



Integrated Report 2022

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Navigating this report



Financial Capital



Intellectual Capital



Social Capital



Manufactured Capital



Human Capital



Natural Capital

Icons denoting assurance



Denotes Limited Assurance



Denotes Reasonable Assurance

Icons denoting availability of additional information



Additional information available at www.idc.co.za



Additional information available elsewhere in this report

Performance overview

R16.0 billion
(R6.5 billion in 2020/21)

 **146%**

IDC funding approved

R7.2 billion
(R6.3 billion in 2020/21)

 **14%**

IDC funding disbursed

27 130
(2 281 in 2020/21)

 **1089%**

Number of jobs expected to be created and saved through committed funds

R6.6 billion
(R3.9 billion in 2020/21)

 **69%**

Committed to transformation funding

R2.7 billion
(R3.3 billion in 2020/21)

 **18%**

Net profit (Company)

R177.4 billion
(R147.4 billion in 2020/21)

 **20%**

Total assets (Company)



Introduction

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 through an Act of Parliament (Industrial Development Corporation Act, 22 of 1940) and is fully owned by the South African government

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About this report

The IDC proudly presents its 2022 integrated report, which offers stakeholders a comprehensive view of its activities during the 2021/22 financial year. Following the unprecedented events of 2020/21, the Corporation was not alone in having to regain ground lost to the Covid-19 pandemic, while maintaining an unwavering focus on value creation for stakeholders.

DEFINITIONS OF TERMS USED IN REPORTING ON OPERATIONAL ACTIVITY

- **Approved:** Transactions approved
- **Committed:** Transactions for which all conditions requiring clearing prior to disbursement have been resolved
- **Disbursed:** Transactions where funds have been paid out to clients
- **IDC funds:** Value of funding that the IDC is providing from its own balance sheet
- **Managed funds:** Value of funding that the IDC is providing from funds that it manages on behalf of other parties e.g. dtic
- **Funding facilitated:** Total value of funding, including IDC funds, managed funds and other funds, being provided in a transaction

The information and disclosures in this report are based on the principles of materiality (page 46). The Board and management confirmed the issues that significantly affect the IDC's ability to create value for its stakeholders. The report is structured around seven material issues, details of which are on pages 46-50.

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

Our financial reporting complies with International Financial Reporting Standards (IFRS), the South African Companies Act and the Public Finance Management Act (PFMA).

We subscribe to the principles of good governance of King IV and apply the Greenhouse Gas Protocol to categorise and calculate CO₂e (carbon dioxide equivalent emissions). We contribute to the achievement of the Sustainable Development Goals (SDGs), with details included in the materiality discussion on pages 46-50. We also refer to certain Global Reporting Initiative standards and take into consideration the United Nations Environmental Programme Finance Initiative Principles for Responsible Banking.

The Board reviewed this report and approved it on page 5. The IDC's external auditors, SNG Grant Thornton (Johannesburg) and Nexia SAB&T (Pretoria), supported by the IDC Internal Audit Department, provided assurance on the group audited financial statements and issued an unqualified audit opinion. In line with our combined assurance framework, selected performance information was assured at a limited assurance level, according to the International Standards for Assurance Engagements (ISAE3000).

Scope and boundary

This integrated report covers our strategy and performance from 1 April 2021 to 31 March 2022. There were no significant changes to the scope and boundary from the previous financial year and no restatements made, unless otherwise indicated in the report.

The report reviews our operational and financial performance, strategies, activities, outcomes and risks. Our reporting takes into account perspectives of key stakeholders with a significant influence or considerable interest in our ability to achieve our mandate. We strive increasingly to include a broader set of stakeholders in our decision-making and endeavour to maintain and enrich our credibility through transparent reporting practices. We conduct a biennial stakeholder reputation survey, through which stakeholders offer their views and expectations on IDC sustainability and challenges. Survey results are considered in reviews and setting of strategy.

In the report, reference to 'the IDC', 'the Corporation', 'the organisation', 'we' and 'our' means the Industrial Development Corporation and its subsidiaries Findevco, Impofin and Konoil. These subsidiaries, with the IDC, are also termed the 'mini-group'. The 'Group' refers to the IDC and all its subsidiaries. The group structure is available online at www.idc.co.za.

Where a financial year is mentioned, it appears in the style of 2020/21 and 2021/22, while '2020' and '2021' denote calendar years, unless it is clearly stated that reference is to the financial year.

The report is produced annually and includes IDC performance and activities across all its regions. It contains our outlook and objectives for the short-, medium- and long-term, short term being up to 18 months, medium term 18 to 36 months and long term more than 36 months.

