INDUSTRIAL DEVELOPMENT CORPORATION
OF SOUTH AFRICA LTD

Corporate Plan

2020/21 – 2022/23

OFFICIAL SIGN-OFF

MINISTER'S FOREWORD

The Public Finance Management Act requires that every public entity prepares a Strategic Plan setting out the overall strategy for the 5-year period covering the state's Medium-term Strategic Framework (MTSF). Every year, an Annual Performance Plan (APP) is prepared, which converts the overall strategy to key annual targets. These documents are then provided for approval to the Executive Authority and budgets are aligned to these plans.

The **Industrial Development Corporation of South Africa** has prepared its **Corporate Plan 2020/21-2022/23**, which I now submit to Parliament, as required by the legislation.

This is the first **Corporate Plan** prepared in the 6th Administration by the **IDC**. I have requested that all entity Strategic Plans and Annual Performance Plans be aligned to the MTSF, which incorporates the work to develop and implement National Sector Masterplans, as well as the trade reforms, investment and transformation work of the Department.

Once the revised MTSF has been signed off, we will review the Strategic Plan and Annual Performance Plan of the entity and align it accordingly. The Strategic Plan and Annual Performance Plan may further need to be aligned to Government's response to the COVID-19 pandemic, both during the period of the national disaster declared by President Ramaphosa, and thereafter as we adapt to the new economic reality. Should adjustments be made, a revised Plan will be submitted to Parliament.

EBRAHIM PATEL

MINISTER RESPONSIBLE FOR TRADE, INDUSTRY AND COMPETITION

Date: …………………………

BOARD CHAIRPERSON AND CHIEF EXECUTIVE COMMENTARY

It is hereby certified that this is the Corporate Plan for the Industrial Development Corporation (IDC) of South Africa Limited for the period 1st April 2020 to 31st March 2023. The Plan was developed by management of the IDC under guidance of the Accounting Authority – the Board of Directors and the Executive Authority, Honourable Minister Ebrahim Patel.

IDC remains committed to fulfilling its industrial development mandate and this Corporate Plan highlights how the Corporation will enhance sustainable industrial development and economic inclusion for the three-year period of 2020/21 – 2022/23.

As this Corporate Plan was being finalised for submission, both the IDC Board and the Shareholder Representative engaged in consultations, and hereby wish to express collectively their acknowledgement of significant events in the Corporation's operating environment. The events referred to are significant in terms of potential impact on the Corporation's capacity going forward to deliver on this Plan. Some of the notable events include, amongst others:

i. The continuing downward pressure on the economy as evident in the reported technical recession;
ii. The unfortunate outbreak of the coronavirus (COVID-19);
iii. The dramatic fall and volatility in stock market prices, including counters that IDC has a significant exposure to; and
iv. Global Brent Crude oil price that has fallen to a 10-year low.

These factors will undoubtedly weigh down on general economic recovery and more so in other specific sectors.

These developments have significant implications in the planning assumptions that inform this Corporate Plan and therefore both the Board and the Shareholder Representative agree that the Corporate Plan is submitted with the understanding that:

- The Plan will be a subject of review and refinement over the next three (3) months, in order to adequately consider the significant factors highlighted above;
- The Board and Shareholder Representative remain expressly committed to the prudent management of the Corporation's balance sheet, and, that it be managed to stay within the prudential policy thresholds;
- The funding sources of the Corporation which is made up of (i) internal cash flow (dividends and collections), (ii) partial disposal of listed shares, and (iii) borrowings, will be managed to maintain the Long - Term Sustainability of the IDC;
- The IDC has made a strategic commitment to increasingly play a role in leveraging and facilitating capital investment flows from various other development funds sources;
- Investments facilitated and disbursed going forward will be made up of (i) IDC's own balance sheet capital, (ii) concessionary development funds that are managed on an Agency Programme basis and (iii) private sector investments facilitated/arranged (syndicated) by the IDC.

Necessary adjustments will be made to this Corporate Plan at the end of the first quarter of FY2020/21 after considering the changes to the operating environment. In addition, the updated Plan will provide details in respect of how the IDC will support key developmental policy interventions of government such as the implementation of:

a. Sector Master Plans;

b. the African Continental Free Trade Agreement;
c. the South African Investment Conference; and
d. other government initiatives that seek to increase investment activity into the economy aligned to IDC mandate.

Mr TP Nchocho

Chief Executive Officer – IDC

Signature: ……………………………………….

Date: ………………………….

Ms Busisiwe Mabuza

Board Chairperson – IDC

Signature: ……………………………………….

Date: ………………………….

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Part I:
Summary and Corporate Identity

1. EXECUTIVE SUMMARY

1) IDC Mandate

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 target 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.

2) Historical Context

The IDC, particularly in the last five years, adopted a proactive investment approach (Project Evolve) through targeting priority value chains and sectors for increased industrial impact. In this regard, several achievements have been recorded:

- Substantial increase in IDC's funding approvals from R11.5 bn in 2015, peaking at R16.7 bn in 2018, with 63% towards the priority value chains and sectors;
- Funding investments resulted in 96 662 jobs to be created/saved;
- The Corporation also recorded substantial funding support to targeted groups (Black Industrialists: R24,9 bn, youth: R5,96 bn and women entrepreneurs: R11,5 bn respectively); and
- Significant investments such as BAIC vehicle assembly and contribution to the Renewable Energy IPP Programme.

However, due to a protracted challenging economic environment, which started in December 2013, IDC has had to play a countercyclical role in line with what is expected of DFIs in such conditions with ca 13% of IDC's funding approvals for distressed clients, mainly in mining and metals, CTFLs, Agro-processing) – sectors hardest hit by the economic downturn. As a result of the unfavourable environment, portfolio risks and countercyclical investment key financial metrics of the IDC trending in a negative direction.

3) Strategic Review

With South Africa's GDP growing at only 1.5% average per annum from 2011 to 2018, versus the NDP's goal of 5.4% and an unemployment rate of 29.1% versus the NDP's goal of 14% by 2030 - the imperative for "an IDC that continues to fulfil its mandate" remains relevant. Growth is likely to remain subdued in the short to medium term, with real GDP projected to expand, on average, by only 1.7% per year over the outlook period (IDC Base Case).

The Corporation conducted a strategic review during calendar 2019 which highlighted:

- Linked to the increased level of approvals, there has been a bias towards short-term objectives at the expense of long-term project development;
- Increasing levels of disbursements putting a strain on the balance sheet, with non-performing loans and impairments trending in the negative;
- Due to the poor operating environment, high-risk investments and largely passive portfolio management, IDC is increasingly migrating to a higher risk portfolio; and
- Internal weaknesses such as a sub-optimal organisational culture affecting productivity and pockets of poor client-service.

Although the growth outlook for the world economy has improved to some extent, substantial downside risks exist, such as the coronavirus and difficult global trading conditions. Additional domestic constraints include ongoing load-shedding and the abrupt decline in the value of IDC's listed portfolio.

Therefore, while IDC has moderated direct disbursements there will be a concerted effort to increase investment through financing partnerships, increased leveraged finance and activities to promote industrial capacity development.

3) Revised strategy and priorities

These aforementioned internal and external factors presented a compelling case for IDC to refocus its strategy, business model and strategic priorities, in a manner that will increase its development effectiveness whilst at the same time ensuring the long-term sustainability of the Corporation. An important focus for the Corporation will be to enhance the quality of its portfolio, by ensuring funding approvals that balance development effectiveness and risk sharing and by addressing challenges in the existing portfolio including subsidiaries and key investments.

The strategic priorities and the interventions to achieve them are encapsulated in this Corporate Plan and summarised on the next page. These are all aimed at ensuring that, going forward, the IDC invests for sustainable industrial development and economic inclusion.

4) What success will look like

In line with the approach outlined above, this Corporate Plan is premised on lower direct funding levels compared to the previous year's, envisaging approvals of R37.9 bn (base), with a corresponding R30.7 bn disbursements over the next 3 years. In addition, IDC plans to facilitate off balance sheet funding investments of R20.7 billion and to ramp up its support of developmental activities in support of government priorities.

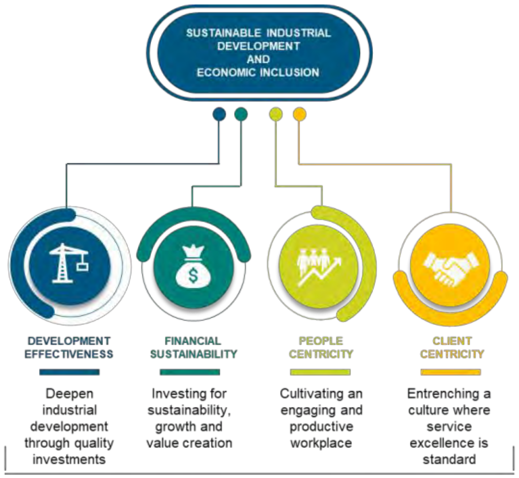
Envisaged development impact includes:

- Creating 76 500 jobs over the next 3 years.
- Industry and project development, with at least R1.2 bn expected to be invested over the next 3 years.
- Shifting towards more labour-intensive sectors, Agro-processing and agriculture.
- Exploiting opportunities in infrastructure and energy, linked to the implementation of the country's infrastructure programme and recently approved Integrated Resource Plan.

The IDC journey ahead remains ambitious and bold, focused on sectors that exhibit the highest potential for industrial development and economic inclusion; and an IDC that is sustainable over the long-term.

CORPORATE PLAN 2020/21 – 2022/23

SUSTAINABLE INDUSTRIAL DEVELOPMENT AND ECONOMIC INCLUSION



CRITICAL SUCCESS FACTORS

- **Stakeholder alignment – between the Shareholder, Board, Management and Staff in respect of the strategic direction of the organisation;**
- **A step-change improvement in strategy execution – through project development, portfolio value creation and the introduction of requisite organisational capabilities; and**
- **Disciplined financial and risk management – through sound investment practices and funding norms in order to preserve the long-term sustainability of the IDC.**

STRATEGIC PRIORITIES

Strategic Priority 1	Deepen industrial development through quality investments
Development Effectiveness	Key Interventions: 1. **Industrial policy alignment and strengthen value chain development** with a dedicated **focus on projects** 2. Modernisation of or building **new industries, and investment in 4IR** 3. Increased support **to targeted entrepreneurs and small business offering** 4. A more **focused Africa Strategy, partnering** with other funders to improve development effectiveness 5. Enhanced **market coverage capability**

Strategic Priority 2	Investing for sustainability, growth and value creation
Financial Sustainability	Key Interventions: 1. Maintaining a prudent and **sustainable investment activity** levels 2. Facilitating **off-balance sheet investment** – capital raising, syndication and third party managed funds 3. Reviewing credit and investment norms to **improve quality and impact of transactions** 4. Growth through a **differentiated portfolio management** approach, **enhanced collections, turnaround subsidiaries/significant investments** and **exit management**

Strategic Priority 4	Entrench a culture where service excellence is standard
Client Centricity	Key Interventions: 1. Enhancing **customer service standards/ethos** and drive **accountability** 2. Shifting from a transactional to a partnership (relational) service model and implementing a **differentiated Client Service Model** 3. **Optimising processes** and systems with reduced touchpoints 4. Establishing a **Complaints Resolution System and Capacity**

Strategic Priority 3	Cultivating an engaging and productive workplace
People Centricity	Key Interventions: 1. Ensuring **stakeholder alignment**, **leadership effectiveness** and **culture transformation** 2. **Restoring trust** by better engaging our staff, integrating organised labour and resolving legacy issues 3. **Building capacity** through talent management, employment equity and diversity, succession planning and training 4. **Enhancing productivity** by revising systems and procedures and performance management systems

KEY RISKS

DEVELOPMENT EFFECTIVENESS

- Unfavourable macro-economic conditions
- Shortage of electricity supply

FINANCIAL SUSTAINABILITY

- Non-performance of significant investments
- Sector concentration and volatility in listed share portfolio

PEOPLE AND CLIENTS

- Inability to maintain a high-performance culture
- Ensuring superior clients service

OUR IMPACT (NEXT 3 YEARS)

TOTAL FUNDING TO BE DISBURSED	EXTERNAL FUNDING RAISED/LEVERAGED	JOBS EXPECTED TO BE CREATED OR SAVED	FUNDING TO TARGETED GROUPS	% OF TARGETTED GROUPS IN THE PORTFOLIO	GROWTH IN RESERVES AND RETAINED INCOME	CLIENT EXPERIENCE (NPS)	CULTURE ENTROPY (SCORE)
R30.7bn	R20.7bn	76 500	R15.8bn	54%	3.1%	54	30

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), New Growth Path (NGP), National Infrastructure Plan (NIP), Industrial Policy Action Plan (IPAP) and Agricultural Policy Action Plan (APAP). 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

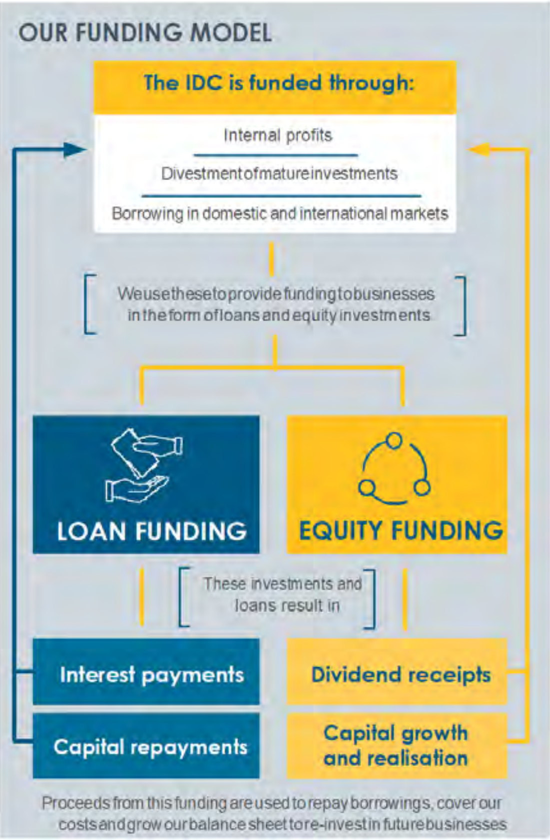
Grow sustainable industries, support entrepreneurs, improve lives

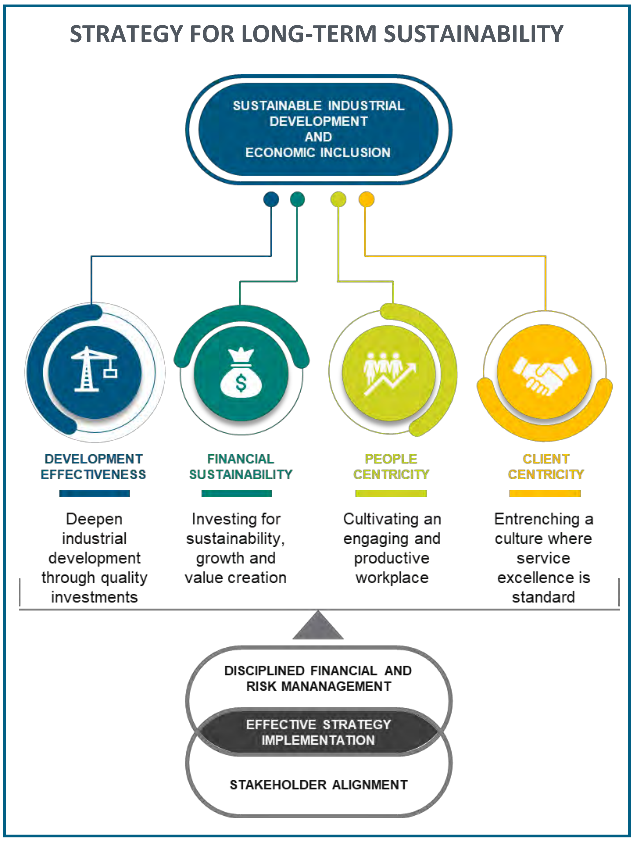
VISION

Create globally competitive industries realising Africa's potential

VALUES

Passion
Partnership
Professionalism





[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

Figure 3 below shows the IDC Group structure in so far as its operational subsidiaries with assets exceeding R250 million. This is in accordance with the IDC's its materiality level.

