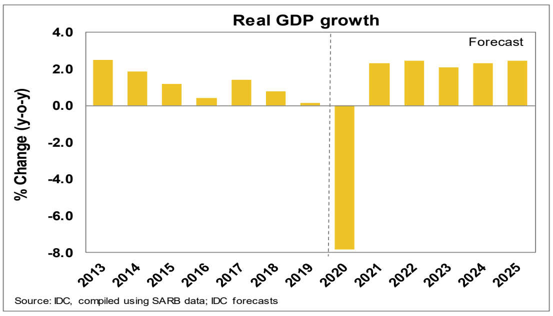
- **The agricultural sector, in remarkable contrast with all other sectors, expanded at a solid pace in the first three quarters of 2020, with its real GDP being 9.4% higher on a year-on-year basis. The maize crop for the 2019/20 year is estimated to have been the second largest on record, while citrus exports were the main driver of the agricultural sector's solid export performance in 2020.**
- **The tourism sector has been the most detrimentally affected by the global Covid-19 pandemic and by measures taken to contain it. Several factors and developments continue having adverse impacts on its performance, including: Travel restrictions, which have recently intensified due to the emergence of the South African variant of Covid-19; limited individual mobility and infection concerns; weak economic growth globally, regionally and domestically, following recessionary conditions in 2020; a very weak domestic economic environment characterised by substantially higher unemployment, reduced spending power and low confidence levels among households and businesses; and, among others, the proliferation and increased usage of digital communications technologies.**
- **The fast deteriorating business environment was reflected in sharply lower fixed investment activity in 2020, with many private sector players either postponing or reconsidering their investment plans. Affected by financial constraints and weak balance sheets, general government and key state-owned companies reduced their spending on economic and social infrastructure. Such developments have not only impacted on the economy's current performance but have also reduced its future growth potential.**
- **A worsening consumer environment characterised by a steep drop in disposable incomes, massive job losses, high debt levels and reduced appetite for new credit, along with measures that prevented households from purchasing non-essential items (e.g. motor vehicles, clothing), resulted in consumer spending falling by approximately 17% (q-o-q, non-annualised rate) in the second quarter of 2020. Durable and semi-durable goods were most affected, as spending on essential items was permitted during the lockdown, thereby supported sales in the food and health segments of the consumer basket. Household consumption expenditure subsequently rebounded by 14.1% in the third quarter of the year. However, consumer confidence remains at low levels, reflecting the difficult circumstances faced by South African households at present.**
- **Business confidence recovered further in the fourth quarter of 2020 to a reading of 40 points, after having collapsed to an all-time low of 5 points in the second quarter amid harsh lockdown measures. The rebound was due to a gradual easing of restrictions, signs of recovery in the domestic economy, as well as an up-tick in global demand. While such an outcome is certainly welcomed, sentiment levels remain low amongst domestic businesses as the operating environment continues to pose severe challenges.**
- **On the back of a strong recovery in merchandise exports and significantly lower import demand in the second half of 2020, a cumulative surplus of over R270 billion was recorded in South Africa's balance of trade for the year as a whole.**
- **The economy lost approximately 1.4 million employment opportunities in 2020 compared with the previous year. The unemployment rate surged to a new record of 32.5% in the fourth quarter of 2020, compared to 29.4% a year earlier.**
- **South Africa's fiscal position has deteriorated markedly. The budget deficit has been estimated at 14% of GDP for fiscal year 2020/21 according to National Treasury, compared to a 5.7% ratio in 2019/20. Government debt,**

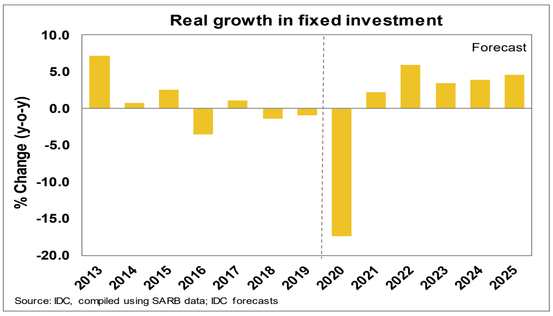
hardship endured due to the Covid-19 pandemic and measures adopted to prevent its spread, especially travel restrictions and the impact of infection concerns on leisure and business travel. The IDC's tourism portfolio is therefore expected to remain under extreme duress in the short- and possibly medium- term.

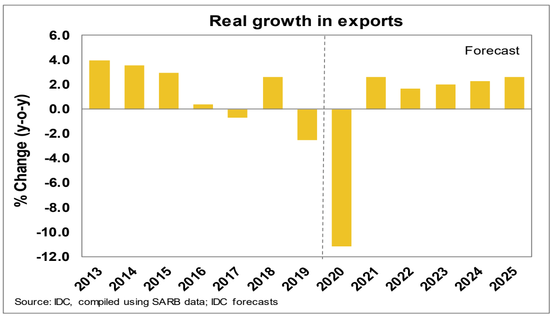
- In view of the difficult consumer environment and challenging operating conditions for business enterprises, it is unlikely that low interest rates will bolster household spending or capital outlays in a meaningful manner. Nonetheless, lower interest rates will provide some relief in terms of interest expenses and debt repayments.
- A gradual recovery in household consumption expenditure, supported by a still accommodative monetary policy stance, should provide business opportunities for many local companies, including IDC business partners whose activities are linked to consumer spending.
- Considering that many companies are operating well below design capacity, there isn't generally an immediate need for investment in additional production capacity. The anticipated recovery in private sector fixed investment in 2021 is thus likely to be largely of a maintenance nature.
- Relatively stronger growth in fixed investment activity, progressively of an expansionary kind, is expected later in the outlook period. This should not only result in financing opportunities for the IDC but may also translate into positive spin-offs for supplier industries whose activities are aligned to the investment cycle.
- Considering the high import intensity associated with investment activity in South Africa, this may provide import replacement opportunities dovetailing on government's localisation initiatives, including product designations.
- The massive infrastructure development programme outlined in the Economic Recovery and Reconstruction Plan (ERRP) is likely to be a key catalyst for the economy's recovery, but it will rely substantially on private sector capital and operational participation through public-private partnerships (PPPs) for its roll-out. The IDC may also benefit via increased demand for funding or by partaking in some of the projects that are aligned with its developmental mandate.
- Notwithstanding the recovery in economic growth expected over the outlook period, the pace of expansion may remain quite modest, thus limiting the employment creation potential and potentially frustrating IDC's efforts in this regard.
- The rebound in commodity prices that started during the second half of 2020 has had a positive impact on the current account of South Africa's balance of payments. Combined with improved global investor sentiment, this is likely to support the Rand on a trade-weighted basis.
- The precarious state of government finances and the stretched balance sheets of many SOEs will limit their spending capacity. This will impact many service providers, including SMEs, and numerous supplier industries.
- Despite a degree of optimism about the economy's gradual recovery going forward, risks to the growth outlook are tilted to the downside:
  - An effective roll-out of vaccinations towards herd immunity is critical to sustain the