This report contains financial information for the IDC and

consolidated information for the Group. The carbon footprint information published online includes the carbon footprint for the IDC and its significant subsidiaries.

Disclosures

The IDC Board, supported by the Audit Committee, is responsible for internal control, which identifies, evaluates, manages and provides reasonable assurance against material misstatement and loss. Our combined assurance model seeks to optimise assurance obtained from management, and internal and external assurance providers, ensuring strong ethics and methods to ensure compliance. Using the Board-approved risk management process, IDC management identifies key risks and implements internal controls.

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

Content contained in this report is gathered from various sources throughout the organisation. An Integrated Report Working Committee brought together individuals from various functions and managed the production process. The team benchmarked the IDC report with those of other organisations to enhance quality and identify improvements.

Governing principles and standards

The report is aligned to the following:

PFMA

Public Finance Management Act, 1 of 1999, as amended;

Companies Act

Companies Act, 71 of 2008, as amended;

IFRS

International Financial Reporting Standards;

IDC Act

Industrial Development Corporation Act, 22 of 1940, as amended;

Internally developed guidelines and policies.

Forward-looking information

During the compilation of this report, directors presented their views on the outlook for the IDC and its predicted performance based on forecasts of local and global economic and political conditions. Forward-looking statements were informed by the IDC's corporate plan. These statements are subject to risk and uncertainty and, therefore, are not audited nor can be taken as reliable information on which investment decisions may be made.

We invite you to submit your feedback, queries and comments to service@idc.co.za

Board approval

The IDC Board, with the support of its Board committees, acknowledges responsibility for the integrity and completeness of the integrated report. It is the Board's opinion that this report addresses the material issues that have an influence on the Corporation's ability to create value. The IDC Board considers the content of this report to be accurate, reliable, complete and prepared in accordance with the Integrated Reporting Framework. This report was approved by the IDC Board on 30 August 2022.



BA Mabuza
Board Chairperson
30 August 2022



TP Nchocho
Chief Executive Officer
30 August 2022

Minister's foreword

EBRAHIM PATEL

MINISTER OF TRADE,
INDUSTRY AND COMPETITION



In the period under review, the balance-sheet strengthened and there was an improvement in its approval of industrial funding to clients.

Over the past year, the Industrial Development Corporation (IDC) operated in a global and local environment characterised by recovery, albeit with notable levels of uncertainty, volatility and complexity. The prior financial year had seen a significant blow to South Africa's growth rate and the performance of companies in its portfolio this also affected the balance-sheet of the IDC. In the period under review, the balance-sheet strengthened and there was an improvement in its approval of industrial funding to clients.

I am pleased to advise that by the end of the 2021/22 financial year, the IDC's balance sheet and finances had improved significantly, with the asset base increasing by 20%, from R147.3 billion to R177.4 billion at Group level, and a general improvement across several financial metrics, including improvements in the non-performing loans ratio from 40.3% to 31.2%.

Following a request from Government, the IDC provided support to businesses affected by the July 2021 unrest in KwaZulu-Natal and parts of Gauteng and, more recently, the devastating KwaZulu-Natal floods in April 2022, which damaged regional businesses, and key transport and logistics infrastructure. Its Post-unrest Business Recovery Fund supported companies and communities affected by the unrest. The Corporation subsequently approved 90 transactions to the value of about R2.0 billion and has disbursed R1.5 billion to date. This assisted businesses which employ 26 480 workers. The establishment of these funds required a different approach to doing business both at the IDC and across the dtic

entities, which in turn significantly increased efficiencies and accelerated turnaround times. Lessons learnt from the funding programmes are being considered for broader implementation in the Corporation.

In the review year, the IDC experienced some positive outcomes evidenced in its performance for the year as it and the economy started to recover from the Covid-19 pandemic. The IDC is beginning to rebuild its pipeline and increased commitments as a prelude to disbursement.

The organisation realised improvements in lending and investment activities, with increased approval levels of R16 billion in 2021/22 compared to R6.5 billion in the previous financial year. Disbursements of IDC funds increased by 14%, to R7.2 billion from R6.3 billion in 2020/21. While this is a step-up on the previous financial year, it is still significantly below the levels required for the IDC to play a meaningful role to foster stronger economic growth and meet shareholder expectations; and points to remaining challenges in the Corporation playing a robust counter-cyclical role in the economy.

This increased funding activity furthered development outcomes compared to 2020/21. The Corporation's impact on jobs for committed transactions in its core activities increased from 2 281 in 2021 to 6 297 (excluding the projects in the Post-unrest Business Recovery Fund numbers). It is also a source of concern that the number of people employed shrank in sectors in which the IDC is active, although the employment levels of the IDC portfolio expanded by 3%.

