INDUSTRIAL DEVELOPMENT CORPORATION
OF SOUTH AFRICA LTD

Corporate Plan

2020/21-2022/23

July 2020

OFFICIAL SIGN-OFF

MINISTER'S FOREWORD

The Revised Strategic Plan 2020/21, is hereby submitted in accordance with the Revised Framework on Strategic and Annual Performance Plans.

EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

Date: 31 March 2021

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 the management of the IDC under the 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.

This revised Corporate Plan takes into account the changes in the operating environment highlighted previously:

i. The continuing downward pressure on the economy;
ii. The unfortunate spread of the coronavirus (Covid-19) and its impact on the global and local economy;
iii. The dramatic fall and volatility in stock market prices and commodities, including counters that IDC has a significant exposure to; and
iv. The downgrades in South Africa's and IDC's credit ratings.

These developments have significant implications in the planning assumptions that inform this Corporate Plan:

- The IDC has committed itself to enhance its development effectiveness and deliver on its mandate despite the negative turn in the operating environment partly by focussing on interventions aimed at expanding IDC's role beyond that of a financier such as policy advisory, investment facilitation, regional development, and transformation;
- The Board and Shareholder Representative remain expressly committed to the prudent management of the Corporation's balance sheet, and, in particular that it be managed to stay within the prudential policy thresholds;
- The funding sources of the Corporation which are 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.

Given the volatile nature of the current environment, Corporate Targets for FY2021 have been removed from this Corporate Plan and replaced with a set of Corporate Performance objectives that will guide the management of the Corporation and ensure alignment on its most pressing priorities.

The volatility in markets requires that great care is taken in reliance on the financial forecasts included as part of this Corporate Plan.

Mr TP Nchocho	Ms Busisiwe Mabuza
Chief Executive Officer – IDC	**Board Chairperson – IDC**
Signature:	Signature: ....
Date: 30 July 2020	Date: 30 July 2020

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Part I:
Summary and Corporate Identity

1. EXECUTIVE SUMMARY

1) Introduction

The Covid-19 epidemic and its impact on the economy are touching the lives of every South African. With National Treasury expecting GDP to contract by 7.2% in 2020, and already high levels of unemployment forecasted to increase, there is a need for DFIs such as the IDC to play a meaningful role to contribute to the fight against the virus. At the same time IDC is also being affected in the same way that other businesses are being impacted requiring the Corporation to balance its response with its available resources.

The crisis came at a time just after IDC concluded a review of its strategy and was starting to implement a new strategy. The strategy was laid out in the earlier version of the Corporate Plan that was completed just as the potential extent of the epidemic and its implications started to materialise.

To some extent, the epidemic has magnified some of the concerns that IDC aimed to address in its revised strategy and is focussing the Corporation's attention on the opportunities that it must take advantage of if it is to fulfil its mandate. This revised Corporate Plan 2020/21-2022/23 has superimposed the requirements brought about by the new environment against the strategy that it was implementing resulting in revised priorities and some new initiatives.

2) 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.

3) Historical Context

The IDC, particularly in the last five years, adopted a proactive investment approach 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: R6.0 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 c.a. 13% of IDC's funding approvals for distressed clients, mainly in mining and metals, CTFLs and 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 trended in a negative direction.

4) 2019 Strategic Review

With South Africa's GDP having grown at an average of only 1.5% per year from 2011 to 2019, versus the NDP goal of 5.4%, and an unemployment rate of 30.1% in the first quarter of 2020 versus the NDP goal of 14% by 2030, it is imperative that IDC continue fulfilling its developmental mandate. Growth is likely to remain subdued in the medium-term, with real GDP projected to expand, on average, by only 0.4% per year over the outlook period (IDC Base Case), pulled down by a deep recession in 2020.

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;
- Higher levels of disbursements were supported by a borrowing programme which saw the debt/equity ratio increase from 20% at the end of 2013/14 to 43% at the end of 2018/19;
- 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.

At that stage, the growth outlook for the world economy had improved to some extent, but the Covid-19 pandemic has since turned this optimism around with the World Bank at the time of writing expecting world GDP to contract by 5.2% in 2020. The impact of the virus on the South African economy is exacerbated by additional downside risks such as immense fiscal pressures, rising unemployment and poverty levels, electricity supply constraints, the impact of credit rating downgrades, and historical structural economic problems.

The IDC relies primarily on its own balance sheet to generate income to fund its operations and raise funds to extend new loans and investments. The financial impact of the crisis and other factors on IDC include:

- The value of IDC's listed share portfolio, falling from R56 bn to R23 bn. This has recovered to some extent with the value of the portfolio at R42 billion on 6 June. However, equity markets remain volatile;
- Its debt/equity ratio increasing from 43% on 31 March 2019 to 69.5% on 31 March 2020;
- Downgrades to its credit rating resulting in reduced borrowing capacity to fund new investments and increased cost of borrowings;
- Budgeted collections expected to reduce by 29% from R12.3 bn in 2018/19 to R8.8 bn in 2019/20 as a result of pressure on clients resulting in deferred repayments, lower collections and reduced dividends;
- Increased impairments; and
- Protracted poor financial performance of IDC's key subsidiaries, having been lossmaking for several years now and implementation challenges facing some of our significant investments.

These factors will result in reduced capacity for IDC to grant loans and invest in businesses until business conditions improve.

5) Revised strategy and priorities

The factors described above resulted in a refocussed, 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 over the short- to medium-term will be to manage its liquidity and 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.

In addition, the strategy continues to address issues related to IDC's human capital and increasing customer satisfaction.

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.

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

RESILIENCE IN SUSTAINABLE INDUSTRIAL DEVELOPMENT AND ECONOMIC INCLUSION

1 MANDATE OF IDC

- Proactively **maximising its development impact** through effective and **sustainable industrial development** in RSA and across the continent
- Contribute to an **inclusive economy** through funding targeted groups
- Ensure its **long-term sustainability**
- Positioning itself as a **forerunner in development finance** in South Africa and the Continent

2 CONTEXT

- IDC strategy over the past 5 – 10 years prioritised:
  - Transformation
  - Growth in investment across value chains
  - Faster borrowing plan in support of growth strategy
- Over this period, IDC has recorded meaningful **achievements** such as:
  - Jobs → ca. 105 700
  - Have maintained strong reserves
  - Transformation → BI = R21.4 bn, Women = R12.2 bn
  - Strategic investments e.g. REIPPP, BAIC

3 A STRATEGIC REVIEW

- A review of the organisation during 2019 identified the following **Substantive Realities** which require IDC to reconsider some elements of its business model:
  - Enhance development effectiveness
  - Turnaround the financial trajectory/ metrices
  - Client service
  - People and culture

4 REVISION TO STRATEGIC PRIORITIES

- As a result of the context and substantive realities, including those related to the Covid-19 epidemic, the following new areas of emphasis and strategic shifts form the core of the strategy and are encapsulated in the Corporate Plan

1. Develop-ment Impact Effective-ness	• Deal origination/market coverage • Project development • Industry development and planning
2. Financial Sustainabi-lity	• Better risk taking/ investment decisions • Value creation approach to portfolio management • Sustainable investment activity levels
3. Client Centricity	• Relationship based vs transaction based approach • Better processes and placing accountability at the right points
4. People Centricity	• Leadership effectiveness • Resolve legacy issues • Employee productivity • Compelling employee value proposition

Covid-19 and stock market volatility

5 Transitional Priorities

1) Effectively utilise funding allocated for **Covid-19-related interventions** to support the availability of critical supplies and economic recovery
2) A greater need to **balance development effectiveness and financial sustainability**.
3) **Managing liquidity** over the short- to-medium term.
4) **Increased upfront prioritisation** of deals and projects, including at the planning stage to **maximise development impact**.
5) Focus on sourcing **off-balance sheet funds** is an even higher priority given IDC's liquidity constraints.
6) Focus on **collections**.
7) Higher requirement to **turn around clients that are not performing** including assisting them to find new **opportunities for growth**.
8) Keeping our employees **safe and productive**.
9) Continue implementing other aspects of the longer-term strategy, especially those **new capacities** required to implement other initiatives.