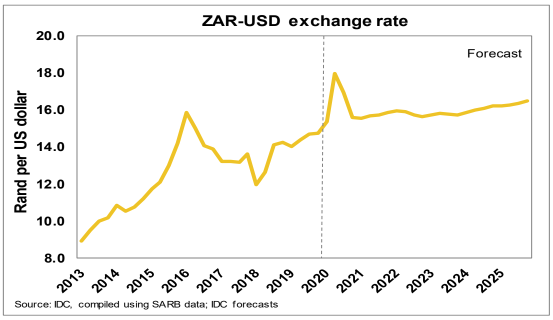
in turn, increased to an estimated R3.95 trillion in 2020/21, equivalent to 80.3% of GDP, in the current fiscal year. • **To fight the spread of the coronavirus and soften the impact of the harsh lockdown measures, government announced a R500 billion support package. Equivalent to almost 10% of GDP, this was one of the highest ratios among emerging markets and developing economies.** • **Credit rating agencies Moody's and Fitch downgraded South Africa's sovereign rating by one notch in November 2020, while assigning a negative outlook. S&P Global Ratings, which had already lowered the sovereign rating to BB- (or 3 notches below investment grade) in April 2020, kept its ratings unchanged with a stable outlook. The concerning trajectory of the fiscal metrics, the subdued growth outlook for the economy and the slow pace of structural reforms underpin the risk of further downgrades of the sovereign ratings deeper into sub-investment territory.** • **Monetary policy action in South Africa has been among the most aggressively supportive in the group of emerging market economies. The SA Reserve Bank has reduced the repo rate by a cumulative 300 basis points since the start of 2020 to 3.50% at present, the lowest in almost 50 years.** • **South Africa's GDP is projected to rebound by 2.3% in real terms in 2021 (IDC forecast), after an unprecedented contraction estimated at -7.8% in 2020. The pace of expansion is projected to remain relatively modest in subsequent years. Structural challenges, especially energy supply, will continue to constrain the economy's growth potential in the medium-term. However, a timeous and effective implementation of the Economic Reconstruction and Recovery Plan (ERRP) could propel the economy's growth trajectory substantially higher.**	recovery momentum and lift sentiment levels. o South Africa's economic performance is likely to continue being affected by numerous challenges at least in the short- to medium-term. These include the dire fiscal situation, continued energy supply constraints and the slow pace of structural reforms, all of which are contributing to low confidence levels among consumers, businesses and investors. o The perturbing trajectory of South Africa's fiscal metrics, inadequate pace of structural reforms and weak growth trajectory are risking further downgrades of the sovereign ratings deeper into sub-investment territory. • The timeous and effective implementation of the ERRP could address some of these risks, accelerate the economy's recovery and expansion momentum and raise its growth potential.

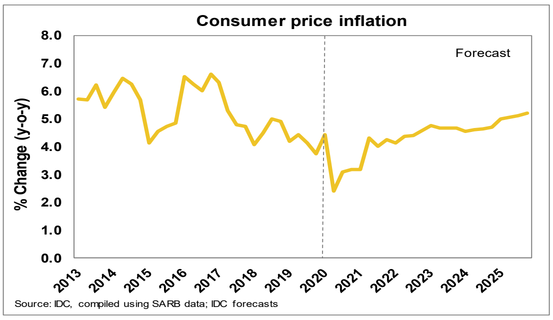
South Africa's projected economic performance over the period 2020 to 2025

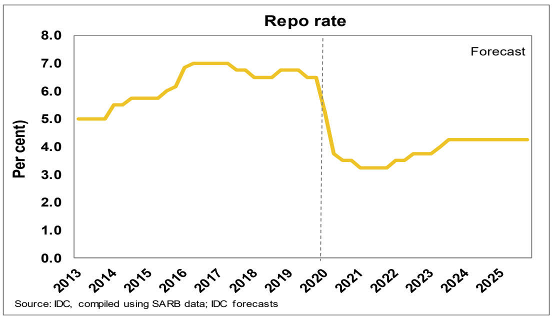












Annexure B: Balance Sheet Forecasts – IDC Group

	2021	2022	2023	2024	2025	2026
ASSETS	**IDC GROUP (MINI & MAJOR SUBSIDIARIES)**					
Ordinary shares	17 216	17 718	20 893	22 875	27 149	30 800
Preference shares	11 613	13 437	13 164	14 564	19 553	21 856
Non-earning loans	8 308	8 327	7 208	7 901	8 656	9 152
Equity and shareholder loans	37 136	39 481	41 265	45 340	55 358	61 808
Loan finance	49 989	47 491	45 385	47 541	55 146	61 167
Local	26 116	24 334	25 872	30 451	42 978	51 823
Foreign	23 873	23 157	19 513	17 090	12 168	9 344
Provision for d/debts & impairments	-19 948	-15 931	-13 429	-13 058	-15 706	-16 000
Financing at book value	**67 178**	**71 041**	**73 221**	**79 823**	**94 799**	**106 975**
Fair value adjustment	53 040	52 738	49 344	48 485	48 597	49 554
FINANCING - EXTERNAL	28 176	29 733	30 208	32 980	14 761	14 706
Other assets	17 078	17 261	17 866	18 311	5 519	5 610
Money market investments	9 065	8 289	9 514	10 332	5 145	5 534
TOTAL ASSETS	**148 393**	**153 512**	**152 774**	**161 288**	**158 156**	**171 235**
BORROWINGS	44 582	44 130	44 763	49 238	52 593	57 954
Bank loans	8 979	9 556	8 360	7 311	11 942	18 575
Medium Term Notes	13 982	13 182	14 482	17 890	16 223	14 772
Unemployment Insurance Fund	3 657	3 657	3 657	3 657	2 657	1 657
PIC Green Bond	4 651	4 651	4 651	4 651	4 651	4 651
Third party funds & funds held in trust	4 435	4 435	4 435	4 435	4 435	4 435
Foreign currency - based	8 877	8 647	9 176	11 293	12 684	13 863
Deferred tax	4 316	4 052	3 096	2 773	2 827	3 389
Other liabilities	7 705	7 985	8 982	9 739	2 294	2 356
EXTERNAL FUNDING	56 602	56 167	56 841	61 751	57 715	63 700
Share capital	1 393	1 393	1 393	1 393	1 393	1 393
Reserves	90 398	95 952	94 540	98 143	99 048	106 142
SHAREHOLDER'S FUNDS	91 791	97 346	95 933	99 537	100 441	107 535
TOTAL FUNDS	**148 393**	**153 512**	**152 774**	**161 288**	**158 156**	**171 235**
DEBT / EQUITY RATIO	48.6%	45.3%	46.7%	49.5%	52.4%	54%

Annexure C: Income Statement Forecasts – IDC Group

	2021	2022	2023	2024	2025	2026
	IDC GROUP (MINI & SUBSIDIARIES)					
Financing income	16 181	19 433	21 565	23 719	11 042	12 202
Dividend income	3 761	3 778	4 126	4 517	4 943	5 515
Interest income	3 612	3 386	3 546	3 809	4 173	4 572
Other income	8 808	12 269	13 893	15 393	1 925	2 116
Money market investment income	304	211	202	184	242	261
Total Income	16 485	19 644	21 767	23 904	11 284	12 464
Borrowing costs	-3 001	-2 643	-2 817	-3 005	-2 934	-3 203
Net interest, dividends & fees	13 485	17 001	18 950	20 899	8 350	9 261
Administration costs	-10 998	-13 509	-14 234	-15 156	-3 333	-3 507
Operating expenses	-10 931	-13 439	-14 161	-15 080	-3 253	-3 423
Social and special enterprise cost	-67	-70	-73	-76	-80	-84
Project costs - general	-129	-135	-141	-148	-155	-163
Impairments and write offs	-2 807	-1 436	-419	-1 002	263	-528
Impairments	-1 986	2 068	5 679	768	256	-253
Non-SPPI FV adj	-417	-339	-31	-51	13	-166
Bad debt write offs	-404	-3 165	-6 068	-1 719	-7	-109
NET OPERATING INCOME BEFORE TAX	-450	1 922	4 155	4 593	5 125	5 063
Taxation on operating income	790	82	-120	-509	-680	-1 067
NET OPERATING INCOME AFTER TAX	340	2 004	4 035	4 084	4 445	3 996
NET INCOME BEFORE CAPITAL REALISATIONS	**340**	**2 004**	**4 035**	**4 084**	**4 445**	**3 996**
Net surplus/(deficit) on realisation of assets	-66	0	0	0	0	0
NET INCOME AFTER NON- EQUITY CAPITAL REALISATIONS	**274**	**2 004**	**4 035**	**4 084**	**4 445**	**3 996**