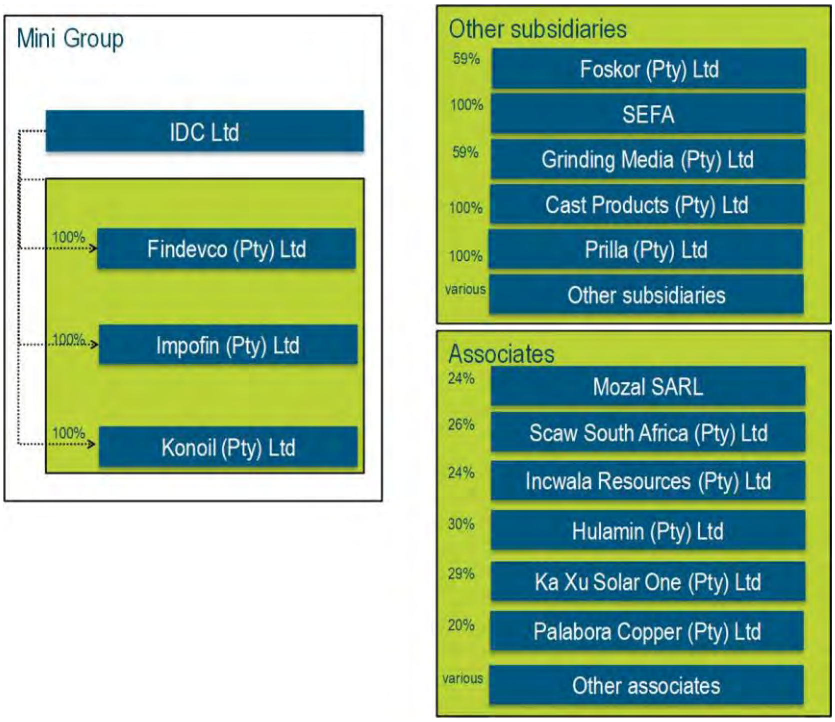


Figure 3: IDC Group structure

2.2. Revised business model and funding activities

To improve alignment of the Corporation's activities to the revised strategy, it became important to revise the business model and institutional capabilities of the IDC. The IDC's new value proposition includes providing seamless and custom-made access to finance, whilst also offering project development services. Different from the past, the business model requires the adoption of a differentiated approach to small, medium and large businesses, as opposed to a "one size fits all" approach. Technology and more simplified and streamlined processes will be introduced since different types of relations will be maintained through differing channels.

To improve its development effectiveness, the Corporation will henceforth position itself as a partner for growth whose delivery model is relational vis-à-vis transactional with its business partners. IDC will enhance the role it plays in development activities such as the industry masterplan process in partnership with government and key industrial stakeholders and partnering with other funding partners to facilitate investment additional to capital from the IDC balance sheet. An important focus for the Corporation will be to enhance the quality of its portfolio, by ensuring funding approvals that balance development effectiveness and risk sharing and by addressing challenges in the existing portfolio including subsidiaries and key investments. An organisational re-alignment process will ensure that organisational capabilities such as industry master planning, business development, business advisory, stakeholder management, funds management, syndication, portfolio management, products and customer relationship management be enhanced. Material enhancements to the business model are further reflected in Figure 4 below.

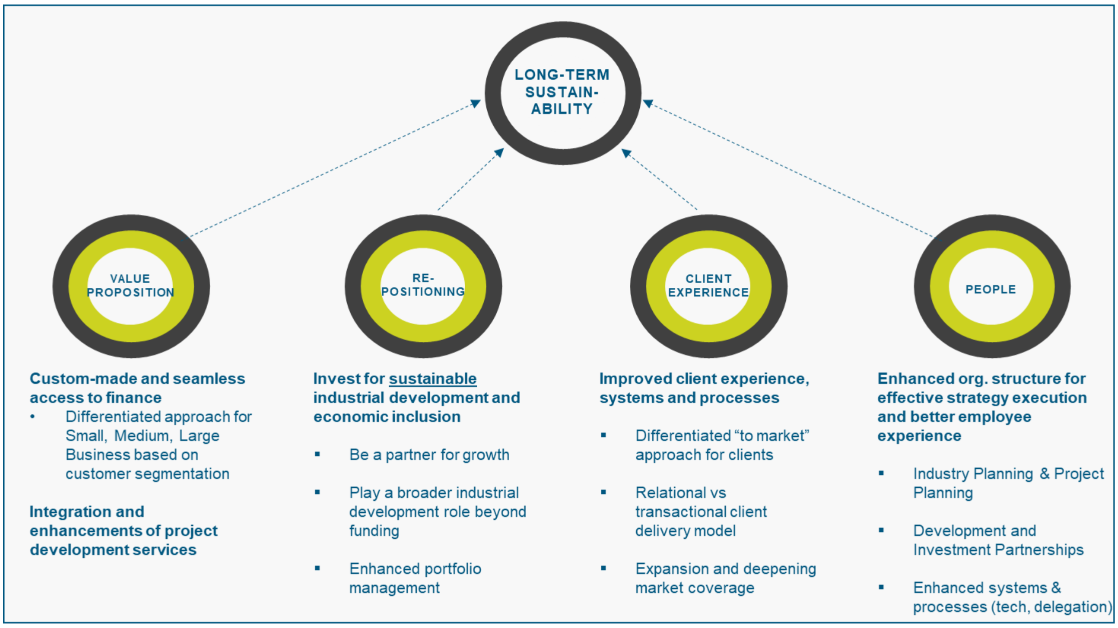


Figure 4: Key tenets of the revised business model

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. These 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 addressing gaps in the market.

As previously outlined, the 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 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.

Activities	Customers	Business lifecycle	Sectoral involvement	Funding products	Regional involvement
• 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 • Government • Other DFIs	• Conceptual • Pre-feasibility • Feasibility • Product commercialisation • Establishment • Expansion • Mature • Distressed business	• Metal beneficiation and mining • Agro-processing and agriculture • Upstream and downstream chemicals • Clothing and textiles • Tourism, ICT and media • Other manufacturing industries including heavy manufacturing • Industrial infrastructure • New industries	• 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

Table 1: IDC's business and funding activities

Part II:
Strategic Context

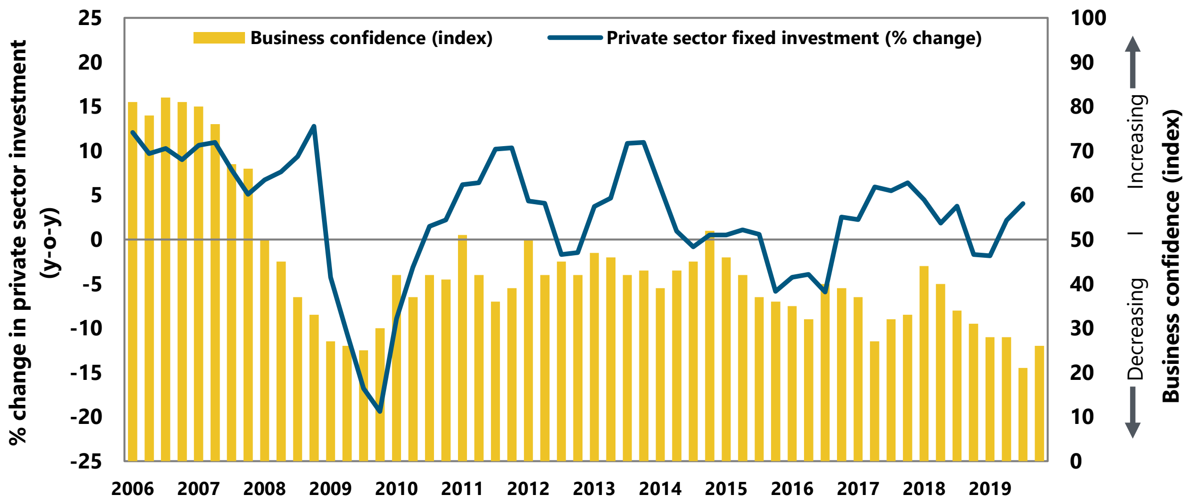
3. OPERATING ENVIRONMENT

3.1. External Environment

3.1.1. Economic Analysis

The South African economy has been experiencing the longest downturn in the business cycle on record, which started in December 2013. Subdued economic growth was recorded in the first three quarters of the 2019 calendar year, with gross domestic product (GDP) contracting in both the first and the third quarters of the year on a quarter-on-quarter, seasonally adjusted and annualised basis. In the face of weak demand conditions, economic activity has been lacklustre across all broad sectors of the economy.

Real GDP is estimated to have expanded by only 0.3% in 2019 (IDC estimate). Low consumer, business and investor confidence persist (see Figure 5), largely due to depressed domestic demand, policy uncertainty, infrastructure/energy-related challenges, worsening of South Africa's financial metrics and a more challenging global trading environment. Output levels in the mining and manufacturing sectors were affected by weak demand, rising input costs and operational challenges, while prolonged interruptions in energy supply at the start of 2019, as well as towards the end of the year, impacted adversely on these sectors' performances. The impact of load-shedding was felt across all segments of the economy, with wide-ranging implications for production, trading and investment activity.



Source: IDC, compiled using SARB, BER data

Figure 5: Growth in private sector fixed investment and business confidence (quarterly)

With South Africa's unemployment rate at an alarming 29.1% in the 4th quarter of 2019, translating to 6.73 million people without a job (Stats SA, 2019), sustainable job creation will remain a core focus of the IDC. Numerous businesses, including IDC's business partners continue to struggle in this environment.

3.1.2. Economic Forecast

Business and consumer confidence remained at very low levels throughout 2019, while the leading business cycle indicator of the South African Reserve Bank has also been pointing to sustained weakness in the domestic economy in the near future. Challenging conditions globally exacerbate the situation, at least in the shorter term, due to their impact on South Africa's export performance, import penetration, inward foreign direct investment, as well as portfolio capital flows, among other factors. Such developments do not bode well for a swift recovery of the South African economy.

Real GDP is projected to expand, on average, by 1.7% per year over the outlook period 2020 to 2024 (IDC Base Case forecasts – see Table 2 and refer to Annexure B). Although growth is likely to remain quite subdued earlier in the period, it should garner momentum towards the latter part of the forecast horizon, projected at 2% and above in 2023 and 2024. The anticipated progressive recovery in household consumption spending and in private sector fixed investment, alongside stronger export growth, should underpin the gradually faster pace of economic expansion.

The consumer environment is expected to remain challenging earlier in the outlook period. Subdued growth prospects, modest increases in disposable incomes, yet high household debt levels and an uncertain employment outlook will continue to affect overall consumer spending. However, as economic conditions start improving and confidence levels progressively recover, household spending should pick up some momentum, particularly towards the latter part of the forecast period.

Business and investor confidence should improve gradually on the back of structural reforms and initiatives led by government, including major reforms at key state-owned enterprises. As business confidence improves, fixed investment spending by the private sector is expected to increase at a faster pace. However, financial constraints will limit capital spending by general government and key state-owned enterprises for most of the forecast horizon.

South Africa's export performance is anticipated to improve to some extent, particularly on the back of market development opportunities in the Sub-Saharan Africa region and supported by relatively competitive exchange rates for the Rand.

Variable (% change or % of GDP)	2015	2016	2017	2018	2019e	2020f	2021f	2022f	2023f	2024f
Real GDP growth and its components:										
Household consumption expenditure	1.9	0.6	2.1	1.8	1.1	1.2	1.5	1.9	2.4	2.4
Government consumption expenditure	-0.8	2.2	0.2	1.9	1.5	0.5	0.7	1.1	1.4	1.9
Gross fixed capital formation (GFCF)	2.5	-3.5	1.0	-1.4	-0.1	0.6	1.8	2.5	2.8	3.0
Exports	2.9	0.4	-0.7	2.6	-2.3	1.9	2.3	2.4	2.6	2.5
Imports	5.4	-3.9	1.0	3.3	0.4	1.5	2.3	3.0	3.5	3.5
GDP	**1.2**	**0.4**	**1.4**	**0.8**	**0.3**	**1.2**	**1.4**	**1.7**	**2.0**	**2.1**
Consumer price inflation	4.6	6.3	5.3	4.6	4.2	4.8	4.6	4.5	4.5	4.3
Current account balance (% of GDP)	-4.6	-2.9	-2.5	-3.5	-3.6	-3.7	-3.5	-3.4	-3.5	-3.0
GFCF as % of GDP	20.3	19.4	18.8	18.2	17.9	17.4	17.5	17.6	17.7	17.7

Source: South African Reserve Bank for historical data; IDC forecasts

Table 2: IDC forecasts of key performance indicators for the South African economy

Refer to Annexure A for a more detailed analysis that covers the global and regional dynamics. The Corporation has also considered several scenarios, and these are discussed in Annexure B.