6 CRITICAL SUCCESS FACTORS

- Stakeholder alignment
- Disciplined financial and risk management
- Leadership effectiveness
- Decision making speed

7 MEASURES OF SUCCESS

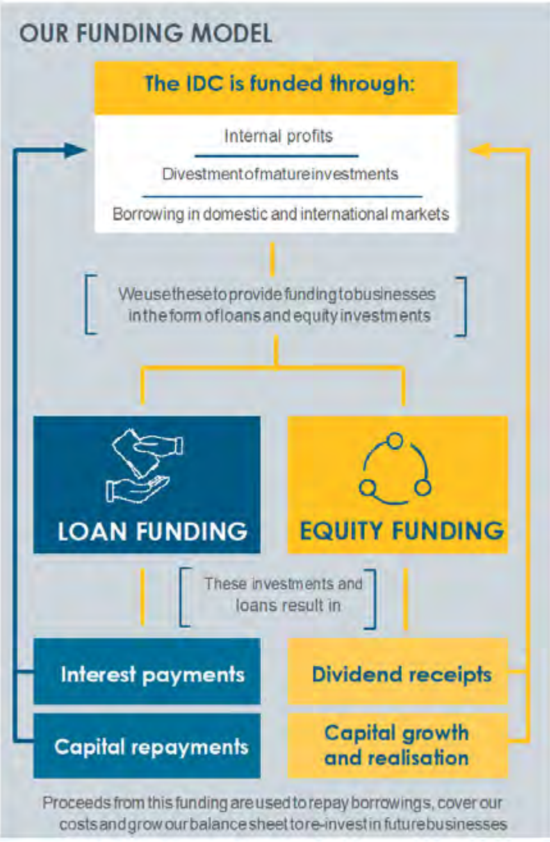
Funding for Covid-19 interventions	Funding leveraged	Supporting sustainable businesses	Sustaining employment	Transformation
Sustainability of the balance sheet	Liquidity position	Client experience	Culture entropy	

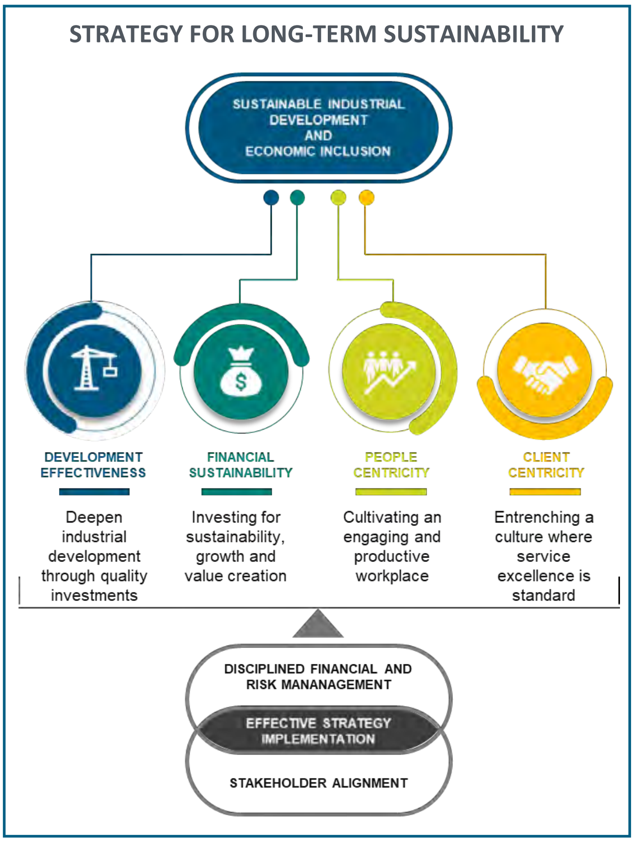
2. CORPORATE IDENTITY

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





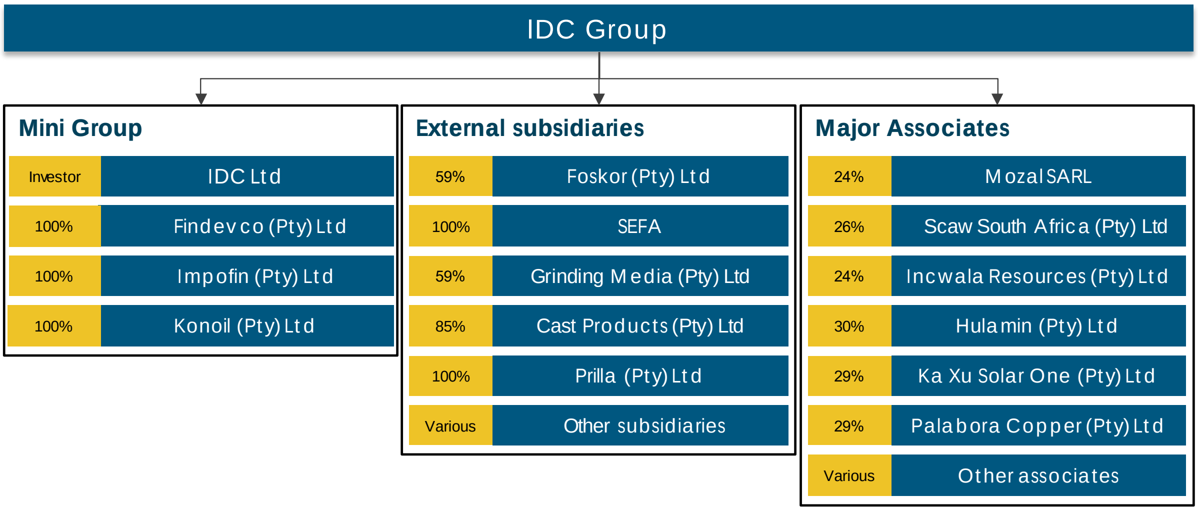
[1] A black industrialist is defined as a black entrepreneur who creates and owns industrial capacity and provides long-term strategic and operational leadership to the business and is by definition not a portfolio or purely financial investor.

[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 was 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 beyond funding 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.

Table 1: IDC's business and funding activities

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 • Infrastructure	• 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

Part II:
Strategic Context

3. OPERATING ENVIRONMENT

3.1. External Environment

3.1.1. Economic Analysis

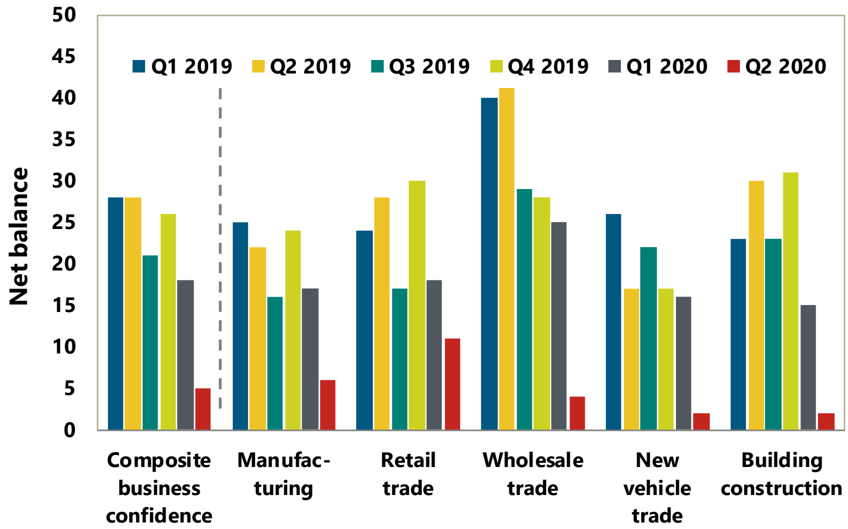
The lockdown of economies by governments across the world in an effort to contain the Covid-19 pandemic is unprecedented. These measures have been causing havoc in the global economy, disrupting social and economic systems on an extraordinary scale. The associated demand- and supply shocks have had highly detrimental impacts on global income levels, spending, production, employment, trade, confidence and investment. A countless number of businesses will have closed down worldwide, with massive job losses leading to increased poverty, inequality and humanitarian crises. Extraordinary stimulus packages continue being announced globally (totalling around US$ 11 trillion at last count) to soften the adverse socioeconomic impacts and support an economic recovery.

Major sell-offs have been witnessed in world stock markets. Although these have recovered to some extent, nervousness prevails due to high levels of uncertainty. Commodity markets are generally depressed, but the gradual unlocking of economic activity – firstly in China and more recently in several other countries – has led to price recovery in various industrial commodities.

The measures taken by the South African Government to contain the spread of Covid-19 nationally have had a heavy toll on an already fragile economy. Economic activity in the 2nd quarter of 2020 was severely impacted by stringent lockdown rules under levels 5 and 4. Private sector activity in general, including manufacturing output, all but collapsed as gauged by the Production Managers Indices for April and May. Consumer spending has fallen sharply, especially on durable and semi-durable goods, due to restrictions on consumption, reduced incomes, and employment losses.

The economy has lost significant production capacity, especially among SMEs, and it has shed numerous jobs. Weaker world demand is having a major impact on South Africa's export performance, while relatively low commodity prices have been applying pressure on the mining sector, although somewhat cushioned by the highly undervalued rand. The fiscus is under immense pressure. According to National Treasury, the budget deficit is projected to widen sharply to 14.6% of GDP in fiscal year 2020/21 and government's gross loan debt may be equivalent to 81.8% of GDP. These fiscal developments are posing considerable macroeconomic risks. In such an adverse economic environment, business confidence has tumbled to a record low.