Annexure D: Forecasted Funds Flow Statement – IDC Group

	2021	2022	2023	2024	2025	2026
	IDC GROUP (MINI & SUBSIDIARIES)					
Total Financing Advances	9 415	10 822	12 308	14 610	17 010	22 099
Advances: Equity	1 566	3 392	4 055	4 822	5 783	7 514
Advances: Loans	7 850	7 430	8 252	9 788	11 227	14 585
Borrowings repaid	6 762	5 396	3 225	6 280	5 774	3 831
Dividend paid	0	0	0	0	0	0
Tax paid	-272	5	334	745	875	1 263
OUTFLOW	**15 906**	**16 223**	**15 867**	**21 635**	**23 659**	**27 193**
Internal funds generated	5 330	9 285	12 156	10 328	8 209	17 442
Repayments received	4 138	6 181	7 381	8 917	10 010	11 745
Net income before tax	1 192	3 104	4 775	1 412	-1 802	5 697
External funds raised	10 750	4 689	3 858	10 755	9 129	9 017
Proceeds from sale of shares	862	1 478	1 085	1 393	1 135	1 123
INFLOW	**16 942**	**15 452**	**17 099**	**22 477**	**18 472**	**27 582**
NET (OUTFLOW)/INFLOW	**1 036**	**-776**	**1 226**	**817**	**-5 187**	**389**

Annexure E: Borrowing Programme

Debt Funding Sources (R' million)	Actual Borrowings - 31 January 2021	Budgeted Borrowings for FY 2021 (Base)	Budgeted Borrowings for FY 2022 (Base)
Domestic borrowings	**2 917**	**3 800**	**4 750**
Public bonds	-	1 500	2 250
Bank loans	917	1 000	1 500
Private placements bonds	2 000	1 300	1 000
Foreign borrowings	**5 641**	**6 433**	**4 153**
DFI's/ Multilateral agencies	4 089	4 433	3 000
Bank loans and other	1 552	2 000	1 153
Total borrowings	**8 558**	**10 233**	**8 904**

Annexure F: IDC Board of Directors

Name	BA Mabuza (Chairperson)	TP Nchocho (Managing Director)	LI Bethlehem	PM Mthethwa	ND Orleyn (Adv)
Gender	Female	Male	Female	Female	Female
Race	African	African	White	African	African
Qualifications	BA (Mathematics and Computer Science) (Hunter College, City University of NY), MBA (Finance and Information Systems) (Leonard Stern School of Business, NYU)	B Com (University of the North) MBL (University of South Africa) MSc Development Finance (University of London) Advanced Management Programme (Harvard Business School)	BA (Hons) (Industrial Sociology) (Wits); Master of Arts (Wits); Certificate in Economics and Public Finance (Unisa)	BA (Economics) (University of the North), MSc (Economics) (University of Paris), MBA (Corporate Finance) (University of Sheffield)	B-Proc (UNISA), B Juris (University of Fort Hare) LLB (UNISA) Certificate in Energy Law, Executive Management Programme (Kellogg Business School)
Appointment Date	November 2011	January 2019	October 2008	November 2011	February 2015

Name	BA Dames	SM Magwentshu-Rensburg (Dr)	A Kriel	RM Godsell	NP Mnxasana
Gender	Male	Female	Male	Male	Female
Race	Coloured	African	Coloured	White	African
Qualifications	BSc (Hons) (University of Western Cape); MBA (Samford University); Graduate Diploma in Utility Management (Samford University)	BA (Management – Accounting and Business Administration) (Webster University, Vienna); MBA (Webster University, London); DPhil (Business Management) (UJ)	BSocSci (UCT)	MA (Liberal Ethics) (University of Cape Town), Postgraduate studies (Sociology and Philosophy) (Leiden University), BA (Sociology and Philosophy) (UKZN)	B Compt (Hons) (UNISA), CA (SA)
Appointment Date	November 2011	November 2011	April 2016	November 2011	February 2015

Name	NE Zalk (Dr)
Gender	Male
Race	White
Qualifications	BA (English and Private Law) (UNISA); Postgrad Diploma in Economics (Development) (School of Oriental and African Studies); M.Sc (Economics) (with merit) (School of Oriental and African Studies) (London University); PhD (Economics) (School of Oriental and African Studies)
Appointment Date	July 2009

Annexure G: Board Committees

BOARD OF DIRECTORS

The Corporation has a unitary Board structure, currently comprising one executive and 11 non-executive directors. This enables the Board to obtain the desired level of objectivity and independence in Board deliberations and decision-making. The Board is assisted by board committees, duly formed taking into account the guidelines in King IV Report on Corporate Governance and the Public Finance Management Act.

The size of the Board is provided for in Section 6 (2) of the Industrial Development Corporation Act, No. 22 of 1940 ('IDC Act'), as amended, which permits a minimum of five and a maximum of 15 directors appointed by the Executive Authority. In line with the recommendations of King IV, the positions of Chairman and Chief Executive Officer are separately held to ensure a clear division of duties.

The Directors have diverse backgrounds and expertise to ensure a balance of skills, or wide range and appropriate mix of skills, facilitating independent judgement and effective deliberations in the decision-making process whilst pursuing the Corporation's strategic objectives.

The Board has a charter which is regularly reviewed. The Board Charter sets out the Board's responsibilities which include the adoption of strategic plans, developing a clear definition of materiality, monitoring of operational performance and management, determination of policy processes to ensure the integrity of the Corporation's risk management and internal controls, communication policy, and director selection, orientation and evaluation. The Board Charter is supported by the IDC Act and Regulations.

The Board also considers transactions that will result in any risk limit, including the counterparty limit being breached.

The Board has established five sub-committees, being the Investment Committee, Human Capital and Nominations Committee, Audit Committee, Risk and Sustainability Committee, and Social and Ethics Committee, all of which are ultimately accountable to the Board.

Board Investment Committee (BIC)

The purpose of the Board Investment Committee (BIC) is to act on behalf of the Board by considering transactions mandated to it by the Board which would, prior to the creation of the committee, vest with the Board. The BIC considers transactions where IDC transaction exposure is above R250 million and/or the counterparty exposure is between R1 billion and R7 billion. The BIC also considers transactions where the sector, transaction and/or regional limit, or the counterparty limit is breached, and it makes recommendations to the Board.

Board Human Capital and Nominations Committee (BHCNC)

The main objective of the Human Capital and Nominations Committee (BHCNC) is to assist the Board in the development of compensation policies, plans and performance goals, as well as specific compensation levels for the IDC. The BHCNC manages the Board's annual evaluation of the performance of the Chief Executive Officer and assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human capital policies for all IDC employees.

Board Audit Committee (BAC)

In terms of the Companies Act it is mandatory for state-owned companies to appoint an audit committee. The Audit Committee is therefore a statutory committee and its members were appointed by the Executive Authority at the Corporation's last annual general meeting.