3.2. Internal Environment

Internally, and as depicted in Table 3 below, the Corporation is set to face strong headwinds as well as opportunities during the planning period. 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.

<table>
<tr><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
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Proactive strategy to effect industrial and developmental impact
Knowledge and networks
Strong reputation with funders/sources of capital
Industry research capacity and capability
Strong corporate governance
Reputation as an effective organisation
Financial capital base remains strong and will continue to be managed prudently
Targeted funds and schemes

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Balance sheet strength being challenged after almost a decade of countercyclical activity
Impairments ratio high given the impact of IFRS 9
Portfolio concentration in resource-based sectors and single counters
Quantum of high-risk clients in portfolio and difficulty turning around underperforming subsidiaries and significant investments
Largest portion of income from small number of investments
Gearing increasing, impacting on ability to raise further debt
Inadequate integration of regional value chains

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<tr><th>OPPORTUNITIES</th><th>THREATS</th></tr>
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Shift in geopolitical environment with potential to disrupt global trade & investment flows
Counter-cyclical investment to improve competitiveness
Export market penetration due to currency weakness
Closer cooperation with other DFIs, SOCs and other economic development entities
Greater role for Black Industrialists, Youth and Women
New industries and technologies e.g. 4IR
Investment in the Continent could unlock regional value chains to the benefit of SA industries.
Strengthen management in subsidiaries
Leverage on SA investment drive, industry masterplans, Jobs Summit, Infrastructure Fund as part of the stimulus package
Enhance project development capacity
Enhance systems and processes to boost effectiveness and efficiencies
Continuous improvement of the IDC Culture

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Existing clients facing difficult trading conditions
Available subsidy from legacy investments being spread across higher approvals, potentially negatively affecting pricing.
Potential decline in the probability of new projects materialising
Rising unemployment rate means IDC needs to further increase its impact
Adoption of IFRS 9 holds potential adverse impact on the ability to raise funding
Further downgrade in credit ratings will increase the cost funding
4IR challenging existing business models
The threat presented to the country and IDC's investments due to unreliable electricity supply thus impacting on development agenda

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Table 3: Strengths, Weaknesses, Opportunities and Threats

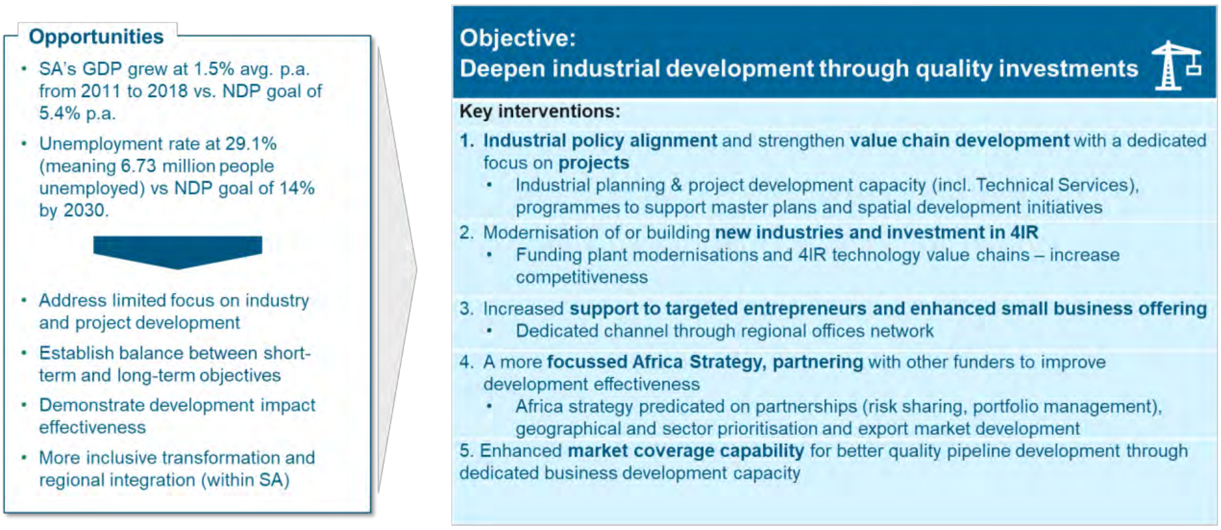
Part III:
Strategic Priorities

4. STRATEGIC PRIORITIES: 2020/21 – 2022/23

Analysis of the IDC's operating environment informs a revised strategy centred on investing for sustainable industrial development and economic inclusion. To this end, the Corporation will focus on four strategic priorities during the period of 2020/21 – 2022/23, namely Development Effectiveness, Financial Sustainability, People Centricity and Customer Centricity with clearly defined action plans, unpacked below. IDC will also continue to work closely with key stakeholders and forge strategic partnerships with the likes of fellow DFIs, State Owned Entities and various government departments.

4.1. Strategic Priority 1: Development Effectiveness

The current economic environment necessitates a balance between short-term and long-term investments for recovery and subsequently much needed economic growth. The Corporation will therefore place greater emphasis on proactive industry development in partnership with other critical stakeholders and deepen industrial development through quality investments, meaning the quality of its deals and in the quality of its projects pipeline and greater leveraging of financing partnerships.



To achieve greater development effectiveness, the IDC will focus on:

Industrial policy alignment and strengthening value chain development

- Establish dedicated, sufficiently capacitated, Industrial Planning and Programmes capabilities
- Development of IDC Industry Roadmaps with clearly defined Industry Development Goals (IDGs)
- Participation in the development of Industry Master Plans
- Develop specific programmes to support Masterplans and Industry roadmaps
- Support for spatial development initiatives e.g. SEZs

Increased focus on project development

- Establish dedicated, sufficiently capacitated, project development capability
- Increasing/driving project development pipeline
- Improve management and monitoring of the project development processes to improve throughput

Focussed Africa Strategy to develop opportunities on the rest of the continent

- Targeted investments that support IDGs or derive significant benefit for SA
- Target specific countries and sectors to unlock trade and export opportunities and assist SA industries in pursuing market development opportunities
- Building partnerships for investment, export market development and portfolio monitoring to allow for market expansion, risk sharing and mitigation, leveraging IDC funds and project development

- Prioritise infrastructure development and support to local businesses, in order to achieve the ACFTA's stated intent of increased trade amongst African countries

Modernisation of industries and building new industries, including utilising 4IR technologies

- Funding for plant modernisation and other interventions that will improve industry competitiveness
- Funding businesses operating in 4IR technology value chains

Enhanced offering to increase the development and effectiveness of small businesses

- Establish dedicated channel for small industrial financing through our regional offices network
- Leverage off large projects to facilitate and grow SMEs (via SME-Connect), especially in IDC funded projects. The goal of SME-connect is primarily to maximise development of localised to projects and larger transactions that IDC funds. The sectors covered by these initiatives will not necessarily be limited to sectors covered during the normal course of IDC's business.

Partnering with other funders to improve outcomes

- Focus on syndication of funding for large projects to reduce IDC's direct exposure
- Increase levels of external funds being managed to reduce IDC's cost of funding and increase leverage
- Increased investment in 3rd party funds where aligned with other strategies (e.g. Industry Masterplan, Africa Strategy, SME-Connect) to improve reach and focus

Improve market coverage and quality project and deals pipeline to migrate to a lower risk portfolio

- Dedicated Business Development Managers in business units to guide clients through the process and improve market coverage
- Establish dedicated, sufficiently capacitated, Technical Services unit to manage transaction and project implementation risks
- Establish client relations management capacity across the Operations divisions

4.1.1. SECTOR FOCUS

In terms of the IDC's sector focus, the sectors chosen during Evolve remain relevant (see Table 4 below), however, proactive activity will not be confined to certain value chains. As the IDC continues to support Government's development drive, the newly established Industry and Project Development capability will be tasked with prioritising sectors and projects. The IDC's revised business model calls for a forward-looking approach to all sectors, evaluating the potential for transformation by new technologies, processes, market dynamics, climate change and other environmental factors. Industry Roadmaps will consider the development of value chains including support for related and supporting industries and activities.

In order to help stimulate economic growth, infrastructure and energy will be key areas of focus in the short-to-medium. These efforts are linked to the implementation of the country's infrastructure programme and recently approved Integrated Resource Plan (IRP). Agro-processing and agriculture will also be prioritised given its employment creation potential, with linkages to rural areas further enhancing its attractiveness.

▪ Agriculture, forestry and fishing and Agro-processing activities ▪ Involvement in primary agriculture: ▪ Agro-processing: all subsectors supported	Y
▪ Mining and primary metals beneficiation – strong linkages with downstream industries	Y
▪ Machinery and equipment	Y
▪ Motor vehicles and other transport equipment	Y
▪ Oil and gas extraction, storage and distribution	Y
▪ Industrial minerals, basic chemicals and chemical products	Y
▪ Pharmaceuticals, medical devices, and healthcare	Y
▪ Textiles, clothing, leather and footwear	Y
▪ Rubber, glass and other non-metallic mineral products	Y
▪ Wood products and paper products	Y

▪ Any other manufacturing industries	Y
▪ Energy generation and distribution	Y
▪ Water and logistics infrastructure	Y
▪ Tourist accommodation and facilities	Y
ICT services, business process outsourcing and telecommunications infrastructure	Y
▪ Film and TV production and other media industries	Y
▪ Construction • Ensure that the country retains the capacity to undertake large-scale construction projects, meet the economy's future growth needs, as well as exporting construction services.	Y
▪ Wholesale or retail trade	N
▪ Financial services	N
▪ Other Business services	N
▪ Personal services	N
▪ Smaller scale construction	N
▪ Other services industries	N
▪ Industries excluded in terms of Responsible Investment Policy or other policies	N

Table 4: Sector focus

4.1.2. Economic Inclusion

Advancing inclusive transformation remains an integral component of the IDC's strategy. This means that while the Corporation is focused on sustainable industrial development, it must do so in a manner that increases inclusivity.

Figure 6: Historical Performance on Transformation

The IDC has, since 2014, recorded positive transformation results (see Figure 6) through continued support for the inclusion of black South Africans, ensuring that black industrialists, youth and women entrepreneurs participate gainfully in industrial activity. In 2015 the Shareholder Representative established five-year targets (ending March 2020) for the IDC for funding for Black Industrials (R23 billion), women- and youth-empowered enterprises (R4.5 billion each). The IDC has already exceeded the targets for women- and youth-empowered enterprises, with R9.5 billion and R5.1 billion approved respectively. Funding approvals for black industrialists are also set to be achieved and exceeded (based on year to date figures for the 2020 financial year).

Looking ahead, the IDC will continue to increase the active participation of black industrialists, women and the youth in the economy. This will be done through the provision of funding and by linking these businesses to large projects that the IDC co-funds. Targets set for the planning period are aligned to these efforts (refer to Section 6).

4.2. Strategic Priority 2: Financial Sustainability

Whilst the Corporation will be focussed on ensuring it achieves developmental effectiveness, the IDC's mandate requires it to do so in a financial sustainable manner. Years of countercyclical investment activity amid a depressed economic environment has resulted in a downward trend of various financial risk parameters of the Corporation. This was compounded by poor credit quality causing a migration of the IDC's overall portfolio to be concentrated on high risk clients; worsened by the large impairment charges in the wake of the substantially poor performance of subsidiaries such as Foskor and Scaw. An important focus for the Corporation will be to enhance the quality of its portfolio, and address challenges in the existing portfolio including in subsidiaries and key investments.

A financially sustainable IDC is crucial for it to continue fulfilling its mandate; therefore, this Corporate Plan includes measures to improve the financial trajectory of the Corporation through the following interventions:

Opportunities

- More Sustainable Levels of Investment Activity
- Need to arrest and manage down impairments
- Reverse Loss Ratios: NPLs; ECL ; FV Adjustments
- Need for improved portfolio performance
- Turnaround performance of Subsidiaries & Significant Investments

Objectives:
Investing for sustainability, growth and value creation;
Effective risk management

Key interventions:

1. Maintaining a **prudent and sustainable level of investment activity**
   - Work towards sound capital structure
2. Facilitating co-financing, risk sharing and **off-balance sheet investment** – capital raising, syndication and third party managed funds
   - Establish dedicated capacity
3. Review and discipline in the application of credit and investment norms to **improve quality and impact of transactions**
   - Risk appetite according to size and type of business, revised pricing approach
4. Investments growth through a **differentiated portfolio management** approach, enhanced **collections**, **turnaround subsidiaries/significant investments** and improved **exit management**

To ensure financial sustainability, the IDC will focus on:

Maintaining sustainable/ optimum investment activity levels

- Establish investment guidelines governed by key prudential limits on the capital structure, Debt Service Coverage Ratio, collateral and financial risks metrics
- Determine the optimal investment activity levels
- Target and implement strategies to ensure a sound capital structure for the Corporation

Facilitating off-balance sheet investment – capital raising, syndication, third party managed funds

- Establish a dedicated, sufficiently capacitated unit to source leveraging opportunities and to manage third party funds
- Syndicate transactions to ensure that IDC shares its risk exposure with other funders
- Raising off-balance sheet funding, investing it on transactions that the IDC has arranged
- Recognising IDC's efforts in leveraging investments

Reviewing credit and investment norms to improve quality and impact of transactions - migrate to a lower risk portfolio

- Risk appetite will be according to size of business (SME, Non-SME), stage of the business and risk rating of the business
- Discipline in applying funding norms and allocation of related risk budgets to SBUs, with the aim to migrate to a lower risk portfolio
- Revising pricing approach to enable the organisation's strategic objectives
- Allocation of risk budgets to the business units

Value growth through a differentiated portfolio management approach and turning around of subsidiaries/significant investments

- "Private Equity" approach to managing equity investments – focus on value creation
- Debt approach to enhance repayments from our loan book and ensuring improved monitoring for early warning signs for early interventions
- Address "Top 20" Impairments and NPLs (Business support and turnaround solutions with clearly defined exit strategies where relevant)
- Enhance the exit strategy within the portfolio to ensure quicker action where the investment is unlikely to be financially sustainable
- Segmentation of the portfolio with unique strategies for management of each
- Capacity building, systems and performance management
- Dedicated associates with industry experience and expertise and limit number of clients
- Focus on driving growth for our business partners through board engagements, influencing strategy and holding management accountable for the performance of the business partners
- Focus on industry development
- Revised/targeted approach for strategic and non-strategic investments
- Development of an endowment portfolio

The Corporation also remains highly exposed to volatile resource stocks with a high concentration on a few counterparties, thus increasing the unpredictability of its balance sheet structure and dividend income. In response, IDC needs to improve its diversification to ensure steady and predictable dividend income generation.