While the work on the post-unrest business recovery was an important contribution, the IDC's core investment activity outside this programme has not yet been able to yield the industrial and jobs impact that is required to make a meaningful contribution to decreasing national levels of unemployment and to grow the economy. The Corporation will need to focus on this area with greater efforts across the key sectors, particularly labour-intensive industries.

Funding facilitated for transformation totalled R6.2 billion against the target of R8.1 billion. Going forward, the Corporation will need to intensify its focus on its critical developmental mandate, including accelerating the advancement and inclusivity of women- and youth entrepreneurs in the economy. Black industrialists are contributing significantly to the South African economy and the IDC's role as a partner, enabler and financier can be stepped up further.

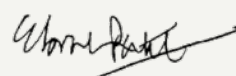
While I am encouraged by the improvement in approval levels to date, the real impact on the economy is measured in funds flowing to client businesses and the resultant impacts on job creation and economic growth. The Corporation will need to ensure that the improved level of approvals translates into higher levels of disbursements to make a meaningful impact on the economy.

It will also need to enhance its response to the recovery of the South African economy by steering long-term industrialisation, driving inclusive growth and continuing its countercyclical role. It will seek to further integrate across the dtic entities in executing the joint key performance indicators, namely

industrialisation, transformation and promoting a capable and agile state (implementation/effective delivery) to ensure greater alignment to policy priorities. In this latter regard, the IDC must build a more effective internal capacity and ensure that its operating costs match the level of activity of the Corporation.

To ensure jobs-rich industrialisation, the Corporation will need to assist in the acceleration of the various industry master plans, support township economies and promote deeper localisation by investing in local industrial capacity. Given the current energy challenges, it will need to support efforts such as enabling the development of a strong and commercially viable local component base for the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) and Green Hydrogen Action Plan, which seeks to diversify the country's energy generation mix. The IDC is well-placed to contribute to the transition to electric vehicles, enabling a more sustainable future for a critical part of SA's manufacturing base.

I thank the Chairperson, Ms Busisiwe Mabuza, and the Board and Mr TP Nchocho, the management team and the staff of the IDC for their contribution to the performance and impact of the Corporation for the year.



Ebrahim Patel

Minister of Trade, Industry and Competition

Chairperson's statement

BUSISIWE MABUZA
BOARD CHAIRPERSON



The period under review saw positive improvements in the Corporation's financial position, characterised by an improved financial position, a strong liquidity position and continued operating profits.

In the review year, the IDC regained momentum to support industrialisation and economic recovery. To this end, the IDC, in partnership with key stakeholders, will continue to drive jobs-rich and inclusive industrialisation and identify means to enhance its developmental impact.

Economic environment

The South African economy continued to recover from post-pandemic shocks, as did many global economies. In addition to the beneficial gradual easing of domestic Covid-19 restrictions that saw sentiment recovering from historical lows, conditions largely improved in the international environment and remained supportive for most of the financial year.

South Africa's overall domestic fixed investment activity, including that of private business enterprises – the main client base of the IDC – recovered to a degree, although still falling short of pre-pandemic levels in real terms.

Nevertheless, in a challenging operating environment, surplus production capacity across many industries underlined relatively weak fixed investment spending as domestic demand remained subdued and business and investor confidence levels were still relatively low.

Operational activity

The IDC approved on-balance sheet financing of R16.0 billion and disbursed R7.2 billion during 2021/22. These figures represent jobs created and saved, businesses supported – new and existing – and opportunities created for the expansion of productive capacity.

Furthermore, the organisation demonstrated its commitment to the transformation agenda, evidenced by its continued support to black industrialists, black-owned companies, women and youth entrepreneurs. An amount of R4.1 billion was approved for black industrialists (2020/21: R1.4 billion), R5.3 billion for black-owned and empowered companies (2020/21: R3.7 billion), R1.1 billion for women-empowered businesses (2020/21: R787.4 million) and R386.0 million for youth-empowered businesses (2020/21: R192.2 million).

In view of our developmental mandate and the countercyclical role that the IDC plays in the market, we continued to support our business partners in distressed industries including tourism and those faced with persistent difficult economic and trading conditions. This was partly reflected in the non-performing loan and impairment ratios, which remained relatively high, although showing some improvement in the year under review.

The IDC also assisted in the aftermath of the tragic civil unrest in July 2021. This was to ensure that affected businesses return to their full operational activities speedily, thus safeguarding thousands of threatened jobs. The IDC disbursed R1.5 billion from its Post-unrest Business Recovery Fund (PUBRF), an initiative of the IDC and **the dtic**.