Figure 5: Business confidence in South Africa



Source: IDC, compiled using BER data

With South Africa's unemployment rate at an alarming 30.1% in the first quarter of 2020, translating to 7.1 million people without a job (Stats SA, 2020), stemming job losses and creating new jobs 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

As economies around the globe emerge from lockdowns, economic activity is gradually recovering. The pace and extent of the recovery process is, however, impossible to determine at this stage, keeping uncertainty at elevated levels. Nevertheless, the world economy has clearly plunged into a major recession – the worst since the 1930s. The World Bank expects global GDP to fall by 5.2% in real terms in 2020, potentially rebounding by +4.2% in 2021. The World Trade Organization, in turn, expects a 13%-32% contraction in global trade, while the United Nations Conference on Trade and Development is anticipating a potential decline in foreign direct investment flows of as much as 40%. A gradual normalisation of global industrial activity will support demand for commodities, but adjustments in supply will play a key role in market stabilisation. Despite this, downside risks to world growth abound. The first wave of infections remains strong in parts of the world while there are rising concerns over a second wave of infections as lockdowns are relaxed in many countries. Furthermore, global financial risks have been escalating and renewed tensions between the United States and China have been aggravating an already challenging global trading and investment environment. Many economies are preparing for an altered economic and operating environment beyond Covid-19, as some of the ongoing changes may prove irreversible.

The full extent of the social and economic consequences of Covid-19 and measures to contain it are impossible to project with a measure of certainty at this stage. Nonetheless, the South African economy will be in a deep recession in 2020. Forecasts for the eventual level of real GDP vary widely, with the IDC forecasting a fall of 7.5% in 2020, while National Treasury expects a 7.2% decline. If economic activity is further constrained, the contraction will be more severe. The IDC forecasts a rebound in growth to 3.1% in 2021, but in real terms only by 2024 is South Africa's GDP projected to reach the levels achieved prior to the Covid-19 pandemic.

Numerous companies across various sectors of the economy, especially SMEs, may not re-open due to their inability to generate revenue during the lockdown period, while a harsh economic environment continues taking a toll. Weak demand locally and abroad along with high levels of uncertainty are leading to the postponement or cancellation of several private sector investments. The worsening of public sector finances, in turn, is constraining infrastructure development – hence the emphasis on an Infrastructure Fund to crowd in private capital.

Consumer inflation is set to remain within the South African Reserve Bank's target range, providing room for continued monetary policy accommodation. However, after having cut the repo rate by 275 bps thus far in 2020, no further cuts are expected from the Monetary Policy Committee in the short- to medium-term.

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

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	1.0	-7.1	4.1	1.7	2.4	2.5
Government consumption expenditure	-0.8	2.2	0.2	1.9	1.5	-0.9	-0.3	0.8	0.7	1.1
Gross fixed capital formation (GFCF)	2.5	-3.5	1.0	-1.4	-0.9	-10.7	-3.2	7.0	3.4	4.9
Exports	2.9	0.4	-0.7	2.6	-2.5	-10.8	3.2	1.5	2.4	2.6
Imports	5.4	-3.9	1.0	3.3	-0.5	-8.5	2.8	3.1	2.6	3.4
GDP	**1.2**	**0.4**	**1.4**	**0.8**	**0.2**	**-7.5**	**3.1**	**1.9**	**2.1**	**2.5**
Consumer price inflation	4.6	6.3	5.3	4.6	4.1	3.5	4.5	4.6	4.9	4.7
Current account balance (% of GDP)	-4.6	-2.9	-2.5	-3.5	-3.0	-1.5	-2.0	-3.7	-4.8	-5.2
GFCF as % of GDP	20.3	19.4	18.8	18.2	17.9	16.4	15.2	16.0	16.3	16.6

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

3.2. Internal Environment

Internally, and as depicted in Table 3 below, the Corporation is set to face strong headwinds during the planning period although opportunities do exist. 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 3: Strengths, Weaknesses, Opportunities and Threats

STRENGTHS	WEAKNESSES
• Proactive strategy to effect industrial and developmental impact • Knowledge and networks • Strong relationships with funders/sources of capital • Industry research capacity and capability • Strong corporate governance • Reputation as an effective organisation • Targeted funds and schemes	• Balance sheet strength being challenged after almost a decade of countercyclical activity and the recent impact of Covid-19 • Rising impairments ratio, further exacerbated given the impact of Covid-19 on our clients • 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 • IDC as the sole funder in some significant investments • Gearing increased beyond the Board-set threshold of 60%, impacting on ability to raise further debt and the cost-effectiveness of the debt • Long-term foreign-currency issuer ratings downgraded

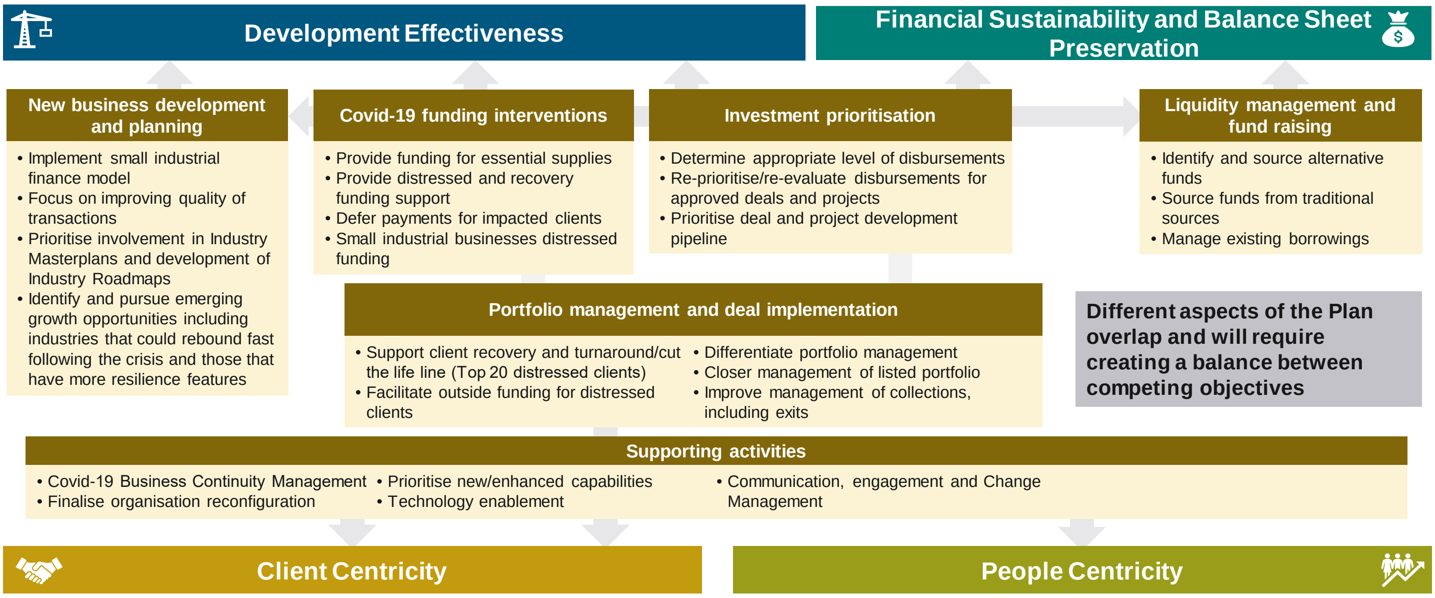
	• Inadequate integration of regional value chains
OPPORTUNITIES	**THREATS**
• Further integration of SA businesses into global supply chains as companies all over the world seek to diversify sources of supply of input products • Other export market development opportunities; • Import replacement in the domestic market. • An increased awareness of the importance of environmental sustainability giving impetus to greening of industries • Acceleration in the uptake of the digital revolution should ensue as the world emerges from the current crisis. • A worldwide imperative to reducing inequality • Altering patterns of globalisation, opening up space for a greater degree of regionalisation, as well as localisation • Closer cooperation with other DFIs, SOCs and other economic development entities • Greater role for Black Industrialists, Youth and Women • New industries and technologies e.g. 4IR • Strengthen management in subsidiaries • Leverage on SA investment drive, industry masterplans, Jobs Summit, and Infrastructure Fund • Enhance project development capacity • Enhance systems and processes to boost effectiveness and efficiencies • Continuous improvement of the IDC Culture	• Ongoing uncertainty regarding the full extent and timing of the Covid-19 crisis • Existing clients facing extremely difficult trading conditions • Collections expected to reduce by 28% in 2020/21 • Lower interest margins as a result of reductions in lending rates • Inability to raise funds from sale of shares due to depressed prices • Available subsidy from legacy investments being spread across higher approvals, potentially negatively affecting pricing. • Job losses due to decreased profitability, particularly in manufacturing and tourism. • Rising unemployment rate means IDC needs to further increase its impact • 4IR challenging existing business models • The threat presented to the country and IDC's investments due to unreliable electricity supply thus impacting on development agenda

Part III:
Strategic Priorities

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

The current economic crisis as a result of the Covid-19 pandemic has forced IDC to review its strategic priorities and elevate aspects that are critical for its long-term survival. These reprioritised initiatives fit within the strategic direction that the IDC adopted at the start of the financial year. Figure 6 below illustrates the critical areas that IDC will address over the short-term as its response to the Covid-19 crisis.