4.2.1. Effective performance management of subsidiaries

Material subsidiaries are crucial for the implementation of IDC's sector development strategies. In this regard individual plans for each subsidiary are being developed and internal processes and structures being improved. More specific details regarding the strategies and performance of subsidiaries are discussed below, but in the main, the performance of subsidiaries is being enhanced through:

- Closer oversight and monitoring to unlock value and achieve the required return on investment;
- Focusing on Value Creation for the Subsidiaries and ensuring that investee companies implement their strategies and growth strategies
- Crafting and implementing sound turnaround strategies where necessary;
- Making input into and ensuring alignment of subsidiary strategies with those of the IDC;
- Where necessary, availing IDC resources and services such as financial management, internal audit and risk management;
- Formally reviewing management and board performance with appropriate interventions; and
- Ensuring that where it is not possible to turn businesses around, the Corporation makes quicker decisions on the way forward to avoid further losses.

FOSKOR (PTY) LTD

IDC established Foskor in 1951 and currently owns 59% of the company, with 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 c.a. 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 loss-making for several years and technical problems at the Richards Bay plant continue to have a negative impact on Foskor's cashflows, exacerbated by volatile market conditions. Over the last five years the IDC has disbursed R3.67 billion in support of turnaround efforts and operational improvements. By March 2019, revenue from Foskor dropped by 8% from the previous year to R5.4 billion. This was mainly driven by the reduction in production volumes due to a strike and a fatality resulting in a plant shutdown during the year.

Given its importance in terms of economic activity in areas where it operates, various turnaround strategies have been proposed, with some having been implemented, but have not yet started yielding the intended results.

In March 2019, an interim board was appointed which then appointed an interim CEO in July 2019. The purpose of the interim board and CEO is to propose a long-term strategy for Foskor. The interim board and CEO of Foskor will present a long-term strategy for Foskor to the IDC before March 2020. The IDC board has during this period decided to start the process of introducing a Strategic Equity Partner ("SEP") for Foskor. It is expected that the outcome of the interim board and CEO of Foskor's proposal, as well as the decision of the IDC board, will complement each other in moving the company forward.

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. sefa is a wholly owned subsidiary of the Industrial Development Corporation of South Africa Limited (IDC) and reports to the Minister of Small Business Development, its Executive Authority.

In August 2019, a new board of sefa was appointed. The board's focus is to turnaround sefa and to ensure that it implements the goals and strategies of its shareholder ministry (Ministry of Small Business) as well as those of its shareholder the IDC. The new board has been working closely with both the ministry and the shareholder and have produced a strategy that has a key focus on financial sustainability. The board's focus for the new year will be on ensuring that the executive management team at sefa is fully staffed and that the company's performance is improved, particularly with regards to financial sustainability.

Thelo Rolling Stock Leasing (Pty) Ltd (Thelo)

The IDC has a 50% shareholding in Thelo, a company that owns rolling stock i.e. locomotives, wagons and rail cars and leases them out to other rail operators. Thelo commenced business in 2012 and its formation was in response to the increasing need for reliable rolling stock in the Sub-Saharan region of Africa. The company fills this market-gap by offering financing solutions, thus alleviating constraints faced by rail operators (private and public) and freight owners (such as mining houses, agricultural and oil companies) in securing/allocating scarce financial resources to procure rolling stock. Thelo has experienced growth challenges over the past 7 years. It currently has three active contracts from which it can service IDC's loans, however the company's balance sheet remains weak. Thelo and the IDC are therefore exploring options to further unlock value in the company and restructure the balance sheet, to take advantage of any potential demand for rail infrastructure in the continent.

The Board and management teams continue to develop and implement a turnaround strategy for Thelo, focusing their efforts on business development in the rest of the African continent as well as in South Africa.

During 2019, Thelo forged some business partnerships to look at rail sector opportunities coming out of the rest of the continent.

Prilla 2000 (Pty) Ltd (Prilla)

Prilla is a 100% cotton spinning mill which 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.

Poor financial performance continued in 2019 with negative results worsening when compared to previous years, when Prilla was profitable. The decrease in profits was due to one of Prilla's largest customers, Glodina being out of business, with business to recommence during the 2020 financial year. Prilla has however been able to secure additional customers to counter the loss of revenue, with a financial turnaround expected in between 2020-2021.

Cast Products South Africa (Pty) Ltd (CPSA)

CPSA started operating as a standalone business on 1 March 2018 following the corporatisation of Scaw. The process saw Scaw being divided into three separate companies, with Cast Products being one of these. IDC owned 100% of CPSA after the carveout until the introduction of Amsted Rail Incorporation ("Amsted") a strategic equity partner during 2019. Amsted commenced with the implementation of turnaround initiatives in April 2019 when it took over the management of CPSA. This was followed by Amsted's acquisition of a minority stake of 15% in CPSA effective from 1 September 2019. Amsted has an option to increase its shareholding in CPSA to 49% based on milestones achieved on the turnaround.

The company is a leading manufacturer of specialised cast metal products used in the mining, railway, power, and general engineering industries and makes up an important part of South Africa's industrial capacity in the metals and engineering value chain. It produces sophisticated steel and complex low alloy steel, manganese steel, ductile iron and high chromium iron castings, ranging from 50k to 30 tonnes in finished weight.

Grinding Media South Africa (Pty) Ltd ("GMSA")

Grinding Media is one of the companies that was formed following the corporatisation of Scaw. The company produces grinding media, heat treated metal balls used to grind ore and other minerals in various minerals processing and the power generation industry. IDC retained 59% ownership in the company, with the balance held by a BEE partner (26%), and a strategic equity partner (15%).

The Scaw corporatisation process was completed during the 2018/19 financial year, with the Cast South Africa (Cast SA) and Grinding Media South Africa (GMSA) divisions having been carved out into separate entities, and strategic equity partners introduced to provide the necessary financial and technical support to the respective divisions. The IDC successfully introduced Magotteaux International S.A. as a Strategic Equity Partner (SEP) in GMSA on 1 August 2018. Magotteaux took over management and an initial shareholding of 15% with an option to increase the shareholding to 51% within four years from 1 August 2018 dependent on certain milestones being reached. IDC's shareholding was diluted to 59% with BEE shareholding at 26%. Magotteaux have started implementing initiatives to improve performance of Grinding Media including assessment of regional expansion into West Africa.

Given the current economic climate, low levels of mining production as well as fierce competition from imports, other interventions are being implemented, namely:

- Introduction of best practices at the High Chromium plant;
- Implementation of an induction furnace (eliminating the use of electrodes); and
- Introduction of best practices at the forge plant.

These initiatives are expected to result in cost savings of R190 million per annum once fully implemented in the 2020/21 financial year.

4.3. Strategic Priority 3: People Centricity

It is recognised that the success of the IDC is dependent on the ability of its people to execute its mandate and strategy. For the planning period and beyond, the Corporation will focus on creating an environment where its employees are engaged, committed and passionate about the revised purpose and strategy. To this end, several actions have been identified to enhance this strategic priority:

Opportunities

- Improve alignment: Shareholder, Board, Management and Staff
- Lower entropy that has regressed from 30% in 2015 to 33% in 2018
- Greater leadership effectiveness
- Enhance alignment, synergies and collaboration between Ops and Support
- Improve target-setting

Objective:
Cultivating an engaging and productive workplace

Key interventions:

1. Ensuring **stakeholder alignment**, **leadership effectiveness**, **accountability** and **culture transformation**
   - Strategic alignment (shareholder, board, management, staff) through agreed plan with Board leading engagement with Shareholder on the sustainability imperatives of the Corporation
   - Accountability through clear roles and responsibilities – revised delegation matrix
2. **Restoring trust** by better engaging our staff, integrating organised labour and resolving legacy issues
3. **Building capacity** through talent management, employment equity and diversity, succession planning and training
4. **Enhancing productivity** by revising systems and procedures and performance management systems

To ensure that the IDC cultivate an engaging and productive workplace, focus will be on:

Organisational re-alignment

- Implement a revised organisational design to support the new operating model
- Continue with the roll out of change management, supportive of the new organisational design

Drive the Leadership and Culture Transformation Journeys

- Continue with the roll out of the Corporation's leadership journey and focus on mentorship programmes
- Implement Culture Transformation Plans

Roll out employee engagement programmes

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

Integration of organised labour processes

- Union recognition is underway, and the relations are being cordially maintained. IDC will work with the union to achieve a better work environment for all staff through constructive engagement.

Requisite improvements to Performance Management

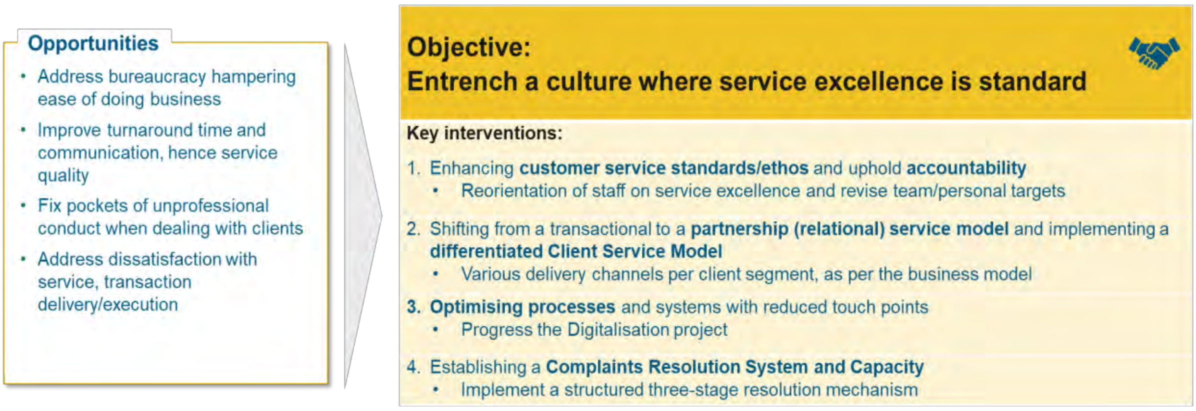
- Overhaul internal systems and procedures including the performance management system aimed at improving strategy execution, engagement and productivity
- Improve target-setting and performance accountability

Drive employment equity and diversity, succession planning and capacity building

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

4.4. Strategic Priority 4: Customer Centricity

The strategy review exercise highlighted that insufficient attention has been given to the area of client service. Pockets of poor client service have manifested in various parts of the Corporation, which requires immediate attention and the IDC wishes to engender a client-centric ethos. Key implementation areas for this Corporate Plan will be to continue nurturing a client-centric culture and ensuring systems and processes are efficient and effective and meet the needs of our clients. In this regard, the IDC has identified several actions to revamp its client service model:



To entrench a culture where service excellence is standard, the IDC will focus on:

Customer Services Standards

- Enhance customer service standards as they relate to Systems and Processes across the Corporation
- Revise Corporate, team and individual targets to ensure client service is cascaded throughout the IDC

Decision Process Accountability

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

Revamped and Differentiated Client Service Model

- Use the various delivery channels per client segment, as defined in the revised business model – small, medium, large
- Provide regular tailor-made customer service and ethics training for all employees
- Revamp the Service Charter, display in meeting rooms and communicate to all staff
- Create Customer Relationship Management (CRM) and Business Development capacities within the Operations divisions

Complaints Resolution System

- Develop and implement a policy and process for complaints resolution

Optimized Systems and Processes

- Develop and optimise Processes for Small and Larger transactions
- Review and improve IT systems to support the Deal Development Process

Customer segmentation

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

Part IV:
Strategic Outcomes

5. FINANCIAL PLAN

5.1. Capital Allocation

Over the next 3 years of the Corporate Plan, IDC plans to facilitate funding approvals totalling R37.9 billion (base) and R43.6 billion (target). The capital allocation has been adjusted in line with the IDC's levels of disbursements, taking into consideration IDC's development mandate while acknowledging the need for disciplined financial and risk management to improve the quality of transactions and to build a sustainable portfolio.

The Corporation will place greater emphasis on developing a quality deals and projects' pipeline, in its effort to migrate the current portfolio (skewed towards high risk) to one that is of an acceptable risk profile.

A breakdown of the capital allocation per Strategic Business Unit (SBU) is provided in the table below.

Division	SBU	Base Scenario	Target Scenario	Rest of Africa
		Three Years		
Mining, Metals & Infrastructure	Mining & Metals	5 580	6 417	1 201
	Infrastructure	5 927	6 816	1 534
	Energy	4 071	4 682	1 085
TOTAL		**15 578**	**17 915**	**3 819**
Manufacturing	Machinery, Equipment & Electronics	2 232	2 567	92
	Automotive & Transport	2 629	3 023	145
	Chemicals & Medical & Building Products	5 952	6 845	956
	Clothing, Textiles & Wood Products	1 445	1 662	-
TOTAL		**12 259**	**14 098**	**1 193**
Agri Industries, Services & Small Indistrial Finance	Agro-processing & Agriculture	4 804	5 525	650
	Tourism & Services	2 634	3 029	763
	Media & Audio Visual	1 176	1 353	-
	Small Industrial Finance	1 483	1 705	-
TOTAL		**10 097**	**11 612**	**1 413**
Total		***37 935***	***43 625***	***6 425***
	PROJECTS	1 226		17%

Table 5: Capital allocated by industry 2020/21 to 2022/23 (R'm)

In line with the Corporation's revised strategy of *sustainable industrial development and economic inclusion*:

- There is an increased focus on industry planning and project development, with at least 1.2 bn on expected to be expensed over the next 3 years.
- For the Continental Coverage strategy, the allocation for transactions and projects outside of South Africa is 17% of the total allocation.
- There is a renewed focus on support for small businesses, therefore the establishment of a ring-fenced small industrial financing business unit, which sees allocation significantly increasing in the latter years.
- The capital allocation also seeks to actively shift the IDC towards more labour-intensive sectors (Agro-processing and agriculture in particular). It also takes advantage of opportunities in the infrastructure and energy sector linked to the implementation of the country's infrastructure programme and recently approved Integrated Resource Plan. Therefore, infrastructure receives the highest allocation followed by mining and Agro-processing.