Covid-19 and the social unrest underlined socio-economic challenges that the public and private sectors must address together.

Committed to inclusive and sustainable industrial development

Our role in the sustainable development of industrial capacity in South Africa and the continent is entrenched. The IDC's corporate plan for 2022/23 to 2024/25 cements our commitment to employment creation initiatives, including support for industry master plans and township economies, and administration of the Social Employment Fund.

We will also strongly enhance our role in decarbonising the South African economy through our involvement in the green economy and environmental initiatives.

Through business partnerships, the IDC is determined to improve engagements with the rest of the continent, leveraging opportunities emanating from the full implementation of the African Continental Free Trade Area.

We remain attentive to the adverse developments that have recently emerged and intensified globally, some of which are already having negative impacts on the domestic economic and trading environment. Locally, electricity supply disruptions, transport and logistics challenges, rising freight, electricity and fuel costs, and delays in the rollout of much-needed infrastructure projects present further structural risks and costs to already rising input and production costs for the South African economy and for most of the IDC's business partners. Again, our strategies, plans and initiatives

“

As the IDC we remain mindful of the urgency to address some of the country's socio-economic challenges and development needs”

will seek to assist in redressing some of these structural deficiencies and intensify the implementation of our strategic initiatives aimed at driving industrialisation.

As the country celebrates its road to recovery and finds new forms and ways of normalcy in the post-pandemic era, the IDC stands ready to partner in its growth and development trajectories.

Financial sustainability

The period under review saw positive improvements in the Corporation's financial position characterised by an improved financial position, a strong liquidity position and continued operating profits.

The Corporation remained focused on improving the impairment and non-performing loan ratios, with other key financial indicators showing a welcomed improvement.

Governance

The Board remains resolute in its commitment to ensuring that the IDC conducts its business according to the highest standards of ethics and good governance. The pledge to exemplary corporate governance and living the Corporation's values guides activities, interactions with stakeholders, accountability, transparency, fairness and social responsibility.

Acknowledgements

On behalf of the Board, I thank all staff at the IDC who, under the leadership of the CEO, Mr TP Nchocho, the executive team and senior management demonstrated sustained commitment to realising the Corporation's developmental mandate, economic development and an inclusive society.

The Board's appreciation is also extended to Minister Ebrahim Patel, the Department of Trade, Industry and

Competition (**the dtic**) team and the members of the Portfolio Committee on Trade, Industry and Competition and the Select Committee for their continuing oversight, guidance, engagement and support during the year.

Finally, I also acknowledge my Board colleagues whose dedication and wise counsel ensured that the Board was able to diligently guide the Corporation.



BA Mabuza

Board Chairperson
30 August 2022





Who we are

Our mandate is to maximise our development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and empowered companies, black industrialists, women, and youth-owned and -empowered enterprises.

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Company overview

The IDC has been a key actor in the South African business landscape since 1940, when the Industrial Development Corporation Act, 22 of 1940 was promulgated.

It remains wholly owned by the South African government and takes its lead from policies such as the National Development Plan (NDP) and industry master plans. The IDC mandate is to maximise industrial capacity development through job-rich industrialisation, while contributing to an inclusive economy by funding black-owned and -empowered companies, black industrialists, women- and youth-owned and -empowered enterprises and worker ownership schemes. To achieve this, the Corporation must ensure its long-term sustainability through prudent financial and human resource management, safeguard the natural environment and increasingly position itself as a centre of excellence for sustainable development.