The committee monitors the adequacy of financial controls and reporting; reviews audit plans and adherence to these by external and internal auditors; ascertains the reliability of the audit; ensures that financial reporting complies with IFRS and the Companies Act; ensures the integrity of integrated reporting; ensures that there are effective measures in place on Information Technology risks as they relate to financial reporting; reviews and makes recommendations on all financial matters; and recommends the appointment and removal of auditors to the Board.

Board Risk and Sustainability Committee (BR&SC)

The primary duty of the Board Risk and Sustainability Committee is the governance of risk. It also assists the Board to determine the maximum mandate levels for the various Credit and Assets and Liabilities Committee decisions and reviews the effectiveness of the risk management process. The committee assists management with the responsible stewardship of sustainability, including stakeholder impact, management of material issues, sustainability governance and reporting.

Board Social and Ethics Committee (BSEC)

The main purpose of the BSEC is to advise the Board generally on corporate governance and ethics matters. The BSEC aims to promote the ideals of corporate fairness, transparency and accountability as well as to assist the Board in vetting funding applications, projects and any matter in which a director of the IDC

Annexure H: Executive Management

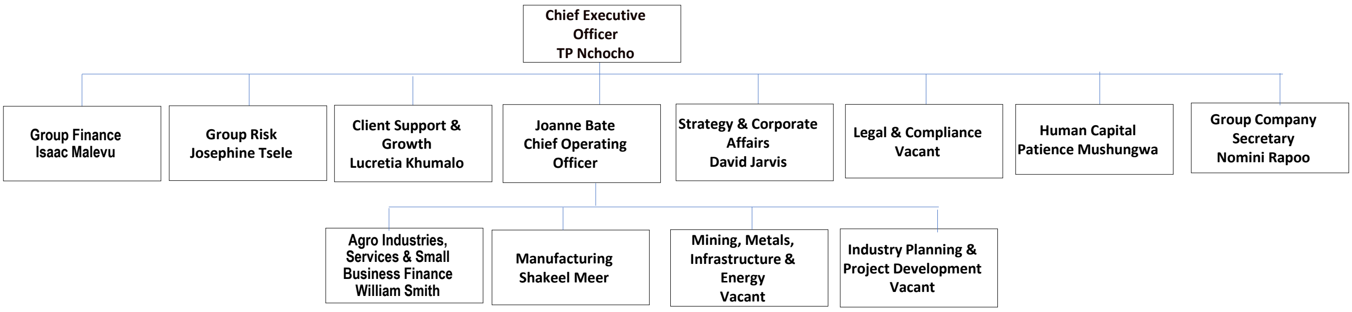


Figure 7: Executive Structure

TP Nchocho: Chief Executive Officer
BCom (University of the North), MBL (UNISA), MSc (Development Finance) (University of London), Advanced Management Programme (Harvard)
Joined the IDC and was appointed as CEO in 2019.
(Gender: Male; Race: African)

I Malevu: Chief Financial Officer
BCom (Wits), Accounting (Hons) University of Natal, CA (SA)
Various executive leadership programs, GIBS leadership program
Joined the IDC and was appointed to executive management in 2020.
(Gender: Male; Race: African)

J Bate: Chief Operations Officer
BCom (Hons) Taxation (Wits), CA(SA)
Joined the IDC and was appointed to Executive Management in 2020.
(Gender: Female; Race: White)

Vacant: Divisional Executive – Industry and Project Development
Position advertised

J Tsele: Chief Risk Officer
Bachelor Of Arts Hons Economics and Government (University Of Essex – Uk) 1992
Joined IDC 1 July 2020
Gender: Female; Race: African)

Vacant: Divisional Executive – Mining, Metals, Infrastructure and Energy
Position advertised

WH Smith: Divisional Executive – Agro-industries, Services, and Small Business Finance
Pr.Eng, B.Eng (Civil), GDE (Civil)
Joined the IDC in 1993 and was appointed to Executive Management in 2016.
(Gender: Male; Race: White)

SAU Meer: Divisional Executive – Manufacturing
BSc (Mechanical Engineering) (University of Natal), MBL (UNISA), Advanced Management Programme (INSEAD), Developing strategy for value creation (London Business School)
Joined the IDC in 1991 and was appointed to Executive Management in 2007.
(Gender: Male; Race: Indian)

Vacant: General Counsel and Divisional Executive – Legal and Compliance

TL Khumalo: Divisional Executive – Client Support and Growth
BSc Electrical Engineering (Wits University), MBA (UCT)
Joined the IDC and was appointed to Executive Management in 2018.
(Gender: Female; Race: African)

TP Mushungwa: Divisional Executive – Human Capital
BAdmin (UDW), BAdmin Hons (UNISA), Programme in Business Leadership (UNISA School of Business Leadership)
Joined the IDC and was appointed to Executive Management in 2019.
(Gender: Female; Race: African)

DA Jarvis: Divisional Executive – Strategy and Corporate Affairs
BSoc Sci (Hons) (UKZN), Masters in Industrial Organisational and Labour Studies (UKZN)
Joined the IDC in 2013 and was appointed to Executive Management in 2015.
(Gender: Male; Race: White)

EN Rapoo: Group Company Secretary
BCom LLB (UKZN), Certificate in Corporate Governance (UJ), Admitted as an Attorney of the High Court.
Joined the IDC and was appointed to Executive Management in 2021
(Gender: Female; Race: African)

Annexure I: Dividend Policy

IDC continues to support the requirements of the government's industrialisation policy through disbursements into the economy. The current economic conditions are negatively affecting our clients, putting pressure on IDC's income streams, exacerbated by reduced dividends from mature investments – a portion of which is used to subsidise part of our funding requirements. The Board has decided not to declare any dividends until such time the financial performance of the entity improves, preferring to re-invest in industrial development activities. Any decision to declare a dividend will need to incorporate an assessment of the affordability of the dividend and consider the sustainability of the Corporation and the prevailing economic environment.

Annexure J: Materiality and Significance Framework

MATERIALITY LEVELS FOR REPORTING IN TERMS OF SECTION 55(2)(B)(I) OF THE PFMA

Section 55(2)(b)(i) of the PFMA states that the annual report and financial statements should include particulars of any material losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. The term material has not been defined in the Act. The IDC adopted a definition in terms of the monetary impact for the purposes of this section as R40 million.

The IDC will monitor and take appropriate action for all losses through criminal conduct and irregular and fruitless and wasteful expenditure that occurred during the year.

The IDC will however, only report any losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure in excess of R40 million in its annual report and financial statements.

The R40 million is below the IDC's Group audit materiality as determined by the external auditors.

SIGNIFICANCE LEVELS RELATED TO SECTIONS 51(1)(G) AND 54(2) OF THE PFMA

Sections 51(1)(g) and 54(2) of the PFMA read in conjunction with the related practice note requires the use of a significance framework. Based on the guidelines in the practice note and after evaluating the total assets, total revenue and profit after tax for the IDC Group, a significance level of R500 million had been adopted.

Annexure K: Strategic Risks and Governance

In order to ensure that the IDC complies with the requirements of the Public Finance Management Act (PFMA) and in line with the recommendations of the King Reports and Code of Governance (King III, King IV) on Corporate Governance and the Public Sector Risk Management Framework, an assessment of risks faced by the IDC is undertaken on an annual basis. The risk assessment process enables the identification of critical risks that may prevent the Corporation from achieving its strategic objectives and ensures that the Corporation formulates appropriate risk strategies and action plans to mitigate and address these risks.

The risks in the table below indicate IDC's key strategic risks that have been identified and assessed with management. These risks are aligned to the IDC's strategic objectives to ensure that these risks are governed in a way that supports the Corporation in setting and achieving its strategic objectives.