5.2. Financial Projections - IDC Mini-group

The financial projections consider the affordability of the IDC's planned activities without negating the expected delivery on its mandate. The budget is therefore based on an optimal level of investment while maintaining financial sustainability of R60 bn directly from the IDC's balance sheet over the next five years (base case).

Table 6: Financial Projections - IDC Mini-group

MiniGroup					
R million	**Estimate**				**Forecast**
Cash flows	**2019/2020**	**2020/2021**	**2021/2022**	**2022/2023**	**TOTAL 3years**
Advances (R'm)	12 817	8 424	9 098	13 193	30 715
Borrowings raised (R'm)	10 084	6 436	5 378	4 154	15 969
of which foreign borrowings	602	1 936	1 578	1 254	4 769
Proceeds from sale of shares	1 400	1 000	1 500	3 800	6 300
Balance sheet	**2019/2020**				**end-2022/23**
Financing at market values (R'm)	115 953	120 709	122 372	126 084	126 084
Borrowings (R'm)	42 660	43 326	43 772	45 151	45 151
Debt/equity (R'm)	55,0%	54,5%	54,6%	54,7%	54,7%
Impairments as % of SPPI at cost	29,5%	29,7%	29,9%	29,1%	29,1%
Impairments as % of portfolio at cost	31,0%	31,2%	31,4%	30,6%	30,6%
Total Assets	126 273	129 296	131 187	135 085	135 085
Income statement	**2019/2020**				**2020/21 to 2022/23**
Dividend income	3 837	3 783	4 143	4 478	12 404
Interest and fee income	5 054	4 955	5 517	5 754	16 226
Borrowing costs	2 990	3 235	3 280	3 534	10 048
Impairments and bad debt write-offs	4 013	2 076	1 723	1 557	5 356
Profit Before Tax	237	1 425	2 602	2 987	5 356
Net opertaing income before capital realisatio	133	938	1 836	2 139	4 913

The following observations should be noted:

- **Listed Share Prices:** The high level of concentration of the IDC book leaves it vulnerable to internationally determined commodity price movements.
- **Unlisted share valuations and impairments:** Expected credit losses continue to be the area of focus as the subdued economic conditions impact the performance of many companies.
- **Subsidiaries:** Although turnaround strategies are in progress, the profitability of subsidiaries is expected to remain challenged in the medium to long term, but loss positions will reduce over the planning period.
- **Interventions:** Focus to improve long-term financial sustainability of the IDC is unpacked in the previous sections, in the main requiring disciplined financial and risk management throughout the planning period.

5.3. 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 take into consideration the strength of the IDC's balance sheet as well as the IDC's 5-year forecast and the desired levels from a risk management perspective, and these are reflected in the table below. IDC frequently review and where necessary adjust the threshold/limits e.g. the impairment ratio was adjusted because of change to a more stringent reporting standard (IFRS 9), other metrices are currently under review.

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	<22% IFRS9
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%
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%
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	Current industry exposure plus capital allocation as a percentage of the total capital	No exposure to a single industry should exceed 25% of the IDC's total capital
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 1.654 billion

Table 7: IDC Core Risk Appetite Metrics

6. PERFORMANCE INDICATORS

IDC Targets 2021 to 2023

Leading (Short-term targets)

Strategic priority	Theme	Indicator	Measurement description	Weight (Leading /ST)		2021	2022	2023	Total 2021 to 2023
Development Effectiveness 35%	Funding and investment	Total value of investments	IDC own funding disbursed (R'm)	10%	Base Stretch	8 424 9 688	9 098 10 463	13 193 15 172	30 715 35 323
			Total funding disbursed from managed programmes, syndicated capital, and 3rd party funds and guarantees	5%	Base Stretch	3 983 5 000	4 934 8 652	6 716 9 700	15 633 25 352
			Managed programme funds disbursed (R'm)	-	Base Target	3 000 3 900	3 358 4 157	4 086 4 505	10 444 12 562
			Syndicated capital, 3rd party funds disbursed, and payment guarantees issued (R'm)	-	Base Stretch	983 1 100	1 576 4 495	2 630 5 195	5 189 10 790
			Capital committed to be mobilised from partners for approval of strategic and special purpose development programmes (R'm)[1]	-	Base Stretch	3 600 4 000	2 500 3 000	- -	5 100 6 000
			Total (IDC funds, leveraged capital and approvals of strategic partnership funds) (R'm)	-	Base Stretch	16 007 18 688	16 532 22 115	19 909 24 872	52 448 65 675
	Impact on unemployment	Expected direct jobs created/ saved	Expected direct jobs created/saved for funding approvals with agreements signed including jobs from approval of strategic partnership funds (Number)	5%	Base Stretch	23 800 28 200	25 300 31 700	27 400 36 000	76 500 95 900
		Growth in levels of jobs supported by IDC clients	Percentage change in the number of people employed at South African companies in IDC's portfolio (% change y-o-y)	5%	Base Stretch	Growth in IDC sectors Growth in IDC sectors + 5 percentage points			
	Transformation	Funding provided to targeted groups (black industrialists, women-entrepreneurs, youth-entrepreneurs)	Value of funding approved to IDC targeted groups with agreements signed (R'm)	5%	Base Stretch	4 990 5 738	5 319 6 117	5 525 6 354	15 833 18 208
			Value of funding approved to Black Industrialists with agreements signed (R'm)	-	Base Stretch	4 597 5 286	4 900 5 635	5 090 5 854	14 587 16 775
			Value of funding approved to women-entrepreneurs with agreements signed (R'm)	-	Base Stretch	1 410 1 733	1 532 1 835	1 619 1 862	4 561 5 430
			Value of funding approved to youth-entrepreneurs with agreements signed (R'm)	-	Base Stretch	721 1 049	765 1 112	809 1 129	2 296 3 291
			% of total number of clients in portfolio in targeted groups	5%	Base Stretch	50% 54%	52% 56%	54% 58%	
Financial Sustainability 40%	Sustainability and balance sheet strength	Group growth in reserves and retained income	Growth in reserves and retained income for the IDC group excl. impact of Sasol, BHP, and Kumba Iron Ore (5-year CAGR) (%)	5%	Base Stretch	-1.7% 1.3%	1.4% 4.4%	3.1% 6.1%	
	Profitability	Return on assets	Operating profit before tax / Average assets excl. impact of	10%	Base Stretch	-0.9% -0.4%	0.5% 1.0%	0.8% 1.3%	

[1] This is counted at approval of the programme and consists of new mandates to be raised in the first two years of the plan which in the outer years would be included in disbursements

Strategic priority	Theme	Indicator	Measurement description	Weight (Leading /ST)		2021	2022	2023	Total 2021 to 2023
			Sasol, BHP, and Kumba Iron Ore						
	Portfolio management and risk control	Portfolio performance	% of portfolio rated as low and medium risk	25%	Base Stretch	43% 45%	47% 51%	52% 57%	
Client Centricity 10%	Client service experience	Client service index	Composite index measuring movement in: • Customer satisfaction ratings at different touchpoints (70% weight) • Customer experience of turnaround times (30% weight) (index)	5%	Base Stretch	7.9 8.2	7.9 8.2	7.9 8.2	
		Client loyalty	Net promoter score	5%	Base Stretch	44 50	49 55	54 60	
People Centricity 15%	High performing IDC culture	People sustainability index (PSI)	Composite index measuring: • Talent retention (voluntary turnover rate of talent classified according to talent grids) (50% weight) • Leadership Index (360° leadership survey as measured against the 10 agreed leadership characteristics) (50% weight)	10%	Base Stretch	Turnover: 6.5% Survey: 3 Turnover: 5.0% Survey: 5	Turnover: 6.5% Survey: 3 Turnover: 5.0% Survey: 5	Turnover: 6.5% Survey: 3 Turnover: 5.0% Survey: 5	
		Culture entropy	Culture entropy score (indicator included when the score is measured)	5%	Base Stretch	- -	30% 25%	- -	
				100%					

Outcomes (Long-term targets)

Strategic priority	Theme	Indicator	Measurement description	Weight (Out-comes/ LT)		2021	2022	2023
Development Effectiveness 40%	Impact on unemployment	Growth in levels of jobs supported by IDC clients	Percentage change in the number of people employed at South African companies in IDC's portfolio (% change y-o-y)	10%	Base Stretch	Growth in IDC-covered sectors Growth in IDC-covered sectors + 5 percentage points		
	Development portfolio	Growth in the value of the investment portfolio	Growth in the value of the investment portfolio (excluding listed investments)	10%	Base Stretch	Inflation Inflation + 1 percentage point		
	Transformation	Funding provided to targeted groups (black industrialists, women-entrepreneurs, youth-entrepreneurs)	% of total number of clients in portfolio in targeted groups	20%	Base Stretch	50% 54%	52% 56%	54% 58%
Financial Sustainability 45%	Sustainability and balance sheet strength	Group growth in reserves and retained income	Growth in reserves and retained income for the IDC group excl. impact of Sasol, BHP, and Kumba Iron Ore (5-year CAGR) (%)	15%	Base Stretch	-1.7% 1.3%	1.4% 4.4%	3.1% 6.1%
	Portfolio management and risk control	Performance of significant subsidiaries (Foskor, Cast Products, Grinding Media)	Qualitative rating based on achievement of approved milestones	5%	Base Stretch	3 5	3 5	3 5
		Portfolio performance	% of portfolio rated as low and medium risk	20%	Base Stretch	43% 45%	47% 51%	52% 57%
Client Centricity 10%	Client service experience	Client loyalty	Net promoter score	10%	Base Stretch	44 50	49 55	54 60
People Centricity 10%	High performing IDC culture	Culture entropy	Culture entropy score (indicator included when the score is measured)	10%	Base Stretch	- -	30% 25%	- -
				100%				

Part V:
Supporting Material

Annexure A: Economic Analysis

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

Observations	Implications
Global economy: • The global economy experienced a synchronised slowdown in 2019, with advanced, emerging and developing economies generally recording a moderation in their growth performances. The International Monetary Fund (IMF) has estimated global growth at 2.9% in 2019 - the worst performance since 2009. • Underpinning the slowing momentum were the on-going trade tensions between the United States (US) and China, rising barriers to trade, increased geopolitical tension and risks in parts of the world, weakening domestic demand in many individual economies and, among other factors, structural constraints. • World trade volumes have been contracting and global industrial production has been expanding at a significantly weaker pace. • Relatively subdued inflationary pressures have provided room for accommodative monetary policy stances by central banks around the globe. The US Federal Reserve lowered its policy rate by 25 basis points each at its August, September and October 2019 meetings. The European Central Bank, which has limited room to utilise interest rates in support of growth, has announced the resumption of its quantitative easing programme for an indefinite period. • Adverse developments in the global trading and investment arenas have been impacting significantly on commodity markets. This has had negative consequences for commodity-exporting countries, many of them in Africa (including South Africa). However, the de-escalation in tensions between the US and China, specifically through the signing of the "phase one" agreement on trade in January 2020, has eased uncertainty globally to some extent. • Global growth is set to recover some momentum in 2020 and 2021, projected by IMF at 3.3% and 3.4%, respectively. • Market sentiment has improved on the back of emerging signs that the downturn in global trade and manufacturing production is bottoming out, continued monetary policy accommodation in major economies, the de-escalation of trade tensions between the US and China, and reduced fears of a no-deal Brexit (the UK formally withdrew from the European Union on 31 January 2020 and must negotiate a deal before year-end). • The emerging and developing economies as a group are expected to be key contributors to global growth, despite a further slowing of the Chinese economy in line with its structural transformation strategy. • The pace of expansion in advanced economies is anticipated to return to more normalised levels. While a slower rate of growth is projected for the United States (US), the Eurozone economy is expected to achieve a slightly better growth outcome in 2020.	• Although gradually higher growth is forecast for the world economy, the expansion momentum for some of South Africa's key trading partners is projected to decelerate, including China, the US and Japan. As their growth moderates, it will likely affect their import demand, with potentially adverse implications for South African exporters across a wide range of industries, from agriculture-based to mining (commodities) and manufacturing. • Tensions between the US and China in the trading and investment arenas will continue to affect trade flows and investor sentiment around the globe, in the process impacting negatively on production and investment activity and, consequently, on import demand and foreign direct investment (FDI) flows. • Global value chains are being affected by the on-going disruptions to world trade flows and investment activity, and evidence of trade diversion has been emerging. This is resulting in increased competition from foreign producers in traditional external markets for South African exports, as well as in the domestic market. • The ability of business enterprises to offset domestic demand weakness by expanding into global markets may be somewhat constrained in the current international environment, although select opportunities may emerge, especially in other African markets. • Heightened risk-aversion towards global equities, particularly emerging market stocks, may resurface from time to time, with the stop-go approach to the US-China trade talks not helping in this regard. Significant selloffs may occur as a result, affecting equity market performances around the globe, including the Johannesburg Stock Exchange. • Weaker fixed investment activity in China (the country with the highest investment spending in the world) may exert downward pressure on volume demand and prices in certain industrial commodity markets. This may have adverse implications for South Africa's mining and mineral producing enterprises, some of which are existing IDC business partners and represent significant shares of its listed investments' portfolio. • The easing of monetary policy across the world provides a window of opportunity for the Monetary Policy Committee of the South African