Figure 6: IDC's short-term priorities



4.1. Strategic Priority 1: Development Effectiveness

IDC remains committed to maximise its development impact with priorities targeted towards:

- Avoiding the deindustrialisation threat posed by the current economic environment;
- Protecting most vulnerable segments and groups of the economy – small industrial finance, black industrialists, women and youth; and
- Leveraging on emerging opportunities for new capacity towards industrial recovery.

Through continued engagement with our business partners, we have been able to be proactive in our support on short-term funding needs, distressed funding, and opportunities for industrial growth into the future. We are also leveraging partnerships and collaborations to support access to funds and partnerships on investment opportunities including collaboration with other DFIs on a DFI response to Covid-19. We have further activated levers beyond our core funding to support vulnerable communities through our CSI programme.

4.1.1. Covid-19 Funding Interventions

The start of the pandemic highlighted several countries' lack of sufficient critical goods such as face masks, sanitiser, ventilators and other equipment that are essential to combat the spread of the virus and help treat the disease. To assist the country in its efforts to build stockpiles, the IDC established the *Covid-19 Essential Supplies* intervention. IDC made a R500 million facility available from its own resources and is managing R300 million from the R700 million funding that the DTIC repurposed from the Manufacturing Competitiveness Enhancement Programme for companies that could set up manufacturing capacity to produce essential goods. Realising the urgency of procuring supplies, the IDC also allowed for a portion of the funding to be used to import supplies and on-sell these goods – a deviation from its normal policies.

With lockdowns becoming the most effective way to stop the spread of the virus during the early stages of the crisis, it became clear that the sustainability of businesses would be a huge concern. IDC responded by establishing the R3 billion *Distressed and Recovery Fund* to assist existing clients and other businesses unable to cover their operating activities as a result of the impact of the pandemic. R300 million of this fund was earmarked specifically to assist small industrial businesses.

In addition to the above, IDC's existing clients that are unable to honour payments on existing facilities are being supported by allowing deferments on interest and capital payments on a case-by-case basis.

4.1.2. Enhancing Coverage and Development Planning

The risk environment has fundamentally changed due to the Covid-19 pandemic. This has resulted in a need to accelerate implementation of some of the initiatives that IDC was pursuing under its revised strategy at the start of the financial year.

One of these is an enhanced offering to increase the development and effectiveness of small industrial businesses. This entails:

- Establish a dedicated channel for small industrial financing through our regional offices network; and
- 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 the localised development of projects and larger transactions that the IDC funds, increasing their impact on township and rural economies.

Prior to the crisis, IDC's portfolio was already showing strain with impairments increasing and a high level of risk in the portfolio as a consequence of continuing to support marginal companies in key sectors in the effort to protect against job losses. A further challenge to successful business partners has been the inadequacy of implementation capabilities in business partners, especially new entrants into the market. The crisis has exacerbated this position and is further reducing IDC's funding capacity. The Corporation will therefore be pursuing higher quality transactions – supporting those businesses that can create sustainable development impact. This will be facilitated by:

- Focused planning efforts to identify emerging opportunities for development in partnership with business partners;
- Dedicated Business Development Managers in business units to source higher quality deals, guide clients through the process and improve market coverage;
- Skilled and experienced Technical Services unit to manage transaction and project implementation risks; and
- Leading client experience management capability including complaints handling and resolution capacity across the client facing divisions including complaints handling and resolution.

This is discussed further under Investment Prioritisation on page 21 below.

In 2019 Government started a programme of developing sector Master Plans as a means to re-imagine industrial policy. These aimed to align the private sector, government, and labour to work towards common goals for prioritised industries. IDC intends to play a more important role in these Master Plans through a newly established, dedicated unit that will assist in developing roadmaps that will create competitive value chains in the economy. The benefits of such a coordinated approach means that development funding can be more focussed, and with different stakeholders aligned, leading to increased impact. The approach will include development of Industry Development Goals (IDGs) to enable us to track the effectiveness of implementation of the plans.

We have already contributed to the Master Plans that have been completed. Linked to increased planning capacity, the IDC has established dedicated, sufficiently capacitated, project development capability to increase the project development pipeline and improve management and monitoring of the project development processes to improve throughput.

Some industries have benefited from the pandemic and have the potential to rebound fast following the lifting of restrictions. These include medical and technology services, industries related to food security such as agriculture and agro-processing, and clothing and textiles. IDC will continue to prioritise support to these industries. Beyond the immediate priorities to stem economic decline and linked to the medium- and long-term planning process discussed above, the crisis has brought to the fore major economic opportunities for South Africa going forward. These emanate from:

- Companies all over the world seeking to diversify sources of supply of input products to manage the threats of relying on a limited number of global suppliers. This may open opportunities for:
    - Further integration of SA businesses into global supply chains;
    - Other export market development opportunities; and
    - Import replacement in the domestic market;
- An increased awareness of the importance of environmental sustainability, leading to growing calls for an enhanced focus on climate change mitigation and adaptation action;
- The extent to which digital technologies have been embraced, especially digital communication technologies. This could result in a huge acceleration in the digital revolution as the world emerges from the current crisis;
- The imperative of reducing inequality in the world, both at the national and global levels, and especially in a highly unequal society such as South Africa's; and
- Altering patterns of globalisation that are opening space for a greater degree of regionalisation, as well as localisation.

More detail on the potential investment opportunities emanating from these are shown in Table 4 below. Developing these opportunities will require increased competitiveness in these industries, and introducing new technologies, including those brought about by the Fourth Industrial Revolution.

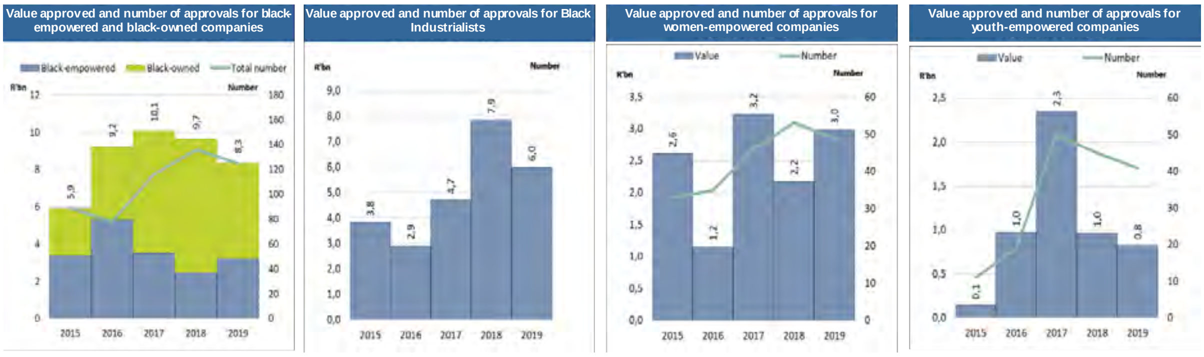
Table 4: Potential investment focus areas beyond Covid-19

Potential investment focus areas	Key policy levers
Sourcing beyond Covid-19: Integration in global value chains, industrial expansion, diversification and transformation • Increasing SA business participation in global supply chains (e.g. automotive components and parts; electronics; etc.) • Export market development to take advantage of global supplier constraints and importers' source-diversification strategies (e.g. machinery & equipment; metal products; chemical products; food products; etc.); • Import replacement opportunities (e.g. auto parts and accessories; pumps and valves; poultry, etc.) • Broaden, deepen and transform value chains (e.g. machinery and equipment; medical equipment; chemicals; pharmaceuticals; etc.) • Enhance industrial competitiveness (e.g. textiles and clothing, etc.) • Develop new production capacity through localisation (e.g. capital equipment, fabricated metal products; inputs into renewable energy industry; etc.).	• Master plans (e.g. Automotive; CTFL; Oceans economy) • Localisation efforts, incl. designations • Sector charters (e.g. Mining) • Incentive programmes
An environmentally conscious world beyond Covid-19: Infrastructure development and the green economy • Electricity generation through renewable energies (e.g. wind, solar PV) • Balanced approach to the decarbonisation of the economy (Just Transition) (e.g. coal ash beneficiation; industrialisation of new technologies in coal sector; etc.) • Other green economy related opportunities (e.g. energy storage; various localisation opportunities) • Investment in reductions in air, water and land pollution including prioritisation of circular economy initiatives • Driving efficient and responsible use and conservation of natural resources and supporting clients in managing, mitigating and adapting to climate change.	• IRP 2019 • Infrastructure Fund • Incentive programmes • Designations • NDP / SDGs • National Treasury 2020 Technical Paper: Financing a Sustainable Economy
Reducing inequality and food security beyond Covid-19: Inclusive agriculture sector development and transformation • Expand and transform the agricultural sector (e.g. poultry industry; sugar industry; etc.) • Introduce new agricultural products and technologies (e.g. water-saving technologies; development of a regional rice value chain; etc.) • Increase value addition to agricultural products • Increased focus on precision farming and shared economy to drive sustainable agricultural practices and increased value and success of small agricultural opportunities	• Land reform • Master plans (e.g. Poultry; Sugar) • Agro-processing support schemes • Transformation incentive schemes
Accelerated uptake of digital technologies in a post Covid-19 world	• National R&D Strategy • R&D incentives • Spectrum licensing