No.	Risk Name	Risk Description
Pillar 1: Increased Industrial Development		
1	Development impact for targeted groups (Black Industrialist, Women and Youth) and localisation	Inability to achieve the desired developmental impact through transformation and economic growth within targeted groups and localisation initiatives
2	Job creation	Inability to adequately contribute to job creation in pertinent sectors and industries in the economy
3	Macro-economic conditions and developments	Adverse macro-economic conditions (domestically and/or globally) and/ or sovereign credit downgrades impacting the IDC's business and its ability to achieve strategic targets
4	Capitalising on Africa opportunities	Inability to capitalise on Africa (Continental Coverage) opportunities resulting in non-achievement of Africa targets
5	Modernisation of or building new industries and investment in 4IR	Inability to capitalise on the modernisation or building of new industries and 4IR opportunities and make a significant impact in this space
6	Electricity supply	The threat presented to the IDC's investments due to unreliable electricity supply and the impact on the IDC's ability to implement its development agenda
Pillar 2: Sustained Financial Growth		
7	Unrealistic disbursement targets	Unrealistic disbursement targets drive the focus on achieving short term goals only and this may not be sustainable in the long term and could result in the erosion of the IDC's balance sheet
8	Performance of significant investments	Financial viability of significant investments and their ability to deliver effectively

9	Sector concentration and volatility in listed share portfolio	Concentration in IDC's portfolio resulting in fluctuations in the value of investments impacting on dividend income and the strength of the Balance Sheet.
10	Credit and investment risk	Risk resulting from non-payment by the IDC's business partners and non-recoverability of investments
11	Financial support to other State-Owned Entities (SOEs)	Risk that the IDC may be requested to utilise its capital to support other under-capitalised SOEs
Pillar 3: Human, Social, Natural and Manufactured Capital		
11	High performance culture	Inability to maintain a high-performance culture and ensure alignment of the IDC culture and values to deliver on mandate / strategy
12	IT and cyber security	The risk of unauthorised access to electronic information could lead to information being compromised
13	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
14	Legal and regulatory compliance	Risk of IDC and business partners not meeting their legal/contractual and regulatory requirements
15	Climate risk	The negative impact on the economy due to climate induced disasters, including the adverse impact of low carbon growth objectives on IDC investments
Emerging/New Risks		
16	***Funding risk***	***Inability to raise the desired amount of capital to fund transactions and investments***
17	***Impact of COVID-19 on the IDC business***	***The threat of Covid-19 on the IDC's:*** ***- Business Continuity, health and mental well-being of staff;*** ***- Liquidity position; and*** ***- Ability to deliver on the Counter Cyclical Mandate***
18	***Customer service***	***Failure to entrench a culture where service excellence is standard***
19	***Change Management and Implementation of the strategy***	***Inadequate change management processes and lack of accountability or Leadership from relevant stakeholders to ensure implementation of the strategy***

The risks in the above table have been allocated to risk owners, all the risk owners are at executive level. Their responsibility is to ensure that the identified risks are well managed. The IDC's Risk Management Department (RMD) will closely monitor the key risk indicators (KRIs), assess and report on the progress made against action plans on a quarterly basis. KRIs that have breached acceptable and tolerance levels will be reported to the Board Risk and Sustainability Committee.

RISK MANAGEMENT FRAMEWORK

The IDC's Enterprise Risk Management (ERM) Framework is based on the principles embodied in the PFMA, the Public Sector Risk Management Framework published by National Treasury, the Enterprise Risk Management Framework published by COSO of the Treadway Commission, the International Guideline on Risk Management (ISO 31000) and King III/IV.

The principles outlined in our ERM framework are incorporated into risk management-related policies and procedures that support it. The objective of this framework is to embed a uniform approach to ERM at the IDC and to ensure that all risks that could affect the achievement of our objectives with respect to people, reputation, business processes and systems, and financial and environmental performance, are identified, assessed and treated appropriately and at an acceptable level.

Annual Risk Assessment

An assessment of risks faced by the IDC is undertaken annually. This process provides the identification, measurement and management of the critical risks that we may face so that we are able to formulate appropriate risk strategies and action plans.

Risk Assessment Process

The components of the IDC's risk assessment process are illustrated and explained below.

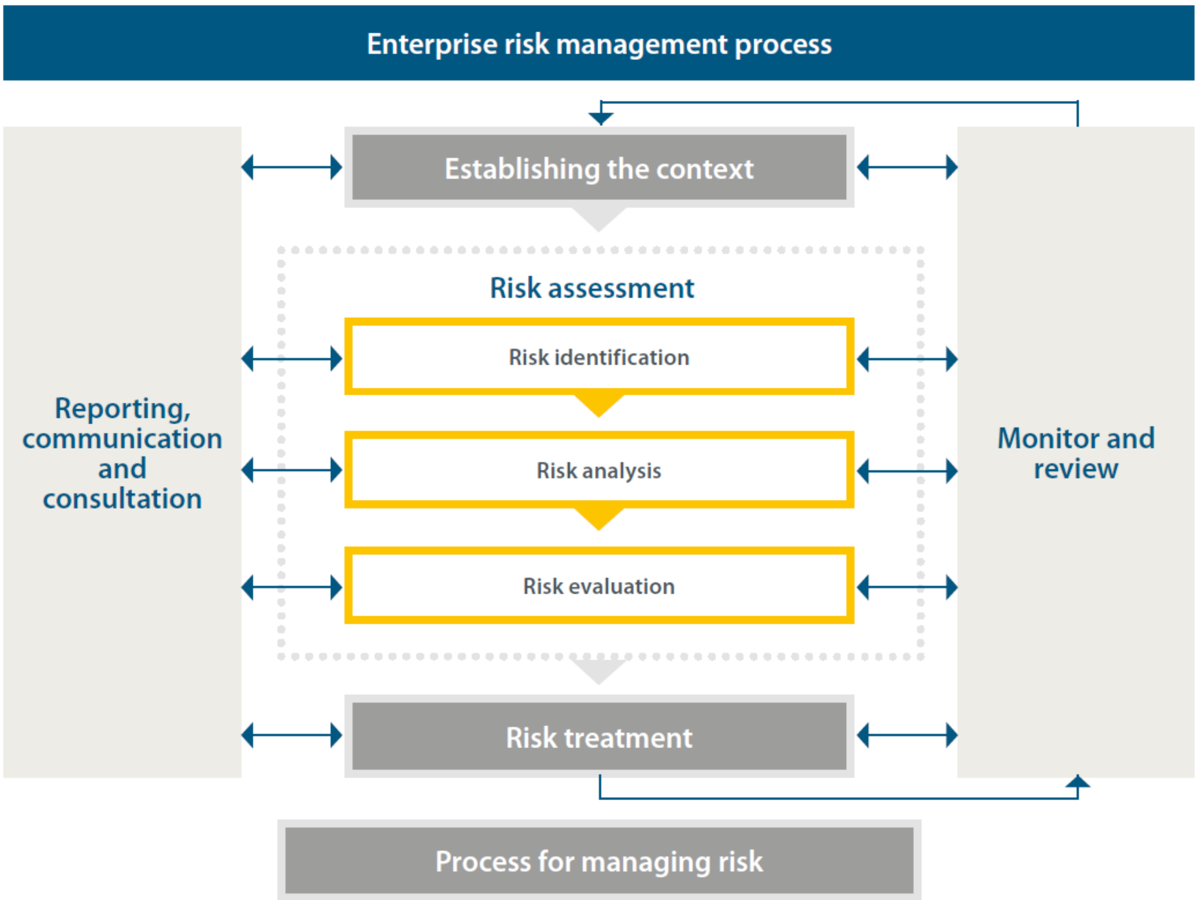


Figure 8: Schematic of the Risk Assessment Process

Establishing the Risk Assessment Context

This aspect provides perspective and assists with understanding the nature of the impact of the risk on the business, including the critical strategic, financial, governance, operational and IT governance risks we face.