• Fixed investment activity globally is anticipated to remain around current levels through the outlook period, generally supporting sideways movements in industrial commodity markets. • In general, inflationary pressures are expected to remain muted internationally, with monetary policy actions largely oriented towards supporting growth, especially in advanced economies. • Financial market volatility is anticipated to remain elevated, especially in the shorter term, as investors continue to assess investment risks and opportunities considering monetary policy actions in advanced economies, as well as emerging market (EM) risks. • Heightened risk aversion due to continued uncertainty on various fronts should drive portfolio investments towards assets and/or jurisdictions perceived to be safer or less risky, affecting stock- and bond market performances. • The currencies of emerging markets with relatively weak macroeconomic fundamentals (e.g. high external debt levels, large current account imbalances and/or large fiscal deficits) may remain under pressure, at times potentially leading to contagion effects. • Investor sentiment could at times become unfavourable towards emerging markets (EM), thereby altering capital flows (including the carry trade), weakening EM currencies and potentially impacting on monetary policy stances. • Although the growth outlook for the world economy has improved to some extent, the risks are tilted to the downside, particularly the potential impact of the coronavirus spread, geopolitical tensions, social unrest in various parts of the globe, as well as a difficult global trading environment.	Reserve Bank to also lower the repo rate in support of the domestic economic recovery.
Regional economy: • The Sub-Saharan Africa (SSA) region is expected by the IMF to post a moderate acceleration of GDP growth to 3.5% both in 2020 and 2021, up from an estimated 3.3% in 2019. • Economic conditions will vary widely across the region, with countries that are less reliant on resources generally likely to record robust rates of expansion, whereas several commodity-exporting countries may continue facing significant constraints to growth. • Fixed investment activity in SSA is expected to remain relatively strong over the outlook period. Together with improving consumption spending in certain regions, this should underscore demand for imported goods, thereby providing market development opportunities for various export-oriented sectors of the South African economy, including input materials and services for infrastructure development, consumer goods, etc. • The implementation of the African Continental Free Trade Area (AfCFTA) should provide significant intra-African trade and investment opportunities 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/removed. • Heightened external debt vulnerabilities in several SSA economies remain a major source of concern. Volatility in global financial and commodity markets may also make the servicing of foreign debt more challenging.	• The moderately improved growth outlook for the Sub-Saharan Africa region should provide export market development and investment opportunities for South Africa's private sector. • The rest of the African continent has become the leading global destination for South African exports at the regional level, having claimed a 26.5% share of the overall merchandise export basket and 39% of total manufactured exports in 2019. • Some of South Africa's key export markets in the SSA region are expected to post significantly higher growth over the next couple of years, such as Botswana and Mozambique, thus enhancing market development potential for South African exporters. • The African Continental Free Trade Area (AfCFTA) is 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.

South African economy:

- The South African economy has been experiencing the longest downturn in the business cycle on record.
- Real GDP is estimated to have expanded by only 0.3% in 2019, with economic activity having been lacklustre across all broad sectors of the economy. The output of the manufacturing and mining sectors declined by 0.9% and 1.3%, respectively.
- Deteriorating domestic demand, policy uncertainty, infrastructure-related challenges (particularly in the energy sector, as evidenced by prolonged periods of load-shedding by Eskom), a substantial worsening of South Africa's fiscal metrics, and a more challenging global trading environment all contributed to low consumer, business and investor confidence and negatively affected the economy's performance in 2019.
- The economy's labour-absorption capacity has reduced over time, affected by competitiveness pressures; shortages of specific skills; technological developments and other factors leading to increased mechanisation; and, among others, labour market related matters. Structural unemployment is aggravating the cyclical employment challenge and the incidence of poverty.
- Consequently, the economy has been unable to provide sufficient jobs for all new entrants into the labour market. Approximately 108 000 jobs were lost over the year to the final quarter of 2019, taking the overall number of unemployed people to more than 6.7 million and the unemployment rate to 29.1%.
- Structural challenges and subdued demand conditions domestically, along with the anticipated moderation of economic growth in some of South Africa's key export markets are expected to weigh on the economy's performance in the shorter term.
- The consumer environment is expected to remain challenging earlier in the outlook period. Subdued growth prospects, modest increases in disposable incomes, yet high household debt levels and an uncertain employment outlook will continue to affect overall consumer spending. However, as economic conditions start improving and confidence levels progressively recover, household spending should pick up some momentum, particularly towards the latter part of the forecast period.
- Considering government's highly constrained financial space and its commitment to fiscal consolidation and debt stabilisation, growth in its consumption and capital spending is expected to be very low in real terms.
- A difficult trading and operating environment for many domestic business enterprises, characterised by generally weak demand conditions and, consequently, spare production capacity in many industries; rising operating costs; policy uncertainty in certain instances; and significant challenges/risks globally may continue to affect sentiment levels and fixed investment decisions in the private sector for some time.
- Investment activity by the public sector will, in turn, remain constrained by the financial and/or operational challenges faced by several key state-owned enterprises, thereby limiting their infrastructure development capacity.

- The relatively subdued outlook for the South African economy, especially over the shorter term, is of concern. The economic downturn has been very prolonged and the signs of recovery in domestic demand (which affects production activity, investment decisions and job creation) are still quite weak.
- Numerous business enterprises are struggling in such an environment, including several IDC business partners. Demand for distressed funding could rise, warranting caution in IDC's funding activities and pro-active measures to limit the potential negative consequences.
- Over the short-term, companies that rely on the investment cycle for product off-take may find it challenging to sustain sales to public sector entities in light of capex cut-backs.
- The private sector is facing its own challenges due to weak demand, spare production capacity and low confidence. Thus, companies in the construction sector and key supplier industries such as fabricated metal products, cement, concrete and bricks, machinery and equipment, as well as a whole range of services sectors (e.g. engineering services) may be adversely affected.
- Prolonged periods of load-shedding over the next 18 months, as recently announced by Eskom, will impact negatively on economic growth, particularly through its effects on production activity and business investment decisions. However, the fact that it is aimed at enhancing the maintenance of power stations is welcomed.
- Government's fiscal position has weakened considerably, while the financial standing of key state-owned enterprises (SOEs) has deteriorated. Consequently, both capital and operational spending by the public sector is expected to be constrained, with adverse implications for supplying industries and service providers. Nevertheless, a more focused and effective approach to localisation, alongside an efficient monitoring of product designations, would go a long way in stimulating economic activity.
- Growth prospects should, however, improve gradually on the back of structural reforms and initiatives led by government, including major reforms at key SOEs. Business, investor and consumer confidence should improve in the process, progressively translating into increased fixed investment activity. This should result in increased business development opportunities over time, such as those associated with:
  - The recently released master plans for the automotive sector; the poultry industry; and the clothing, textiles, leather and footwear industries; while others are forthcoming;
  - The recently gazetted *Integrated Resource Plan 2019*, which will open the way for considerable investments in renewable

- However, signs of improving business and investor confidence appear to be emerging as evidenced by the commitments made by both local and foreign entities at the second *South Africa Investment Conference* hosted by President Cyril Ramaphosa on 6 November 2019. Furthermore, the President also reiterated government's commitment to address key structural impediments to growth, and to create a more investor- and business-friendly economic environment.
- In his *State of the Nation Address* on 13 February 2020, President Ramaphosa emphasised the need to "fix the fundamentals'' and execute strategic plans. The President elaborated on action plans regarding the energy, water, telecommunications and specific industrial sectors, and emphasised the imperative of addressing youth unemployment and restoring fiscal sustainability.
- Continued growth in global import demand, albeit at a more moderate pace, should support South Africa's export performance (including mineral, agricultural and manufactured exports). However, trade tensions between the US and China as well as the European Union (EU) could still adversely affect world trade flows, while efforts by Chinese, US and EU producers to seek alternative markets, including South Africa, may aggravate the trading environment for local producers.
- The "phase one" agreement on trade recently entered into by the US and China was a step in the right direction.
- An undervalued Rand should support the price competitiveness of South African products in external and domestic markets, enhancing export performance and discouraging import competition in the local market.
- Despite relatively weak domestic demand, imports are expected to increase at a strong pace, for the South African economy is highly reliant on imported items such as crude oil, machinery and equipment, as well as parts and accessories for motor vehicles.
- Better than expected inflation outcomes, with headline inflation having averaged 4.1% in 2019 (the lowest since 2005), along with a relatively favourable inflation outlook, should provide room for the easing of monetary policy in 2020.
- Growth prospects for the South African economy are projected to show some recovery over the medium-term. Real GDP is forecast at 1.2% for 2020, with a gradually higher growth trajectory in subsequent years, potentially reaching 2.1% by 2024. However, such a pace of economic expansion will remain insufficient to meaningfully impact on the high levels of unemployment, poverty and inequality.

energy generation (particularly wind power) and related components' manufacturing, as well as the removal of limits on embedded generation
  - The pipeline of fixed investment projects announced at the *South Africa Investment Conference* hosted by President Ramaphosa in November 2019;
  - The imminent release of high-demand broadband spectrum, which will lower data costs, attract investment activity and open-up sector transformation opportunities; and
  - The public sector's localisation drive, including increased product designations and improved enforcement thereof.
- Higher rates of economic growth towards the latter part of the outlook period, accompanied by a revival in private sector business activity, should provide improved demand for IDC funding for greenfield investments.
- Given the currently weak conditions in the household and business sectors, it is unlikely that a lower interest rate environment will translate into significant increases in either consumer spending or fixed investment activity. Moreover, monetary policy alone is not sufficient to underpin a substantial recovery in the domestic economy.
- A concerted effort across all spheres of government along with fiscal, trade, investment, labour, as well as monetary policy, is required in a coherent, well-structured and implementable manner to address the key structural challenges facing the South African economy. Collectively, such actions could contribute to a significant and sustained rebound in fixed investment activity, a higher economic growth trajectory and, consequently, job creation.
- However, the modest outlook for economic growth domestically, alongside private sector trends towards more advanced and technology-driven production methods in order to retain global competitiveness, and skills shortages in various sectors are likely to constrain the economy's labour-absorption capacity.
- A concerted effort is, therefore, required to address the impediments to growth and job creation. The IDC will continue focusing on labour-intensive industries in its funding activities.

Annexure B: Scenarios

IDC BASE CASE SCENARIO

Key Assumptions		SA growth outcomes
Global economy	South African economy	• Real GDP projected to expand, on average, by 1.7% per year over the planning period 2020 – 2024; • Faster rates of expansion later in the period underpinned by improved confidence; recovery in household consumption; higher private sector fixed investment; stronger export growth.
• World growth as per IMF projections (ave. 3.5% p.a. 2020-2024); • Trade disputes between US and China / EU unresolved soon; • Highly accommodative monetary policy in advanced economies for some time, on the back of muted inflationary pressures.	• Low confidence levels in short-term, recovering progressively; • Gradual pace of structural reforms, greater policy certainty; • Relatively undervalued Rand, accommodative monetary policy on the back of improved inflation outlook; • Fiscal metrics worsen over the short- to medium-term; • SA's sovereign rating not downgraded by Moody's to a sub-investment level.	

ALTERNATIVE ECONOMIC SCENARIOS: HIGH ROAD AND LOW ROAD

For the planning period, the Corporation has also considered alternative economic scenarios. The downside risks to the growth outlook depicted in the IDC's Base Case forecasts for the South African economy are substantial. Domestically, downside risks could emanate from a possible downgrading, by Moody's, of South Africa's sovereign credit rating (foreign-currency denominated debt) to a sub-investment grade, which would affect the economy's performance through various transmission mechanisms; the resumption of prolonged load-shedding by Eskom, which would impact materially on economic activity, confidence levels and investment decisions; and, among others, significant delays in the structural reforms required to lift the economy's growth potential. Externally, the downside risks to the growth outlook could be associated with continued and/or intensified protectionist tendencies in the global trading arena; major geopolitical events; and a weaker than anticipated expansion trajectory for the world economy, among other factors. A more pronounced economic slowdown in China, for instance, could affect industrial commodity markets negatively, both in terms of volume demand and prices.

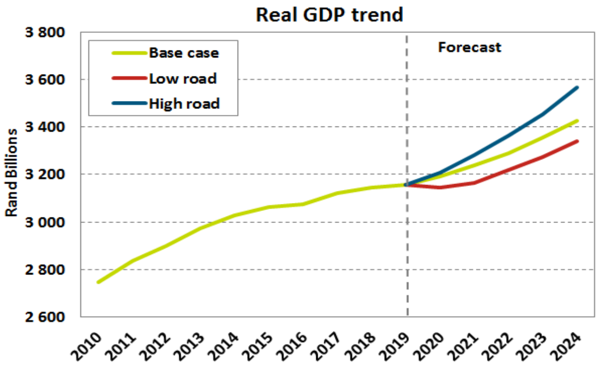
Conversely, the global economy's performance could improve significantly if the on-going efforts to resolve the trade disputes between the US and China as well as the EU prove successful. This would most likely result in higher trade flows and production activity globally, leading to increased investment spending, improved conditions in commodity markets and better stock-market performances based on expectations of higher economic growth in the years ahead. Such developments would have significantly positive implications for the South African economy.

Considering the above, the modelling of alternative economic growth scenarios was deemed appropriate for corporate planning purposes. Key assumptions were made regarding an adverse Low Road scenario, as well as for the possibility of a more favourable High Road scenario. The specific assumptions and outcomes of these scenarios are indicated below, with comparisons made to the IDC's Base Case forecasts previously discussed.