Potential investment focus areas	Key policy levers
• Development of 4IR technologies (e.g. digital communication technologies; AI platforms; Big Data analytics and data visualization tools; digital media; manufacture of devices for data generation; development of data centres for data storage; etc.) • Enhanced adoption of emerging / fast-rising technologies (e.g. additive manufacturing; e-commerce; telehealth; etc.)	
Regional integration beyond Covid-19: Integrated value chain development, enhanced trade and investment • Catalyse development of regional value chains (e.g. gas; rice; soybean – feed - poultry; cotton-textiles-clothing; etc.) • Contribute to the development and diversification of the regional industrial base (e.g. manufacturing; minerals beneficiation; agro-processing) • Expand intra-regional trade and investment activity	• AfCFTA agreement • SADC Trade & Investment protocol

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 7: Historical Performance on Transformation



The IDC has, since 2014, recorded positive transformation results (see Figure 7) through continued support for the inclusion of black South Africans, ensuring that Black Industrialists, youth and women entrepreneurs participate gainfully in industrial activity. Over the period depicted in the graphs, 36% of IDC's funding was approved for black-owned[1] businesses with a further 25% approved for black-empowered[2] businesses. In 2015 the Shareholder Representative announced five-year targets (ending March 2020) for the IDC for funding for Black Industrialists (R23 billion), women- and youth-empowered enterprises (R4.5 billion each). The IDC exceeded these targets. 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, business and technical support, and by linking these businesses to large projects that the IDC co-funds. The viability of ring-fenced funds to support these targets groups is being investigated.

4.2. Strategic Priority 2: Financial Sustainability

IDC's primary sources of income are interest charged on the loans that it provides to businesses and dividends from equity investments. It raises capital to lend money and invest in businesses through capital that is repaid on loans that it extends, by borrowing from commercial lenders and other DFIs, and exiting from mature investments. At the same time, it needs to cover its operating expenses, repay its loans and ensure that it has funds available to provide new capital to businesses that it funds.

Whilst the Corporation will be focussed on ensuring it achieves developmental effectiveness, the IDC's mandate requires it to do so in a financially sustainable manner. Years of countercyclical investment activity

[1] Businesses with more than 50% black shareholding.

[2] In this context, businesses with more than 25% but less than 50% black shareholding.

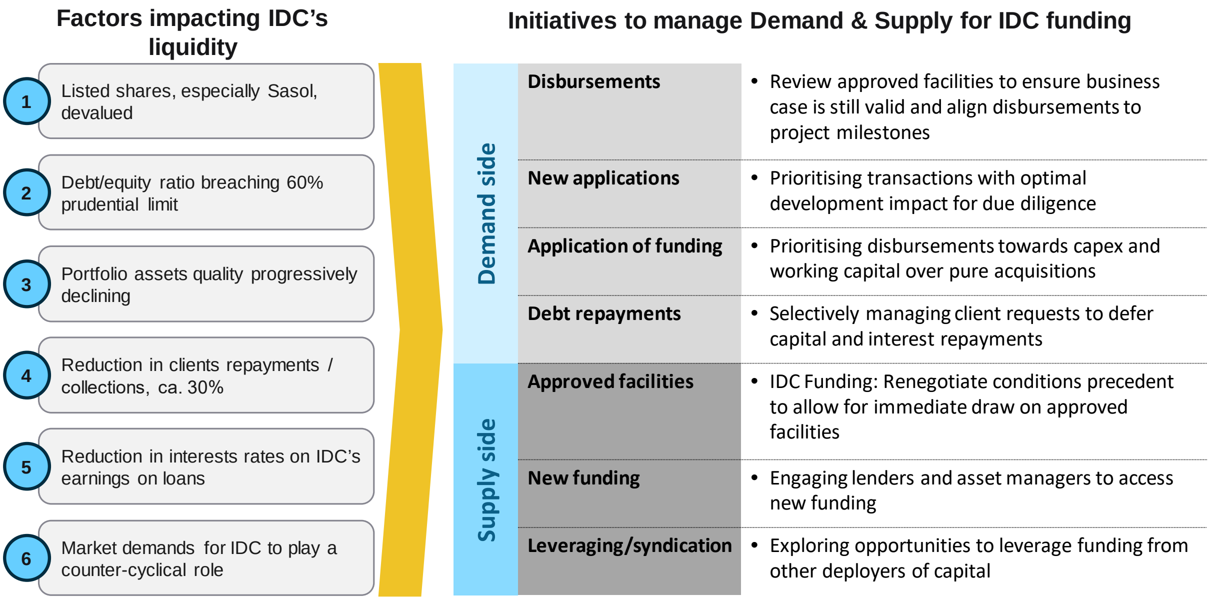
in the midst of a depressed economic environment has resulted in a downward trend of various financial risk parameters of the Corporation. This was compounded by poor credit quality causing a migration of the IDC's overall portfolio to be concentrated on high risk clients; worsened by the large impairment 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 significant investments.

These challenges require close management of IDC's liquidity position, as depicted in Figure 8 below. The largest impact that the crisis had was the collapse of share prices, especially that of Sasol[3], at the end of March 2020. Listed shares make up a large portion of IDC's assets and the value of these dropped by 58% from R56.2 billion at the end of March 2019, to R23.5 billion at the end of March 2020. The prices of some of these shares have recovered to some extent but the value of IDC's listed portfolio as at 6 June 2020 was still 25% lower than at the end of 2018/19. Markets remain volatile given uncertainties regarding the pandemic and its global impacts. The relatively low share prices do not make it an ideal time to dispose of listed shares to raise cash.

The decline in share prices has resulted in the IDC's debt/equity ratio increasing to above the 60% prudential limit set by the Board and will impact IDC's ability to raise cost-effective funding. This is aggravated by the credit rating downgrades for South Africa and IDC in March and April. IDC's credit rating was downgraded further in June. This will have an additional negative impact on IDC's capital raising efforts.

IDC's clients are also affected by the crisis. This is impacting on their ability to repay loans and declare dividends as they face their own financial challenges. IDC estimates that collections including capital and interest payments from loans and dividends and sales of equity investments in 2019/20 will be c.a. 30% lower than in the previous financial year. Following the implementation of IFRS9 in 2018/19 which saw a large increase in the value of impairments, IDC expects another large charge to its income statement for 2019/20 as additional impairments are raised based on the expectations of clients' ability to repay loans and remain profitable.

Figure 8: Managing liquidity through the crisis



[3] Sasol's share price was impacted by a combination of factors including challenges at its Lake Charles project.

4.2.1. Investment Prioritisation

Given the need to closely manage liquidity, IDC has determined a level of affordable disbursements of R6.6 billion[4] for 2020/21. This is c.a. R1.8 billion lower than what was budgeted in the previous version of the Corporate Plan and c.a. 56% lower than what was disbursed on average per year over the period from 2015/16 to 2018/19. Given the uncertainty around the current environment, IDC will be reviewing this figure and it may be adjusted upward or downward depending on how the crisis unfolds. The implication is that IDC needs to be significantly more selective in making decisions on which projects to support.

Investment prioritisation as it relates to new investments and loans has already been covered in the previous section. The need to manage levels of disbursements to businesses however extends beyond new business. The crisis is also affecting businesses for which IDC has already approved funding but had not yet been drawn and businesses that have started drawing on their facilities, but the projects are still under implementation. In some cases, the business case for these projects might have changed and some may not be viable under current conditions. IDC is reviewing these commitments and, in some instances, cancelling funding to projects where clients confirm they no longer require the facility and in other instances re-negotiating with clients to align their cashflow needs with IDC's available resources. This principle is being extended to the pipeline of new investments and projects under development to ensure that IDC is not overextending its commitments.

4.2.2. Liquidity Management and Fund Raising

Along with managing the demand for funding from businesses that it supports, IDC is also managing existing borrowings. This includes negotiations with lenders to attempt to defer interest and capital payments on loans that are due in the next few months. We are also negotiating with other lenders with whom we have facilities such as lines of credit in place. In some instances, these credit lines have specific conditions that need to be satisfied before IDC can draw on them. Negotiations in these instances are focusing on the conditions to assess if they can be relaxed to enable IDC to draw on these facilities. These discussions with existing funders extend to gauging their appetite to increase lending to IDC and access these where appropriate.

As in the previous version of the Corporate Plan, the need to identify and obtain funds from alternative sources remains a priority. We are identifying pools of funds that are under-deployed in the market and assessing opportunities to mobilise these funds. We are also identifying leveraging opportunities and opportunities for to establish and manage new funds. In addition, we are establishing dedicated capacity to increasingly syndicate funding along with other funders for large projects that we are involved in.

4.2.3. Portfolio Management and Deal Implementation

The quality of IDC's portfolio has been deteriorating for several years as unfavourable economic conditions prevailed, and IDC chose to assist with turnaround initiatives at companies rather than prematurely closing down businesses.