Risk Assessment

The risk assessment process enables management to gain an understanding not only of the probability that a risk may materialise but also its impact on the Corporation. The risk assessment methodology provides management with a portfolio view of risks (i.e. a risk profile). The risk assessment process is broken down into the following phases:

- Risk identification – the process of considering the causes and sources of the risk, and its positive and negative consequences
- Risk analysis – the process of considering the risk's potential positive and/or negative consequences, and the probability of those consequences occurring
- Risk evaluation – the process which compares the risks against risk evaluation criteria, resulting in a map of risk priorities

Risk treatment

The objective of risk treatment is to determine how the IDC should respond to events and associated risks. The IDC's risk response strategies can broadly be categorised as follows:

- Terminate: eliminate, redesign, avoid or substitute the threat
- Transfer: where possible and advantageous move the threat to another party
- Treat (further): mitigate or control the threat by implementing additional measures to reduce the likelihood and/or consequence before the threat materialises
- Tolerate: retain the threat after careful consideration of its consequences for a predefined duration

Risk reporting and escalation

It is important to keep the Board, executive management, the Board Risk and Sustainability Committee and the Board Audit Committee abreast of key risks and the actions resulting from risk management activities. This component of the framework outlines the process for reporting risk management information to these governance entities on a consistent and timely basis.

Monitor and review

Monitoring refers to the consistent application of the ERM Framework across the Corporation, the effectiveness of the ERM policies and procedures, as well as the identification of weaknesses demanding corrective action.

Communication and consultation

Effective communication and consultation increase the awareness of the Risk Management Programme. Workshops were held with relevant stakeholders and risk owners to assess and discuss the strategic risks.

ERM

Our risk assessment process enabled the identification of major risks that could have a material impact on the IDC achieving its strategic objectives. The IDC continuously scans the environment for emerging risks and the following were identified as new risks and as such added to the strategic risk register:

- Funding risk
- Impact of Covid-19 on IDC business
- Change Management and implementation of the strategy
- Customer service

Annexure L: Financial Crime Prevention Policy and Plan

POLICY ON FINANCIAL CRIME AND ASSOCIATED IRREGULAR CONDUCT

The Financial Crime Prevention Policy sets out the Corporations stance on financial crime, associated irregular conduct and the reporting thereof. Hereinafter, all references to the concept financial crime should be read to include the acts of theft, corruption, fraud and associated irregular conduct. The policy was established to facilitate the development of controls that will aid in the detection, prevention, investigation and the reporting of fraud against the Corporation. It is therefore the intent of the Corporation to promote consistent organizational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Scope of the financial crime prevention policy

This policy applies to any irregularity, or suspected irregularity, involving the IDC employees as well as shareholders, business partners, consultants, vendors, government representatives and officials, contractors, outside agencies (including their employees) doing business with IDC, and/or any other parties in a business relationship with the IDC.

There are other existing policies and procedures in place and so this policy does not seek to substitute issues or matters that are governed under those policies and procedures. This is important in relation to employee matters where they are subject to current Human Capital and Grievance policies and procedures. And therefore, irregularities concerning an employee's moral, ethical, or behavioural conduct should be resolved by departmental management and the Employee Relations section of Human Capital department in line with the requirement of Industrial Relation policies.

Policy Statement

The IDC subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent manner. The Corporation expect all business associates to subscribe to same standards and therefore will not tolerate any breach of laws and regulations (e.g. bribery, corruption, and money laundering, sanctions, or tax evasion facilitation) that apply to our business and the transactions we undertake.

The IDC has a Code of Business Conduct and Ethics which set the highest standards for personnel conduct related to ethical behaviour and alertness. In addition, the Board Audit Committee as a well as the Social and Ethics Committee are in place to provide an oversight in ensuring that the policy is adhered to.

Section 51 (1) (a) (i) of the Public Finance Management Act (No 1 of 1999) (PFMA) prescribes that an accounting authority for a public entity must ensure that the public entity has and maintains an efficient, effective and transparent systems of financial risk management and internal control.

Furthermore, Treasury Regulations states that, the accounting officer must ensure that a risk management strategy is developed and implemented which encompasses a financial crime prevention strategy and plan, with the accounting authority providing direction and oversight in that regard. It further states that such strategy must be clearly communicated to all employees to ensure that it is incorporated into the language and culture of the entity.

It is however the stark reality that the success of any financial crime prevention strategy requires the acceptance thereof and commitment thereto by all stakeholders and more specifically every single IDC employee.

These policy covers both Financial Crime Prevention as well as Protected Disclosure "whistle-blower protection" component.

The financial crime prevention policy has been introduced to facilitate the development of controls that will aid in the detection, prevention, investigation and reporting of financial crime activities. Furthermore, the financial crime prevention policy will ensure that all financial crime incidents are attended to in a coherent and integrated manner, whilst promoting ethical conduct and behaviour.

The IDC financial crime prevention strategies are integrated and synchronized with the overall business strategies of the IDC Strategic Business Units as well as the IDC support departments and comply with relevant legislation and government initiatives.

The financial crime prevention policy sets out the IDC stance on financial crimes and the reporting thereof. As required, the policy has been revised to also include the Protected Disclosure Act component which is discussed below.

Purpose of the financial crime prevention policy

This policy provides guiding principles for the financial crime prevention and protected disclosure policy to be adopted by the IDC.

The purpose of this policy is to ensure that financial crime activities are discouraged, exposed, mitigated and dealt with in the IDC in an integrated approach or manner. Every effort should be made to ensure that service providers or potential service providers, IDC employees, and any other IDC stakeholder are discouraged to become involved in any financial crime activities.

Furthermore, the protected disclosure policy exists to;

- assist in establishing a culture of disclosure to prevent improper conduct from occurring;
- make provision for procedures under which employees can safely, and free from fear of any occupational detriments, disclose improper conduct;
- endeavour to protect employees against occupational detriment when protected disclosures have been made; and
- provide support to the relevant employee if a protected disclosure leads to any occupational detriment.

Zero tolerance to financial crime serves as the basis of the IDC financial crime policy to support financial crime prevention.

Financial crime prevention policy objectives

The objective of this policy is:

- To engender and promote an attitude of honesty and integrity in the IDC;
- To encourage and enable all IDC stakeholders to report any improper or suspicious conduct;
- To reassure all IDC stakeholders that they are protected from any reprisals or victimization as a result of a bona fide and protected disclosure;
- To ensure that every genuine disclosure of improper conduct is investigated, and appropriate action is taken where necessary;
- To facilitate the establishment of a culture of disclosure to prevent financial crime or improper conduct from occurring; and
- To provide a platform for anonymous reporting of any improper conduct and or financial crime.

The Regulatory Environment

Government has recognised that state owned sector entities must proactively combat financial crime and to this end has ensured that these entities fall into the ambit of various legislation and initiatives, including, but not limited to:

- The Public Finance Management Act, No 1 of 1999, as amended ("the PFMA") and its regulations;

- The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 ("the PCCA"); and
- The Protected Disclosures Act, No 26 of 2000.