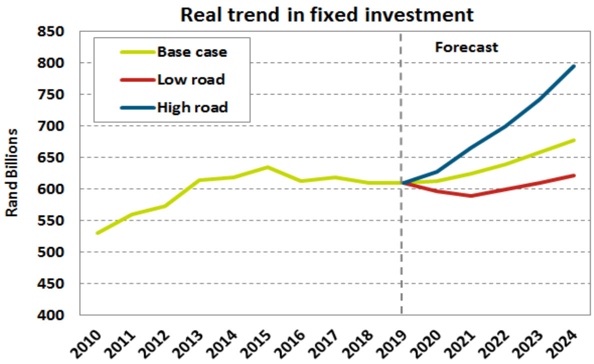
High Road Scenario	Low Road Scenario
• In the High Road scenario, the world economy's growth trajectory is assumed to be higher than currently anticipated, in the process creating increased export opportunities for South African businesses focusing on external markets, while also resulting in higher foreign direct investment (FDI) inflows. • Investment spending by local business enterprises is projected to increase significantly on the back of assumed higher policy certainty and improved coherence, as well as the roll-out of key structural reforms, which result in improved business and investor sentiment and better growth prospects. • Overall fixed investment spending, both by domestic enterprises and due to increased FDI consequently rises by a projected R580 billion (in nominal value terms), over and above the Base Case forecasts, during the period 2020 to 2024. This provides a substantial boost to economic growth and employment creation, among other benefits. • Underpinned by increased production and investment activity in the economy, employment levels are projected to rise significantly. On average, 372 000 new jobs may be created on an annual basis, compared to 240 000 jobs in the Base Case. • Consumer sentiment is assumed to improve, leading to higher household consumption spending and, therefore, providing further stimulus to overall economic growth. However, as inflation rises on the back of increased demand-pull pressures, it is assumed the South African Reserve Bank's Monetary Policy Committee (MPC) will tighten monetary policy, with some adverse impact on household spending. Moreover, households are assumed to continue focusing on restoring their financial health, thus resulting in a gradually lower household debt-to-income ratio. • Stronger global demand and some Rand weakness are assumed to underpin an improved export performance. However, considering the high import-intensity associated with investment activity in South Africa, demand for imports rises in line with the higher fixed investment spending. Nevertheless, enhanced localisation efforts and improved public sector procurement from domestic producers should result in some import replacement. The deficit on the current account of the balance of payments is, nonetheless, projected to widen. • On the inflation front, the anticipated Rand weakness and higher oil prices are among the supply-side factors contributing to higher inflation outcomes, especially over the shorter term. Moreover, as economic growth gains momentum, demand pull pressures on prices will also emerge. Consumer price inflation is projected to peak at 5.1% in 2020 but would subsequently subside gradually towards 4.5% by 2024. Consumer inflation is projected to average 4.9% per year over the outlook period in the High Road scenario, compared to 4.5% under the Base Case. • The Monetary Policy Committee would likely adopt a somewhat tighter interest rate policy stance, with the repo rate anticipated to be 50 basis points higher compared to	• The downside risks to South Africa's economic outlook are high and, therefore, it is important to assess the potential repercussions of adverse economic developments. • In the Low Road scenario, the assumptions regarding world growth were lowered to some extent relative to the IDC's Base Case forecasts. A more challenging global trading environment, characterised by a worsening of trade relations between the US and China as well as the European Union, alongside a no-deal Brexit, would impact negatively on South Africa's economic performance through various transmission mechanisms. • South Africa's sovereign credit ratings are assumed to be downgraded to sub-investment levels across the board, including ratings for local currency denominated debt, in this scenario. Due to the resulting exclusion of South African bonds from major global indices, large net capital outflows would ensue, leading to a sharp weakening of the Rand against major world currencies. Such developments would have adverse implications for domestic inflation and interest rates. • Confidence levels in the domestic economy are accordingly assumed to decline further and to remain very low for an extended period, leading to a substantial deterioration of domestic demand conditions and, consequently, resulting in lower production and investment activity. • Such developments would have serious consequences for the South African economy, with a mild recession projected for 2020 and a low-growth trajectory persisting over the remainder of the outlook period. • Private business enterprises would re-assess their investment plans in a very volatile, highly uncertain and weak-growth environment, whereas the public sector at large would generally cut back on capital expenditure as its financial situation deteriorates. • Weaker demand conditions would result in spare production capacity in most sectors of the economy, leading business enterprises to adopt cost-cutting measures to ensure financial sustainability or survival in difficult times. • Job creation would be adversely affected by lower production and investment activity, resulting in a rising unemployment rate over the outlook period and aggravating the country's socio-economic challenges. • Worsening economic conditions and employment prospects would force consumers to cut back on spending. With disposable incomes increasing at a very modest pace in real terms and debt-servicing costs rising on the back of higher interest rates, household budgets would be under increased strain, limiting the ability and willingness of households to spend. • Reduced global demand, affected by a worsening trade and investment environment, impact negatively on South Africa's export performance and, due to the trade diversion effects of increased protectionism,

the Base Case forecasts. In real terms, the repo rate would move closer to the 2%-mark, which is generally regarded as a neutral monetary policy stance. • In the High Road scenario, the South African economy is projected to achieve faster rates of growth, with GDP expanding, on average, by 2.5% per year over the period 2020 to 2024, compared to the Base Case forecast of 1.7% per year. Accordingly, by 2024, real GDP would be approximately R138 billion (or 4%) higher than in the Base Case forecasts. • Although the investment-to-GDP ratio rises to 20.2% by 2024, it would still fall short of the 30% level envisioned in the *National Development Plan: Vision 2030* (NDP).	should also result in higher import penetration in the local market. However, weak demand conditions domestically would limit South Africa's import demand. Although the deficit on the current account of the balance of payments is projected to improve in the Low Road scenario, relative to the Base Case, this would be due to adverse circumstances. • Triggered by the ratings' downgrades and the consequential large net outflows of financial capital, the Rand is projected to weaken sharply, leading to higher imported inflation. Consumer price inflation is anticipated to rise steeply towards a peak of almost 6% in the fourth quarter of 2020, and to average 5.4% per year over the outlook period. • Cognisant of the weak state of the domestic economy and the cost-push nature of rising inflation (which is largely out of the domain impacted by higher interest rates), it is assumed that the Monetary Policy Committee would raise the repo rate by 100 basis points to provide some support for the currency. • GDP is forecast to contract by 0.3% in 2020, with a modest rise to 1.9% by 2024. By the end of the outlook period, real GDP would be around R88 billion (or 2.6%) lower, compared to the IDC's Base Case forecasts.

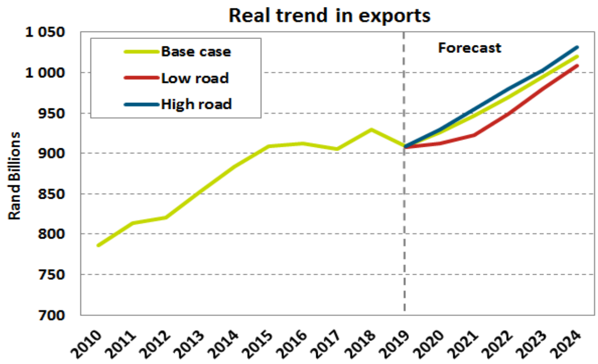
South Africa's projected economic performance under the High Road and Low Road scenarios compared to the IDC's Base Case forecasts



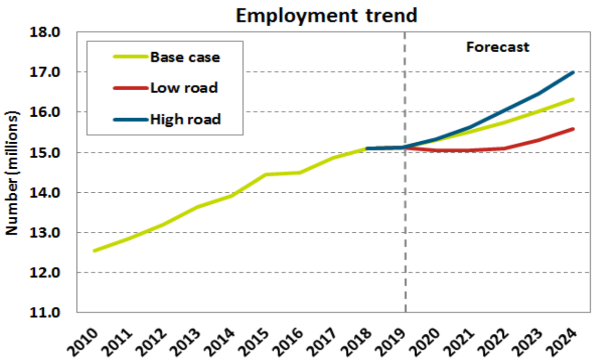
Source: IDC, compiled using SARB data, IDC forecasts



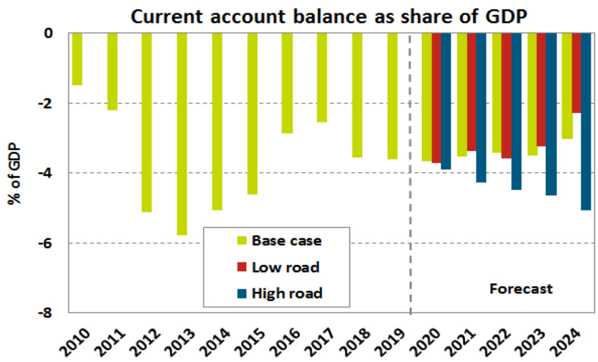
Source: IDC, compiled using SARB data, IDC forecasts



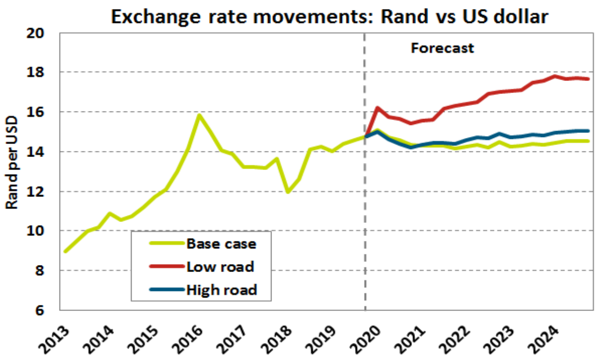
Source: IDC, compiled using SARB data, IDC forecasts



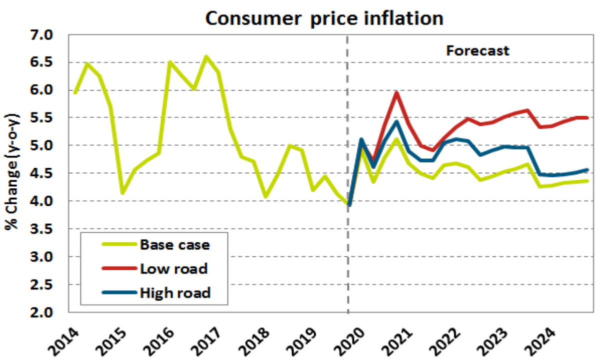
Source: IDC, compiled using SARB data, IDC forecasts



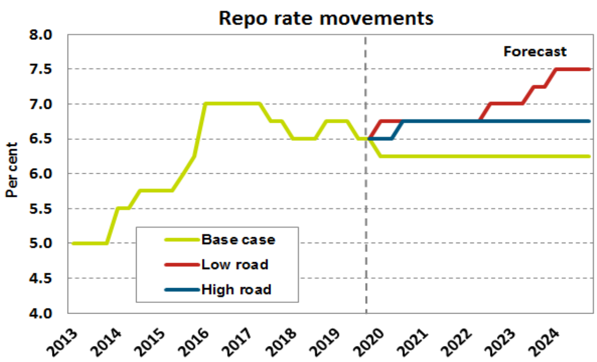
Source: IDC, compiled using SARB data, IDC forecasts



Source: IDC, compiled using SARB data, IDC forecasts



Source: IDC, compiled using SARB data, IDC forecasts



Source: IDC, compiled using SARB data, IDC forecasts

Annexure C: Balance Sheet Forecasts – IDC Group

ASSETS	**IDC GROUP (MINI & MAJOR SUBSIDIARIES)**					
Ordinary shares	19 540	20 411	23 044	25 176	27 499	30 042
Preference shares	8 495	9 198	9 302	10 845	12 458	14 208
Non-earning loans	9 559	9 860	10 047	10 574	11 255	11 657
Equity and shareholder loans	37 594	39 468	42 393	46 596	51 212	55 907
Loan finance	49 278	53 126	54 556	58 315	61 438	64 187
Local	39 327	47 204	49 248	52 449	54 697	56 636
Foreign	9 951	5 922	5 307	5 866	6 741	7 551
Provision for d/debts & impairments	-14 360	-15 346	-16 119	-17 078	-17 957	-18 814
Financing at book value	**72 512**	**77 248**	**80 829**	**87 832**	**94 693**	**101 280**
Fair value adjustment	39 458	40 013	38 349	35 572	35 481	34 081
FINANCING - EXTERNAL	23 773	22 244	23 408	24 276	24 748	25 676
Other assets	16 053	15 102	15 591	15 723	15 670	15 696
Money market investments	7 721	7 142	7 817	8 553	9 078	9 980
TOTAL ASSETS	**135 743**	**139 505**	**142 586**	**147 680**	**154 922**	**161 036**
BORROWINGS	42 660	43 326	43 772	45 151	46 832	48 709
Bank loans	7 900	7 900	6 872	5 765	7 230	11 239
Medium Term Notes	15 681	18 482	20 982	22 582	20 834	17 765
Unemployment Insurance Fund	1 597	1 597	1 597	1 597	1 597	597
PIC Green Bond	4 624	4 624	4 624	4 624	4 624	4 624
Third party funds & funds held in trust	4 177	4 177	4 177	4 177	4 177	4 177
Foreign currency - based	8 682	6 546	5 520	6 407	8 370	10 308
Deferred tax	4 740	5 133	5 899	6 067	6 712	6 212
Other liabilities	4 709	4 366	4 537	4 753	5 014	5 225
EXTERNAL FUNDING	52 109	52 824	54 207	55 971	58 558	60 146
Share capital	1 393	1 393	1 393	1 393	1 393	1 393
Reserves	82 241	85 287	86 985	90 316	94 971	99 497
SHAREHOLDER'S FUNDS	83 634	86 681	88 378	91 709	96 364	100 890
TOTAL FUNDS	**135 743**	**139 505**	**142 586**	**147 680**	**154 922**	**161 036**
DEBT / EQUITY RATIO	51,0%	50,0%	49,5%	49,2%	48,6%	48%

Annexure D: Income Statement Forecasts – IDC Group

	2020	2021	2022	2023	2024	2025
	IDC GROUP (MINI & SUBSIDIARIES)					
Financing income	16 796	19 715	21 618	23 487	25 347	27 138
Dividend income	3 837	3 783	4 143	4 478	4 854	5 528
Interest income	3 992	4 439	4 758	5 036	5 344	5 554
Other income	8 967	11 493	12 718	13 973	15 150	16 056
Money market investment income	557	118	276	218	234	194
Total Income	17 353	19 833	21 894	23 705	25 582	27 332
Borrowing costs	-3 157	-3 456	-3 460	-3 699	-3 835	-3 883
Net interest, dividends & fees	14 196	16 376	18 434	20 006	21 747	23 449
Administration costs	-11 166	-12 873	-13 882	-14 959	-16 152	-17 086
Operating expenses	-11 098	-12 802	-13 808	-14 881	-16 071	-17 001
Social and special enterprise cost	-68	-71	-74	-77	-81	-85
Project costs - general	-122	-129	-136	-142	-148	-155
Impairments and write offs	-2 577	-2 304	-1 918	-1 998	-1 824	-1 764
Impairments	-1 159	-1 324	-1 104	-1 263	-1 189	-1 173
Non-SPPI FV adj						
Bad debt write offs	-1 033	-219	-182	-164	-142	-132
NET OPERATING INCOME BEFORE TAX	331	1 070	2 499	2 907	3 623	4 444
Taxation on operating income	-115	-523	-823	-919	-1 075	-1 263
NET OPERATING INCOME AFTER TAX	216	547	1 676	1 989	2 549	3 181
NET INCOME BEFORE CAPITAL REALISATIONS	**216**	**547**	**1 676**	**1 989**	**2 549**	**3 181**
Net surplus/(deficit) on realisation of assets	-	-	-	-	-	-
NET INCOME AFTER NON- EQUITY CAPITAL REALISATIONS	**216**	**547**	**1 676**	**1 989**	**2 549**	**3 181**
Dividend paid	-	-	-	-	-	-
Profit from equity accounted investments	37	48	57	59	62	62
Grant Paid	-	-	-	-	-	-
Transfers received	1 096	1 517	1 261	1 270	1 280	1 290
Capital profits - equity	476	824	1 234	3 115	1 637	1 008
Fair Value Movements	-18 310	555	-1 664	-2 777	-91	-1 400
TOTAL COMPREHENSIVE INCOME	**-16 485**	**3 491**	**2 563**	**3 657**	**5 437**	**4 142**