To create value from its portfolio, IDC is embarking on a differentiated portfolio management approach. This entails segmentation of the portfolio with unique strategies for management of each. A 'private equity' approach to managing equity investments, especially subsidiaries and significant investments (see discussion below on key subsidiaries' performance) is being adopted. Debt clients will be monitored more closely, allowing IDC to intervene in a timely manner when early warning signals are detected and enabling IDC to manage collections more closely.

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[4] This excludes R2.3 billion for guarantees that have been issued in the past and are expected to be called.

The 20 largest impaired clients make up 59% of total impairments and the 20 clients with the largest arrears, make up 62% of total arrears. The differentiated approach will allow for specific focus on these clients. Where additional funding is required to implement turnaround strategies, IDC will seek other investors in these businesses rather than being the sole funder.

To date, IDC has been a largely passive investor with regards to its investments in listed companies and its listed portfolio. Given the concentration in this portfolio and the impact of this volatility on IDC's asset base as demonstrated again with the crash in share prices at the end of March, IDC will be more active in monitoring and managing listed companies in which it has shares.

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 other investments with equity-like exposure 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.
- The Board and management team at the IDC have created structures to ensure that the turnaround strategies for the subsidiaries and significant investments are monitored and supported.

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 a number of years and technical problems at the Richards Bay plant continue to have a negative impact on Foskor's cashflows, exacerbated by volatile market conditions. The company is expected to make an operating loss in 2019/20 instead of the profit budgeted at the start of the year. 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.

The Foskor Board and management have put together a turnaround strategy for Foskor. Funding for the turnaround strategy was approved by the IDC in March 2020 and is in the process of being implemented. At the same time, the IDC Board in November 2019 approved the implementation of the Strategic Equity Partner (SEP) transaction, which is currently ongoing.

Key turnaround initiatives:

- Increase production volumes for acid and phosphate rock
- Increase plant efficiency

- Implement cost saving initiatives
- Introduce a strategic equity partner by March 2021.

Foskor is expected to achieve breakeven in 2020/21.

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.

The expected loss for Cast Products is higher than budgeted with lower revenues due to technical problems with the furnace. Amsted has strengthened its technical management to assist with quality improvements. In addition, several technical initiatives underway to improve efficiencies, efforts to increases sales and strengthen executive management.

Key turnaround initiatives:

- Improve operational efficiencies (reduce person-hours per-ton, wheel plant scrap rate, variable cost per ton)
- Increase wheel plant capacity
- Develop markets for exports into the rest of Africa, North America, and Australia
- Insource machining operations
- Software systems implementation to improve quality.

The company is still expected to make an operating loss in 2020/21 with breakeven targeted in 2022/23.

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 mineral processing industries 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 Products South Africa and Grinding Media South Africa 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.

Although lower than budgeted, the company is expected to make a profit for 2019/20.

Key turnaround initiatives:

- Commissioning of new induction furnace

- Cost savings initiatives related to raw material inputs and recoveries from waste
- Develop export markets in the rest of the continent.

GMSA is expected to increase its profitability in 2020/21.

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 Sub-Saharan 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, mainly related to funding due capital-intensive nature of the projects. It currently has three active contracts from which it is able to service IDC's loans, however the company's balance sheet remains weak due to high debt to equity ratio.

The Covid-19 pandemic has also put pressure on Thelo's cashflow. Thelo's clients operate in Swaziland and Mozambique. The Mozambican clients are export oriented and the slow-down due to lockdowns and curtailed operations have resulted in Eswatini Rail in particular notifying Thelo of potential difficulties in the coming months. Thelo has notified IDC that should there be a need, they may seek deferment relief from IDC in the coming months.

Key turnaround initiatives:

- Development of balance sheet optimisation and appropriate funding solutions going forward
- Increased market development in the rest of Africa as well as in South Africa.

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, including the appointment of a permanent CEO, and that the company's performance is improved, particularly with regards to financial sustainability.

Operating losses for 2019/20 is expected to be larger than budgeted, partly due to lower than expected funding from government.

Sefa is playing an important role in Government's Covid-19 response, acting as a conduit for some of the relief packages that were made available by the Department of Small Business Development.

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.

The board and management team at Prilla are currently developing a turnaround strategy to ensure that the company is returned to a sound financial footing. The turnaround strategy will be concluded and approved during the third quarter of 2020.

4.3. Strategic Priority 3: People Centricity

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.

As discussed, IDC is expecting to lower levels of funding output. At the same time, we are increasing the organisation's capabilities to extend its role beyond that of a financier. This involves increased capacity for activities such as policy advisory, investment facilitation, regional development, and fund raising. This means that the organisation is realigning resources, including its human resources, to enable these new roles. Furthermore, resources are being redirected towards management of its existing portfolio.

Initiatives to improve systems and processes aimed at increasing customer centricity will also increase productivity and throughput (see section 4.4 below). The priorities over the short-term will include other initiatives that were identified as part of IDC's revised strategy. To ensure that the IDC cultivates an engaging and productive workplace, focus will be on:

Business continuity

- Enhanced management to ensure engagement and productivity
- Most employees working from home using technology
- Measures implemented at IDC's offices to ensure that critical employees remain safe
- Return-to-work plan in line with government regulations

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:

Reviewed Processes to Deal with Covid-19

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

Customer Services Standards

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

Decision Process Accountability

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

Revamped and Differentiated Client Service Model

- 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 Business Development capacities within the Operations divisions
- Build customer experience management capabilities including embedded Client Relationship Management function within client facing areas

Complaints Resolution System

- Develop and implement a policy and process for complaints resolution

Optimised Systems and Processes

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

Customer segmentation

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

Part IV:
Strategic Outcomes

5. FINANCIAL PLAN

5.1. Capital Allocation

The uncertainty associated with the current environment makes forecasting and budgeting per sector/industry extremely difficult. Given this caveat, IDC is currently budgeting to disburse funding of R25.5 billion over the next three years. This number, especially the R8.9 billion budgeted for 2020/21 will be reviewed based on ongoing developments. Of the R8.9 billion, R3.0 billion is earmarked for Covid-19 initiatives and R2.3 billion is to be disbursed for guarantees that have been issued in the past and that are expected to be called.

As discussed earlier in the document, IDC has instituted processes to continuously assess and prioritise the pipeline of funding applications to maximise its development impact while managing cashflows and risk. As a result, IDC is not allocating capital per sector for the current year. Available capital will be allocated to transactions on a deal-by deal basis.

The Corporation will balance its emphasis on preserving and creating new industrial capacity with 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.

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. The volatile environment means that finances are assessed on an ongoing basis with adjustments made where necessary.

Table 5: Financial Projections – IDC Mini-group

R million	Estimate	Forecast			
Cash flows	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total 3 years**
Advances including guarantees called	11 685	8 866	7 580	9 090	25 536
Borrowings raised	7 719	10 233	5 275	3 910	19 418
- of which foreign borrowings	602	6 429	1 675	1 310	9 414
Proceeds from sale of shares	386	244	1 500	1 000	2 744
Balance sheet	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**End-2022/23**
Financing at market values	94 902	101 682	106 580	109 967	109 967
Borrowings (R'm)	41 957	44 509	43 979	44 690	44 690
Debt/equity (%)	70%	76%	70%	68%	68%
Impairments as % of SPPI at cost (%)	30%	31%	32%	32%	32%
Impairments as % of total portfolio at cost (%)	33%	35%	36%	35%	35%
Total assets	104 109	110 298	114 261	117 897	117 897
Income statement	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total 3 years**
Dividend income	4 268	2 747	3 472	4 369	10 588
Interest and fee income	3 656	3 986	4 354	4 815	13 155
Borrowing costs	2 635	2 510	2 559	2 822	7 891
Impairments and bad debt write-offs	6 734	3 159	2 915	1 665	7 739
Profit before tax	(2 053)	154	1 359	3 640	5 153
Net operating income before capital realisations	(874)	(215)	771	2 573	3 129

The IDC is expected to record a loss in 2019/20, largely as a result of impairment provisions from the impact of Covid-19. Profitability will also be impacted by lower income and higher borrowing costs as a result of the sovereign and IDC downgrade by the rating agencies. The loss-making position is expected to continue into 2020/21 with much lower dividend income as Sasol is still facing liquidity and operational concerns. The long-term sustainability interventions are being implemented to mitigate the impairments charges.

The current market conditions have resulted in a gearing ratio of 76% for 2020/21 financial year. This is still significantly below the IDC Act which allows a 100% gearing ratio. The Board has condoned this position but expects the ratio to be managed back down to below 60% over the medium term.

Operating expenses are managed within inflation over the planning period and management will continue to drive for efficiencies.

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.