The Corporation embraces the legislative requirements created through the Acts referred to above by including compliance therewith as a crucial aspect of this policy.

What is Fraud?

Fraud is the crime of intentionally and unlawfully making a misrepresentation to the actual or potential prejudice of another person or entity. For purposes of this policy, and for ease of reference, fraud includes activities involving dishonesty and deception, inclusive of any attempt thereto, such as:

- Theft of money or other assets through misrepresentation or deception of any nature;
- Theft of money, consumables or assets of any nature, including intellectual property;
- Misconduct in the handling or reporting of cash or financial transactions;
- Profiting from exploiting insider knowledge;
- Acts of financial misconduct contemplated in terms of Sections 81 to 86 of the PFMA;
- Misstatements of qualifications, experience and other material facts on job applications and CV's for recruitment and promotion purposes; and
- Misstatements of material facts by bidders on tender, proposal or quotation documentation (including BEE ownership).

This list should not be considered an exhaustive list.

What is Corruption?

Corruption is the offering or accepting of gratification as an inducement or reward for certain improper actions. It differs from fraud in that both parties are involved knowingly, and both benefit in some way from the agreement.

The PCCA came into existence on 27 April 2004. Corruption includes:

- Exercising preferential treatment in the awarding of tenders;
- Accepting of gifts in different forms for performing an inappropriate favour;
- Manipulation of procurement processes;
- Disclosure of confidential information by an employee about his/her company/department;
- Manipulating the value of assets;
- Performing inappropriate favours for relatives and friends;
- Averting the legal consequences of unlawful acts or omissions;
- Avoiding compliance with laws and regulations; and
- Intentional dereliction of duties as a result of payment or favours received from third parties.

This list should not be considered an exhaustive list.

The protection of whistle-blowers

The Protected Disclosures Act, 2000 (Act No.26 of 2000) makes provision for all stakeholders to report unlawful, irregular conduct or any improper conduct or suspected financial crime activities by all stakeholders, whilst providing for the protection for those who blows the whistle. When such disclosure of improper conduct is not made maliciously or in bad faith, such a disclosure will be a protected disclosure under this policy.

In terms of the Protected Disclosure Act, the "whistle-blower who acts in good faith when reporting any irregularity or suspected irregularity is protected from unfairly being:

- Subjected to any disciplinary action;
- Dismissed, suspended, demoted, harassed or intimidated;
- Transferred against his or her will;
- Refused transfer or promotion;

- Subjected to a term or condition of employment or retirement which is altered, or kept altered, to his or her disadvantage; and
- Refused a reference or being provided with an adverse reference; and from his or her employer.

The Reporting Duty in the Employer – Employee Relationship

As stipulated in the IDC code of ethics and business conduct failure to "blow the whistle" and/or reporting in cases where employees know or have personal knowledge of potential or actual violation arising under this policy is regarded as a serious misconduct and could lead to disciplinary action being instituted by the IDC against the employee concerned. It is the responsibility of all employees to prevent financial crime against IDC, any of its subsidiaries and business partners.

The IDC acknowledge that it may not take disciplinary actions against service providers or external stakeholders, however, it can hold an enquiry against the external stakeholder with the purpose of listing that particular stakeholder in the IDC delinquent register if their conduct is found to be delinquent.

Furthermore, employees are expected to act in a manner that is professional both within and outside of the work environment such that his/her conduct will not reflect negatively upon the IDC image.

Administration of the Policy

Internal Audit Department is the owner of the Policy and is responsible for facilitating and coordinating the implementation of this policy within the IDC as well as the revision thereto.

The Compliance and Regulatory Affairs Department will be the custodians of the Policy and will, amongst others, ensure that it is reviewed at the least every 3 years or as and when it is required.

FINANCIAL CRIME PREVENTION PLAN

Prevention of financial crime in the 21st century is about understanding risks, both internal and external, and in recognising that the environment created by an organisation is the most significant factor that determines how much of a target for financial crime that organisation will be.

Given the requirement for every organisation to protect its assets and to prevent wasteful expenditure, there is a requirement for any Executive Management team to ensure that internal controls are operating effectively, and it is therefore vital that entities take the necessary steps to identify and manage their exposure to financial crime in any nature or form. The well-worn adage "prevention is better than cure" holds very true.

In this financial crime Prevention Plan, and where the context lends itself thereto, the concept "financial crime" relates to activities involving dishonesty and deception and should be read to include all forms of "white-collar crime" and or the so called "inside job".

The focus of the Financial Crime Prevention Plan is to create a zero-tolerance environment within the IDC; a high level of awareness and a control environment that makes it as difficult as reasonably possible to misappropriate assets or to succumb to financial crime or other irregular activity.

The IDC's Fraud Prevention Policy and Plan can be simplified into the four categories/activities:

- **Governance** ‐ Setting a framework of accountability and responsibility for the evaluation and management of financial crime risk across the Corporation. "Creation of a zero-tolerant environment and tone at the top";

- **Prevention** - Ensuring financial crime threats are identified and associated risks are mitigated through the deployment and maintenance of effective systems, controls, processes and procedures, prior to establishing a relationship and during the lifecycle of that relationship. " Understand and manage the risks";
- **Detection** - Ensuring financial crime events are effectively identified and managed through the deployment and maintenance of effective systems, controls and processes, during the lifecycle of that relationship. "Be proactive in defence"
- **Response** - Ensuring appropriate and proportionate response plan is in place, thereby enabling business units to comprehensively react to financial crime events. "React swiftly and efficiently to the appearance or allegations of financial crime and irregularities"
-

These four pillars provide the framework of the IDC Financial Crime Prevention Plan ("the Plan").

This Plan gives effect to the IDC Financial Crime Policy.

Roles and responsibilities

The Board is responsible for ensuring that adequate accounting records and an effective system of internal control are maintained. To enable the Board to meet its responsibilities, management should maintain a system of internal control designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, and transactions are performed and recorded according to the IDC policies and procedures.

- The Board Audit Committee has been delegated by the Board to ensure that the IDC develops and implements adequate and effective system of internal control, which should therefore incorporate financial crime prevention, detection and mitigation controls.
- The CEO Support and ensure the development of the policy and the supervision of the effective implementation of the financial crime prevention and protected disclosure policy.
- Internal Audit develops, maintains, update and implement the financial crime prevention and protected disclosure policy.
- Line managers are responsible for ensuring that adequate system of controls exists within their areas of responsibility and that those controls operate effectively. The responsibility for the prevention and detection of financial crime, therefore, rests primarily with line managers. There is a duty on all line managers to assess the types of risk involved in the operations for which they are responsible for. The line managers are expected to review and test their controls systems regularly and to ensure that those controls are being complied with and to satisfy themselves that their systems continue to operate effectively.
- Every member of staff has a duty to take reasonable steps in ensuring that the IDC is protected from any act of irregularities when they are conducting their duties. Furthermore, staff members are expected to report any irregular activities or suspicious acts or events as per the IDC financial crime reporting channels and response plan. All relevant stakeholders and staff are expected to assist in any investigations by making available all relevant information and by co-operating in interviews where necessary.

Understanding the Risks

The Corporation has implemented an enterprise-wide risk management process, encompassing, inter alia, a risk framework and a risk responsibility matrix.

The risk management process within the Corporation encompasses the identification of risks on a regular basis and maintaining awareness of relevant risks. This includes financial crime risks.

Furthermore, in terms of the Delegation Matrix, the IDC Executive Committee has overall responsibility for financial crime prevention, however, have delegated the authority for financial crime prevention to the Internal Audit Department

Proactive Defence

Being proactive is an essential principle in combating Financial Crime. The procedures set out below assist the Corporation in identifying areas of risk and prevention of financial crime.