Annexure E: Forecasted Funds Flow Statement – IDC Group

	2020	2021	2022	2023	2024	2025
	IDC GROUP (MINI & SUBSIDIARIES)					
Total Financing Advances	13 580	9 145	9 503	14 107	14 961	16 160
Advances: Equity	4 358	2 864	3 093	4 486	4 799	5 231
Advances: Loans	9 222	6 281	6 410	9 622	10 162	10 929
Borrowings repaid	8 082	6 609	5 919	4 074	7 189	8 745
Dividend paid	-	-	-	-	-	-
Tax paid	-219	650	1 013	1 488	1 336	1 467
OUTFLOW	**21 443**	**16 405**	**16 435,82**	**19 670**	**23 486**	**26 373**
Internal funds generated	5 816	5 077	7 303	9 229	11 177	13 110
Repayments received	5 439	5 959	6 571	7 405	8 254	9 745
Net income before tax	377	-882	732	1 824	2 923	3 365
External funds raised	11 242	9 413	8 096	7 339	10 817	12 756
Proceeds from sale of shares	1 400	1 030	1 663	3 793	2 000	1 400
INFLOW	**18 458**	**15 520**	**17 062**	**20 360**	**23 994**	**27 267**
NET (OUTFLOW)/INFLOW	**-2 985**	**-885**	**626**	**690**	**509**	**894**

Annexure F: Borrowing Programme

Debt Funding Sources (R'million)	Actual YTD (31 Jan 2020)	Budgeted Borrowings for FY 2021 (Base)
Domestic borrowings	**6,582**	**11,100**
Public bonds	3,842	6,900
Bank loans	2,740	2,000
Private placements bonds		2,200
Foreign borrowings	**574**	**3,900**
DFI's/ Multilateral agencies	574	2900
Bank loans and other	-	1000
Total borrowings	**7,156**	**15,000**

Annexure G: IDC Board of Directors

Name	**BA Mabuza** (Chairperson)	**TP Nchocho** (Managing Director)	**LI Bethlehem**	**PM Mthethwa**	**ND Orleyn**
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**	**A Kriel**	**RM Godsell**	**NP Nxasana**
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 H: 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 as per 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 I: Executive Management

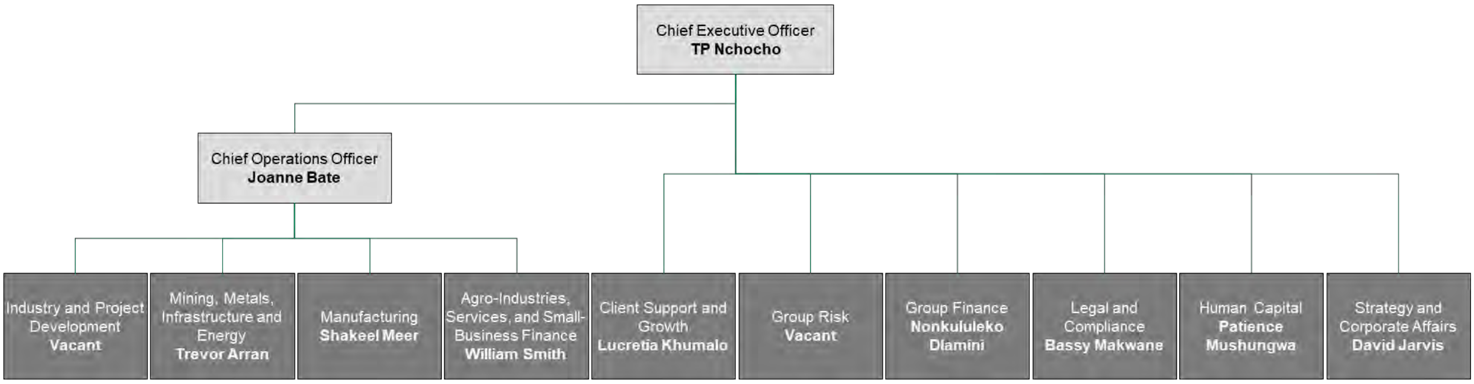


Figure 7: Organisational Structure

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)

N Dlamini: Chief Financial Officer
BCom (Acct)(WITS), Higher Diploma in Accounting (UKZN), CA (SA)
Joined the IDC and was appointed to executive management in 2015.
(Gender: Female; 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

Vacant: Chief Risk Officer
Position advertised

T Arran: Divisional Executive – Mining, Metals, Infrastructure and Energy
BSc (Geol); BSc (Hons) (Econ Geol), Advanced Management Programme (GIBS/UP), Certificate in International Capital Markets (UK Securities Institute), Diploma in Project Management (SPM)
Joined the IDC and was appointed to Executive Management in 2019.
(Gender: Male; Race: Indian)

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)

P Makwane: General Counsel and Divisional Executive – Legal and Compliance
B Juris, LLB (Western Cape)
Joined the IDC in 2002 and was appointed to Executive Management in 2009.
(Gender: Male; Race: African)

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)

Annexure J: 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. As such, the Board has reviewed IDC's dividend policy and has decided that it will not be declaring a dividend until the situation 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 K: 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.

For purposes of reporting in terms of these two sections, however, in practice the IDC reports on transactions above R250 million.

Annexure L: 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	Localisation, Black industrialist, Women and Youth entrepreneurs' strategy	Inadequate contribution towards localisation and insufficient participation by Black industrialist, Women and Youth entrepreneurs in the economy
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		
12	High performance culture	Inability to maintain a high-performance culture due to insufficient capacity and skill to deliver on the IDC mandate
13	IT and cyber security	The risk of unauthorised access to electronic information could lead to information being compromised
14	Governance, ethical conduct and behaviour	The risk of internal/external financial crime including unethical business practices and behaviour due to failure in governance processes
15	Legal and regulatory compliance	Risk of IDC and business partners not meeting their legal/contractual and regulatory requirements
16	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		
17	***Funding risk***	***Inability to raise the desired amount of capital to fund transactions and investments***
18	***Risk appetite framework and funding norms***	***Non-adherence to risk appetite framework and funding norms negatively impacting the quality of the book***
19	***Customer service***	***Ensuring superior customer service without compromising the quality of transactions***
20	***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 (except for the emerging risks), 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.

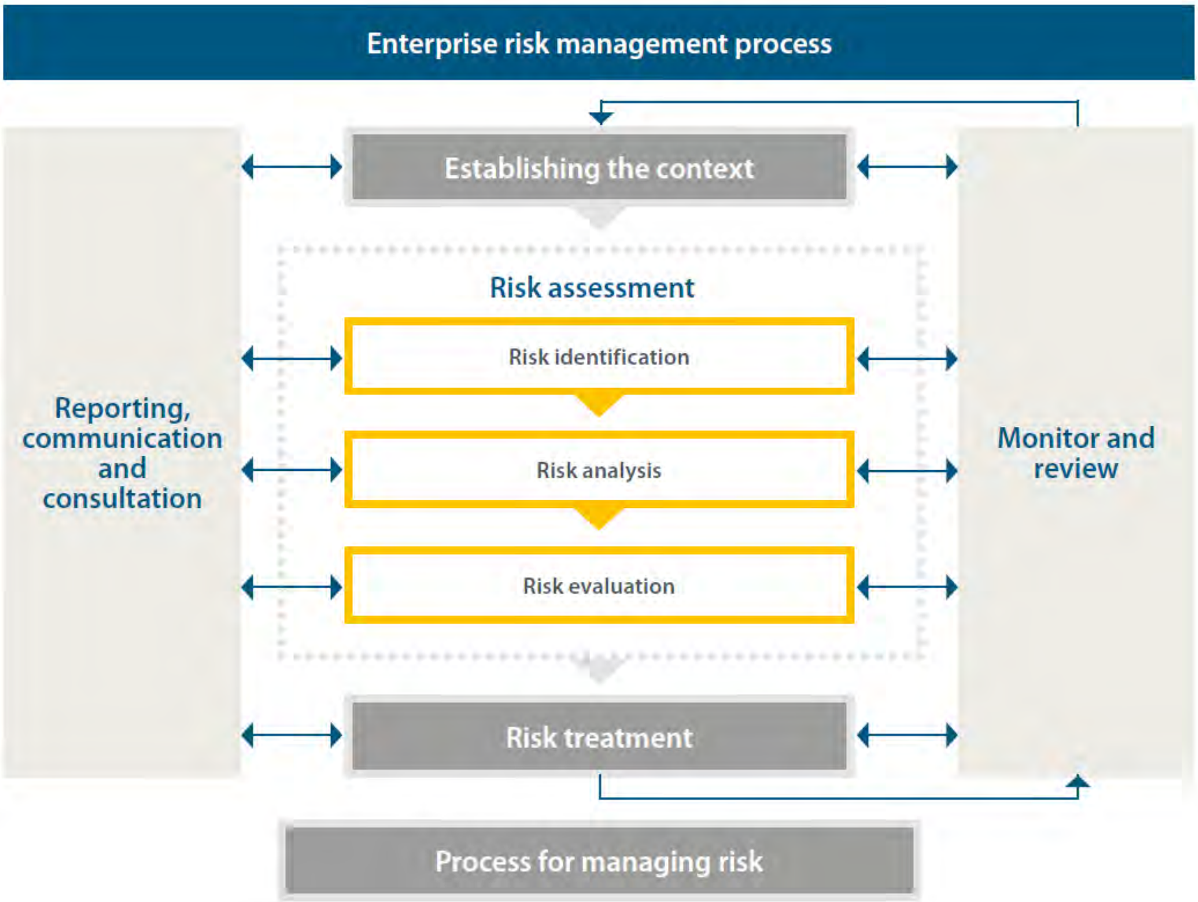


Figure 8: Schematic of the Risk Assessment Process

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
- Risk appetite framework and funding norms
- Customer service

Annexure M: Fraud Prevention Policy and Plan

POLICY ON FINANCIAL CRIME AND ASSOCIATED IRREGULAR CONDUCT

This Corporate Financial Crime 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 and prevention 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 Policy

Any reference to the term employee should be read as to include all permanent and temporary IDC employees, IDC Directors, IDC Board members, independent contractors, consultants, contracted service providers and any other business associates, all of whom are to comply with the IDC Corporate Financial crime Policy.

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 IDC has therefore adopted financial crime prevention policy, to strengthen a culture of honesty, reliability, transparency and care amongst all key / critical stakeholders (internal and external).

The IDC is committed to high ethical standards and is committed to conducting its activities with integrity and adhere to all regulations applicable to our business activities and social responsibilities in order to:

- protect customers, employees, and others with whom we do business; and
- support governments, regulators, and law enforcement in wider economic crime prevention.

Furthermore, the Corporation expect all our business associates to subscribe to same standards and therefore will not tolerate any breach of financial crime 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 cornerstone in preventing fraud is the creation of an environment that fosters morality, integrity and business conduct. To this effect, the IDC has established 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 and prevention 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.

Financial crime prevention strategies should be integrated into and synchronized with the overall business strategies of the IDC Strategic Business Units as well as the IDC support departments and must 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.

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.

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.Click or tap here to enter text. 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 who will decide regarding the manner in which the investigation should be dealt with;
- CEO will be communicated to and managed by the Chairperson of the Board and a decision will be made regarding the manner in which potential investigation will be dealt with. The Chairperson of the Board will advise the Executive Authority forthwith;
- CFO, CRO, Group Company Secretariat, General Counsel or any Divisional Executive, the CEO will be notified, who will inform the Chairperson of the Board. The CEO will make a decision with regard to the manner in which the potential investigation will be dealt with. Where appropriate the CEO may appoint external forensic specialists to assist with the investigation;
- 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

Preliminary screening of all matters reported to IAD will be conducted to determine the credibility, veracity and verifiability before an approval for investigation is requested. Such screening will be conducted by IAD in consultation with the General Counsel, CRO and or the CEO.

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Investigative activities may include but not limited to 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;
- Name and shame individual(s) who perpetrated financial crime or irregular activities on the IDC internal platform once disciplinary processes has been finalized and or criminal case been lodged; 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;
- Ant-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.

ACRONYMS AND ABBREVIATIONS

4IR	Fourth Industrial Revolution
BAC	Board Audit Committee
BAIC	Beijing Automobile Industry Holding Co.
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BI	Black Industrialist
BIC	Board Investment Committee
BR&SC	Board Risk and Sustainability Committee
DFI	Development Finance Institution
dti	Department of Trade and Industry
E&S	Environmental and Social
ERM	Enterprise Risk Management
Exco	Executive Committee
FDI	Foreign Direct Investment
HCNC	Human Capital and Nominations Committee
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IFRS	International Finance Reporting Standards
IEP	Integrated Energy Plan
IRP	Integrated Resource Plan
KPI	Key Performance Indicator
LTSP	Long-term Sustainability Plan
PFMA	Public Finance Management Act
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SBU	Strategic Business Unit
SEC	Social and Ethics Committee
sefa	Small Enterprise Finance Agency
SME	Small and Medium Enterprise
SOC	State-owned Company
SSA	Sub-Saharan Africa