Table 6: IDC Core Risk Appetite Metrics

Metric	Definition	Measurement Methodology	Threshold/ Limit
Average portfolio probability of +default	The probability that a borrower/ group of borrowers will default	It is measured as an average probability of default based on the IDC internal risk grading model	<21%
Impairment Ratio	Level of cumulative impairments over the total portfolio at cost	Measured as a ratio of total balance sheet impairments over the total portfolio at cost	<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	Limits under review

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 financial forecast and the desired levels from a risk management perspective, and these are reflected in Table 6 above. IDC frequently reviews and where necessary adjusts the threshold/limits e.g. the impairment ratio was adjusted because of change to a more stringent reporting standard (IFRS 9). The Board and management believe that this risk appetite is prudent and enables the Corporation to optimally pursue its development mandate.

6. PERFORMANCE INDICATORS

Given the unique circumstances, IDC has developed performance indicators for 2020/21 specifically aimed at tracking the implementation and effectiveness of the Corporate Plan under the current negative and volatile environment. These indicators will have no bearing on performance-based remuneration for 2020/21. Indicators for 2021/22 onwards as per the previous version of the plan are shown for 2021/22 and 2022/23. These will be reviewed for the 2022 Corporate Plan.

Table 7: Key Performance Indicators 2020/21

Theme	Indicator	Measurement description	Weight	Target
Funding and investment	Value of investments and funding raised for investment	IDC own funding disbursed (R'm)	10%	8 424
		Total funding disbursed from managed programmes and 3rd party funds and guarantees issued (R'm)	5%	1 100
	Value of support provided for Covid relief	**Aggregate support for Covid-19 from various programmes (a+b)**	20%	3 000
		a) Gross funding approved for IDC Covid-19 emergency supplies fund (including managed funds) (R'm)		500
		b) Gross funding approved for Covid-19 distressed funds, including value of deferments of interest and capital for existing clients affected by the pandemic (Deferments' contribution to actual capped at 20% of the target) (R'm)		2 500
	Funding for more sustainable investments	Value of funding approved for medium and low-risk clients as a percentage of overall approvals (excluding Covid-19 distressed funding) with agreements signed (%)	5%	40%
Impact on unemployment	Expected direct jobs created/ saved	Expected direct jobs created/saved and jobs sustained[5] from Covid-19 distressed funds for funding approvals gross before cancellations (Number)	10%	8 500
Transformation	Funding provided to targeted groups (black industrialists, women-entrepreneurs, youth-entrepreneurs)	Value of funding approved to IDC targeted groups – gross before cancellations (targeted groups include Black Industrialists, women-entrepreneurs, and youth-entrepreneurs) (R'm)	5%	1 800
		Value of funding approved to Black Industrialists – gross before cancellations (R'm)	5%	1 500
		% of total number of clients in portfolio in targeted groups	5%	50%
Liquidity management	Liquidity Coverage Ratio (LCR)	Minimum end-of-quarter 3-month LCR recorded during 2020/21 (%)	10%	100%
	Impairments	Impairment ratio – total portfolio (%)	15%	Less than 5 percentage point increase in ratio from end of previous financial year
Client service experience	Client service index	Customer satisfaction index (rating from 1 to 10)	5%	7.9
High performing IDC culture	People sustainability index (PSI)	People sustainability index: Composite index measuring:	5%	
		· Talent retention (voluntary turnover rate of individuals in critical roles) (50% weight)		6.5%
		· Leadership Index (360° leadership survey as measured against the 10 agreed leadership characteristics) (rating from 1 to 5) (50% weight)		3.5

IDC Targets 2022 to 2023 as per the original version of the Corporate Plan

Leading (Short-term indicators)

Strategic priority	Theme	Indicator	Measurement description	Weight (Leading /ST)		2022	2023
Development Effectiveness	Funding and investment	Total value of investments	IDC own funding disbursed (R'm)	10%	Base	9 098	13 193
					Stretch	10 463	15 172

[5] Number of jobs at the company at the time of approval of the distressed funding

Strategic priority	Theme	Indicator	Measurement description	Weight (Leading /ST)		2022	2023
35%			Total funding disbursed from managed programmes, syndicated capital, and 3rd party funds and guarantees	5%	Base Stretch	4 934 8 652	6 716 9 700
			Managed programme funds disbursed (R'm)	-	Base Target	3 358 4 157	4 086 4 505
			Syndicated capital, 3rd party funds disbursed, and payment guarantees issued (R'm)	-	Base Stretch	1 576 4 495	2 630 5 195
			Capital committed to be mobilised from partners for approval of strategic and special purpose development programmes (R'm)[6]	-	Base Stretch	2 500 3 000	- -
			Total (IDC funds, leveraged capital and approvals of strategic partnership funds) (R'm)	-	Base Stretch	16 532 22 115	19 909 24 872
	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	25 300 31 700	27 400 36 000
		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	5 319 6 117	5 525 6 354
			Value of funding approved to Black Industrialists with agreements signed (R'm)	-	Base Stretch	4 900 5 635	5 090 5 854
			Value of funding approved to women-entrepreneurs with agreements signed (R'm)	-	Base Stretch	1 532 1 835	1 619 1 862
			Value of funding approved to youth-entrepreneurs with agreements signed (R'm)	-	Base Stretch	765 1 112	809 1 129
			% of total number of clients in portfolio in targeted groups	5%	Base Stretch	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	1.4% 4.4%	3.1% 6.1%
	Profitability	Return on assets	Operating profit before tax / Average assets excl. impact of Sasol, BHP, and Kumba Iron Ore	10%	Base Stretch	0.5% 1.0%	0.8% 1.3%
	Portfolio management and risk control	Portfolio performance	% of portfolio rated as low and medium risk	25%	Base Stretch	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
		Client loyalty	Net promoter score	5%	Base Stretch	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
		Culture entropy	Culture entropy score (indicator included when the score is measured)	5%	Base Stretch	30% 25%	- -
				100%			

Outcomes (Long-term indicators)

[6] 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 (Out-comes/ LT)		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	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	1.4% 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
		Portfolio performance	% of portfolio rated as low and medium risk	20%	Base Stretch	47% 51%	52% 57%
Client Centricity 10%	Client service experience	Client loyalty	Net promoter score	10%	Base Stretch	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: Balance Sheet Forecasts – IDC Group

IDC is constantly monitoring the volatile operating environment with financial forecasts being adjusted on an ongoing basis

	2021	2022	2023	2024	2025
ASSETS	**IDC GROUP (MINI & MAJOR SUBSIDIARIES)**				
Ordinary shares	16,187	17,123	19,446	21,001	22,877
Preference shares	10,489	11,281	11,328	12,409	13,689
Non-earning loans	8,670	9,265	9,678	10,193	10,319
Equity and shareholder loans	35,346	37,670	40,452	43,603	46,886
Loan finance	49,453	51,006	52,978	54,394	55,305
Local	40,542	43,420	46,366	48,242	48,910
Foreign	8,912	7,586	6,611	6,152	6,395
Provision for d/debts & impairments	-17,736	-19,255	-20,142	-20,769	-21,240
Financing at book value	**67,063**	**69,421**	**73,287**	**77,229**	**80,950**
Fair value adjustment	26,185	28,589	28,042	27,158	26,453
FINANCING - EXTERNAL	20,613	21,184	23,206	24,813	26,329
Other assets	13,230	13,767	14,207	14,439	14,886
Money market investments	7,383	7,416	8,999	10,374	11,443
TOTAL ASSETS	**113,862**	**119,194**	**124,536**	**129,200**	**133,733**
BORROWINGS	44,509	43,979	44,690	43,380	41,162
Bank loans	5,750	4,722	3,615	2,824	2,131
Medium Term Notes	13,982	16,282	17,582	16,290	15,723
Unemployment Insurance Fund	2,597	2,597	2,597	2,597	1,597
PIC Green Bond	4,624	4,624	4,624	4,624	4,624
Third party funds & funds held in trust	4,752	4,752	4,752	4,752	4,752
Foreign currency - based	12,805	11,002	11,521	12,294	12,335
Deferred tax	5,788	5,900	5,826	5,897	5,569
Other liabilities	5,922	5,986	6,075	6,309	6,373
EXTERNAL FUNDING	56,218	55,865	56,592	55,586	53,104
Share capital	1,393	1,393	1,393	1,393	1,393
Reserves	56,250	61,936	66,551	72,220	79,236
SHAREHOLDER'S FUNDS	57,643	63,329	67,944	73,613	80,629
TOTAL FUNDS	**113,862**	**119,194**	**124,536**	**129,200**	**133,733**
DEBT / EQUITY RATIO	77.2%	69.4%	65.8%	58.9%	51%

Annexure B: Income Statement Forecasts – IDC Group

IDC is constantly monitoring the volatile operating environment with financial forecasts being adjusted on an ongoing basis