Data interrogation exercises are periodically carried out on the Corporations standing and transactional data, inclusive of HR records and procurement transactional data.

The purpose of data interrogation is to identify patterns of potential financial crime behaviour, internal control implementation weaknesses and possible conflict of interest situations.

The Corporation ensures comprehensive background checking is carried out on prospective employees, including at least verification of previous employment details, academic qualifications, citizenship and the existence or otherwise of a criminal record. We act within the relevant legal prescripts in this regard.

The IDC has recently implemented procedures to ensure comprehensive background checking is carried out on potential service providers. The Corporation embraces a "know your supplier" culture, which minimises financial crime in procurement and simultaneously makes the Corporations zero tolerance culture towards financial crime visible to service providers.

The Corporation has a reporting database for the recording of all incidences and allegations of financial crime and associated irregular conduct – whether losses occurred or not. At all times we consider the privacy and confidentiality of such information.

Internal Control Systems & Procedures are actively monitored by Internal Audit, reviewed/updated as required by the relevant SBU/Department, and approved by the Systems and Procedure Review Committee.

Access to information and audit clauses are included in legal agreements with clients having approved facilities. Furthermore, audits which test prevention measures are performed on a regular basis.

IDC Employees are encouraged to speak out when they have concerns. The "Tip Offs Anonymous" financial crime reporting hotline (0800 30 33 36) is in place and advertised widely to employees, suppliers and business partners via stickers on invoices and monthly statements. Regular "Tip Offs Anonymous" activities include guest speakers and the placement of topical articles in the IDC internal publication, "In Touch".

Regular financial crime awareness campaigns amongst IDC employees and stakeholders.

The promotion of strong and ethical Corporate Culture through the "I make it Happen" programme, encouraging employees to always act ethically, responsibly and in the best interests of the client and the IDC.

Financial crime risk awareness and training

While the purpose of this policy is to guide and assist the Board, CEO, management, and employees of the IDC, to limit exposure to financial crime risk and thus to prevent financial crime being perpetrated. It recognizes that the best preventive measures may not be sufficient to prevent determined fraudsters from defrauding the IDC.

The policy is therefore, supported by the financial crime awareness and training initiatives. Amongst others these are some of the initiatives to support this purpose:

- IDC Code of Business Conduct, which includes a conflict of interest policy and accompanying declaration of interest requirement and procedure;

- Regular financial crime education roadshows, focusing on recent cases and relevant trends;
- Financial crime awareness and education to clients through distribution of brochure/ pamphlets;
- On-boarding financial crime awareness presentations to newly appointed employees;
- Targeted training to specific SBU's/Departments experiencing challenges with certain types of financial crime;
- Screen saver messages, displayed on IDC employee's computers relating to financial crime;
- Placement of financial crime related videos on TV screens;
- Naming and shaming (communication) of those employees involved in instances of irregular behaviour or internal cases of financial crime; and
- A considerable "Tone at The Top" from Executive Management.

Reporting procedures, channels, and response plan

All stakeholders who report suspected dishonest activity should be afforded the opportunity to remain anonymous should this be their wish. To this end the IDC has availed the "Tip Offs Anonymous" hotline to all stakeholders wishing to make an anonymous report and all information received via protected disclosure "Tip Off" relating to irregularities will be treated as confidential.

The IDC should ensure that the investigation is handled in a confidential manner and no information will be disclosed or discussed with any person other than those who have a legitimate right to such information, or such information is required by law.

Any employee who suspects or becomes aware of any irregularity is encouraged to report his/her suspicion to either in person or writing directly to: Chairperson of the IDC Board, CEO, General Counsel, or Head: Internal Audit or by dialling or sending an SMS to 39642 or dialling the toll free "Tip Off's Anonymous" hotline – 0800 30 33 36. Alternatively, by sending an e-mail to idc@tip-offs.com.

Consultants, vendors, contractors, outside agencies doing business with the IDC or any other interested parties are also encouraged to report any suspicions activities or irregularities through the same process as described above.

Employees are encouraged not to discuss or disclose any information relating to an investigation with colleagues or other party unless this is required as part of investigation process as this might prejudice the success of any investigation.

Provided that the Internal Audit Department has necessary capacity and required competence in relation to the required investigation, all investigations will be expected to be performed by the department. However, where it is assumed that IAD might be compromised due to the seniority or authority of the "person (s) of interest" the investigation may be outsourced to a suitable external forensic investigating specialist.

Furthermore, in instances where Internal Audit does not have the requisite skill or capacity to conduct a particular investigation, the investigation or part thereof may be outsourced. In addition, the investigation could be co-sourced where some aspects are highly specialised areas such as cyber forensic investigations.

Financial crime response plan

Allegations made against the:

- IDC Chairperson will be reported to the Minister;
- Board Members will be reported to the Chairperson of the IDC Board and the Minister
- CEO will be communicated to and managed by the Chairperson of the Board

- CFO, CRO, Group Company Secretariat, General Counsel or any Divisional Executive, the CEO will be notified, who will inform the Chairperson of the Board.
- Head of Internal Audit both the CEO and the Chairperson of the Board Audit Committee should be notified and will be responsible for approving such investigation as well appointing a suitable external forensic service provider; and
- All other allegations pertaining to IDC employees, business partners or associates, service providers, consultant, vendors, contractors, and any other stakeholder or interested party including their employees must be reported to the Head: Internal Audit. Both the CEO and General Counsel must be notified and approve such reported incidents prior to the investigation being commenced with. All allegations reported to IAD will be logged on to the forensic request platform for approval by the CEO, General Counsel and CRO.

Investigation procedures

Investigative activities may include but not limited to preliminary investigations, the collection of direct, physical and circumstantial evidence and analysis of documentary, video, audio, photographic, electronic information or any other related material, interview of witnesses, observation by investigators and any other investigative techniques as necessary to conduct the investigation.

Once an investigation is concluded a final report with findings, recommendations on corrective and preventative actions will be issued to the authority concerned and presented to EXCO (Policy) and to the Board Audit Committee as well as any other relevant party.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the IDC from civil liability.

The investigating members will be granted free and unrestricted access to all IDC records and premises, whether owned or rented as well as the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

Post investigation and reporting

If an incident of financial crime has taken place, the findings and recommended actions will be communicated to the relevant stakeholders, retaining the necessary level of confidentiality and within the confines of the PFMA, PCCA and PDA. This may include the applicable Executive Committee members, the Board Audit and Board Risk Committees, and parties as required in the PFMA. Furthermore, the IDC may consider:

- Disciplinary enquiry of any stakeholder if evidence supports such action and in line with the IDC Disciplinary Code;
- Report the person(s) who committed financial crime to relevant law enforcement agency and the implementation of recovery procedures, criminal or civil, in order to recover losses suffered by the IDC;
- The listing of entities and individual(s) who have committed financial crimes against the IDC on the internal IDC delinquent register to prevent any future business relationship with the Corporation;
- Enhancement of internal controls that failed, if any, to detect and prevent the financial crime from occurring;
  and
- Advise any other party or agency who have a legitimate right to such information, or such information is required by law.

Alignment of the policy to other IDC policies or procedures

This policy, to an extent, is aligned and can be read together with the following IDC policies, frameworks and/or procedures:

- Code of Ethics and Business Conduct;
- Anti-Money Laundering and Terrorist Financing Control Policy;
- Enterprise Risk Management Framework and Policy;
- Industrial Relations and Work rule; and
- Policy relating to the Delinquent register.