	2021	2022	2023	2024	2025
	IDC GROUP (MINI & SUBSIDIARIES)				
Financing income	17,612	21,201	24,407	26,436	28,244
Dividend income	2,747	3,472	4,369	4,946	5,454
Interest income	3,863	4,282	4,739	5,264	5,802
Other income	11,003	13,446	15,299	16,227	16,988
Money market investment income	257	180	165	182	198
Total Income	17,869	21,381	24,573	26,618	28,442
Borrowing costs	-2,733	-2,786	-3,061	-2,881	-2,656
Net interest, dividends & fees	15,136	18,595	21,512	23,737	25,786
Administration costs	-11,640	-12,818	-14,197	-15,354	-16,114
Operating expenses	-11,537	-12,710	-14,083	-15,235	-15,990
Social and special enterprise cost	-104	-108	-114	-119	-125
Project costs - general	-129	-135	-141	-148	-155
Impairments and write offs	-3,312	-3,012	-1,820	-1,324	-1,031
Impairments	-2,241	-1,707	-1,074	-817	-668
Non-SPPI FV adj					
Bad debt write offs	-418	-322	-184	-125	-90
NET OPERATING INCOME BEFORE TAX	54	2,629	5,354	6,911	8,485
Taxation on operating income	-377	-622	-1,107	-1,550	-1,946
NET OPERATING INCOME AFTER TAX	-323	2,008	4,247	5,361	6,539
NET INCOME BEFORE CAPITAL REALISATIONS	**-323**	**2,008**	**4,247**	**5,361**	**6,539**
Net surplus/(deficit) on realisation of assets	-	-	-	-	-
NET INCOME AFTER NON- EQUITY CAPITAL REALISATIONS	**-323**	**2,008**	**4,247**	**5,361**	**6,539**
Capital profits - equity	206	1,262	837	1,257	838
Fair Value Movements	3,102	2,404	-547	-884	-705
TOTAL COMPREHENSIVE INCOME	**2,985**	**5,674**	**4,537**	**5,733**	**6,673**

Annexure C: Forecasted Funds Flow Statement – IDC Group

IDC is constantly monitoring the volatile operating environment with financial forecasts being adjusted on an ongoing basis

	2021	2022	2023	2024	2025
	IDC GROUP (MINI & SUBSIDIARIES)				
Total Financing Advances	9,588	7,506	9,131	10,205	11,565
Advances: Equity	3,014	2,577	3,091	3,417	3,859
Advances: Loans	6,574	4,929	6,040	6,788	7,706
Borrowings repaid	7,183	5,838	3,231	6,593	6,145
Dividend paid	-	-	-	-	-
Tax paid	34	800	1,214	1,712	2,015
OUTFLOW	**16,806**	**14,144.35**	**13,576**	**18,510**	**19,725**
Internal funds generated	4,941	7,194	10,094	12,926	15,736
Repayments received	4,279	5,399	6,437	8,017	10,239
Net income before tax	662	1,795	3,657	4,910	5,497
External funds raised	10,301	5,550	4,100	5,468	4,069
Proceeds from sale of shares	244	1,500	1,000	1,500	1,000
INFLOW	**15,486**	**14,244**	**15,194**	**19,894**	**20,805**
NET (OUTFLOW)/INFLOW	**-1,319**	**100**	**1,619**	**1,385**	**1,080**

Annexure D: Borrowing Programme

The borrowing programme was approved by the Board along with the previous version of the Corporate Plan. This has not been revised but sets an upper limit for IDC's borrowings for 2021 which may change depending on changes in the environment. Should cash inflows not materialise as anticipated given the current economic conditions, the borrowing programme allows the IDC to raise additional borrowings should market conditions allow.

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 E: 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 (Dr)**	**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 F: Board Committees

BOARD OF DIRECTORS

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

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

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

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

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

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

Board Investment Committee (BIC)

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

Board Human Capital and Nominations Committee (BHCNC)

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

Board Audit Committee (BAC)

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

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

Board Risk and Sustainability Committee (BR&SC)

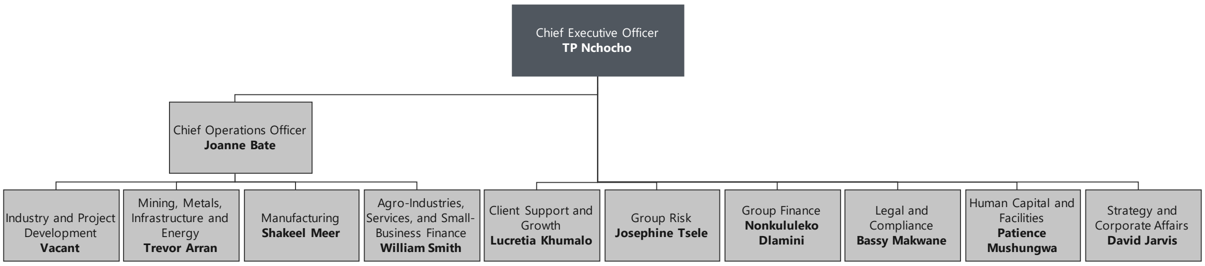
The primary duty of the Board Risk and Sustainability Committee is the governance of risk. It also assists the Board to determine the maximum mandate levels for the various Credit and Assets and Liabilities Committee decisions and reviews the effectiveness of the risk management process. The committee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

Board Social and Ethics Committee (BSEC)

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

Annexure G: Executive Management

Figure 9: Organisational Structure as at 1 July 2020



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

MJ Tsele: Chief Risk Officer
BA (Hons) Economics and Government
Joined the IDC and was appointed to Executive Management in 2020.
(Gender: Female; Race: African)

PT 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 H: 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 I: 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 J: 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***
21	***Impact of COVID-19 on IDC business***	***The threat of Covid-19 on the IDC's business continuity, liquidity and ability to deliver on the counter cyclical mandate***

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.

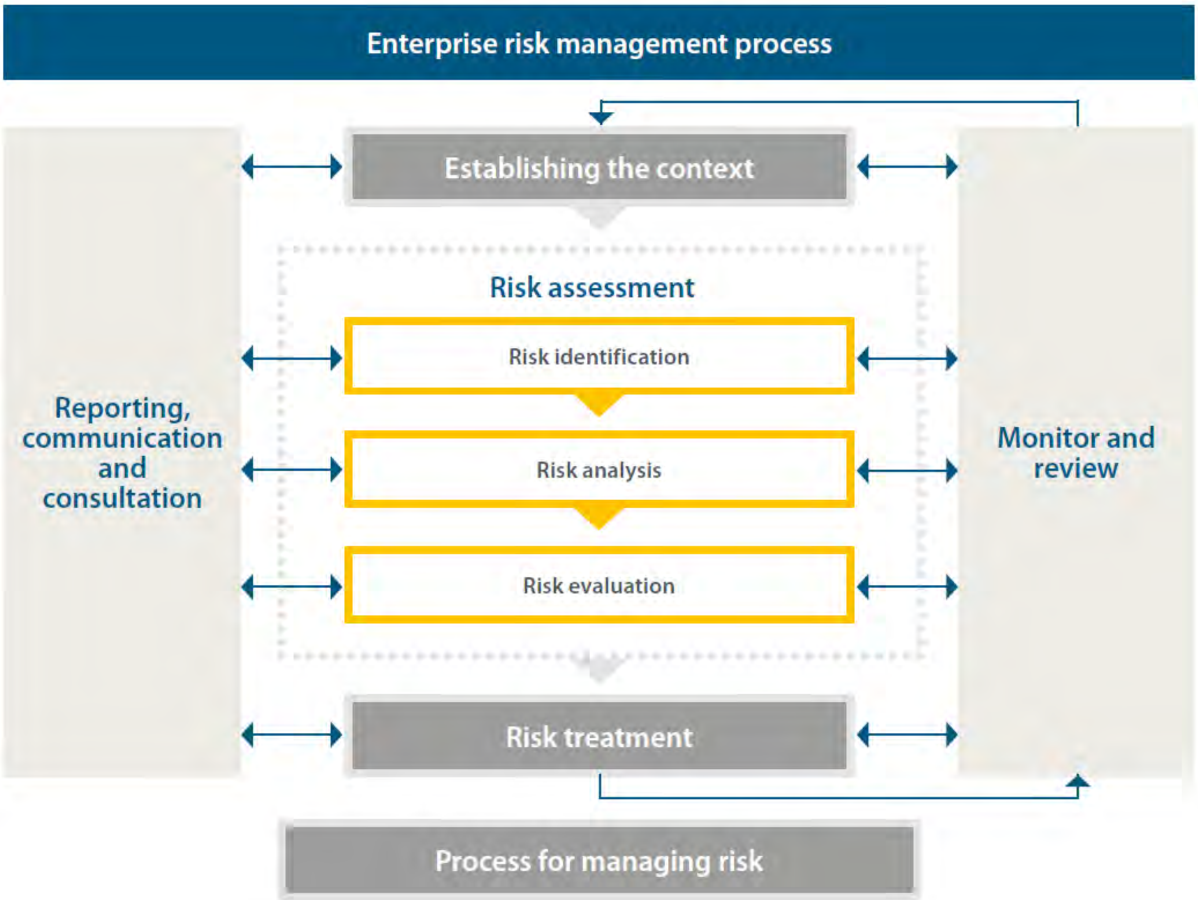
Annual Risk Assessment

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 10: 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 K: 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 particular 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 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 make a decision with regard to 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 with regard to 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.

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.

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 actually 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
dtic	Department of Trade, Industry and Competition
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