Our purpose

- Grow sustainable industries
- Support entrepreneurs
- Improve lives

Our vision

Create globally competitive industries realising Africa's potential

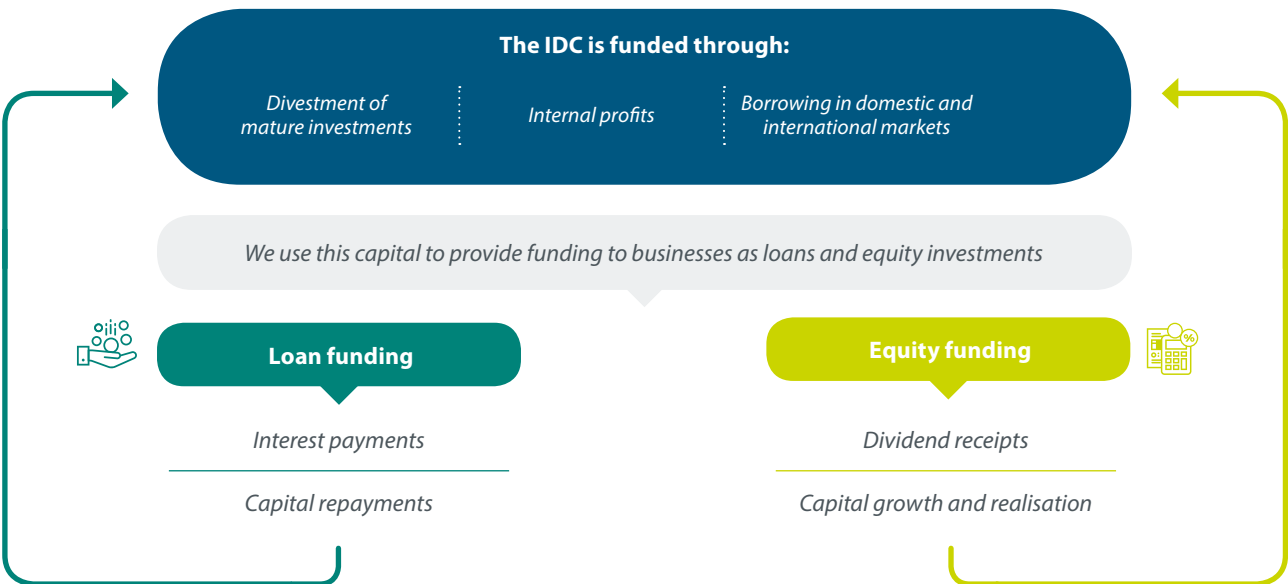
Our values

Day-to-day activities and business conduct are guided by the following values:

- Passion
- Partnership
- Professionalism



Funding model



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



Our business model

Inputs



Financial capital

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

- Equity: R109.7 billion (2020/21: R83.0 billion)
- Borrowings: R52.1 billion (2020/21: R56.9 billion)
- R177.4 billion in assets



Human capital

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

- 834 permanent employees (2020/21: 804)
- R10.9 million spent on training and development (2020/21: R39.3 million)



Social capital

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

- 28 strategic implementing partners for Social Employment Fund (SEF)
- 43 initiatives were approved, reaching more than 50 000 individuals nationally across all nine provinces



Intellectual capital

Our brand, reputation, research, knowledge and experience.

- More than 80 years of industrial finance and project development experience



Natural capital

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

- Renewable energy portfolio
- Investment in energy-efficiency technologies



Manufactured capital

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

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

Business activities

Industry planning

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

Project preparation

- Co-development of projects through feasibility stages

Partnership programmes

- Managing funds and building partnerships to achieve development outcomes

Industrial finance

- Deal development
- Assessing the viability of business plans
- Providing funding to potentially viable businesses
- Providing non-financial support to entrepreneurs to improve the viability of their businesses

Key business support functions

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

Outputs

Lending, investment and fund management

- **R16.0 billion** funding approved (2020/21: R6.5 billion)
- **R7.2 billion** of the IDC's funds disbursed (2020/21: R6.3 billion)
- **R1.2 billion** disbursed from funds being managed on behalf of third parties (2020/21: R0.7 billion)

Products and partnerships

- PUBRF launched in conjunction with **the dtic**
- Social Employment Fund developed in conjunction with National Treasury
- Township Economic Partnership Fund in partnership with the Gauteng Provincial Government and the Gauteng Enterprise Propeller
- Active member of the Energy Council and participant in the Presidential Climate Commission
- Redesign of the Clothing Textiles, Footwear and Leather Growth Programme (CTFLGP) to support the implementation of the Retail Clothing, Textiles, Footwear and Leather (RCTFL) Master Plan

Top risks

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

See pages 41 to 43 for more information

Material matters

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

See pages 46 to 50 for more information

Governance

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

See pages 89 to 113 for more information

Outcomes



Financial capital

- Assets: R177.4 billion (2020/21: R147.4 billion)
- Net profit
 - Company: R2.6 billion (2020/21: R3.3 billion)
 - Group: R6.3 billion (2020/21: Loss of R33 million)
- Impairments (total portfolio at cost): 36.1% (2020/21: 37.9%)



Human capital

- R1 139 million paid in salaries, wages and benefits (2020/21: R1 045 million)
- 88% black employees (2020/21: 88%)
- 55% female employees (2020/21: 55%)
- 8.0% staff turnover (2020/21: 7.8%)



Natural capital

- Electricity consumption (MWh): 4 107 (2020/21: 3 447)
- Water consumption (ML): 15 (2020/21: 15)
- R12.1 billion of investment facilitated and committed for renewable energy projects
- Reviewed house view on coal and natural gas



Manufactured capital

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



Intellectual capital

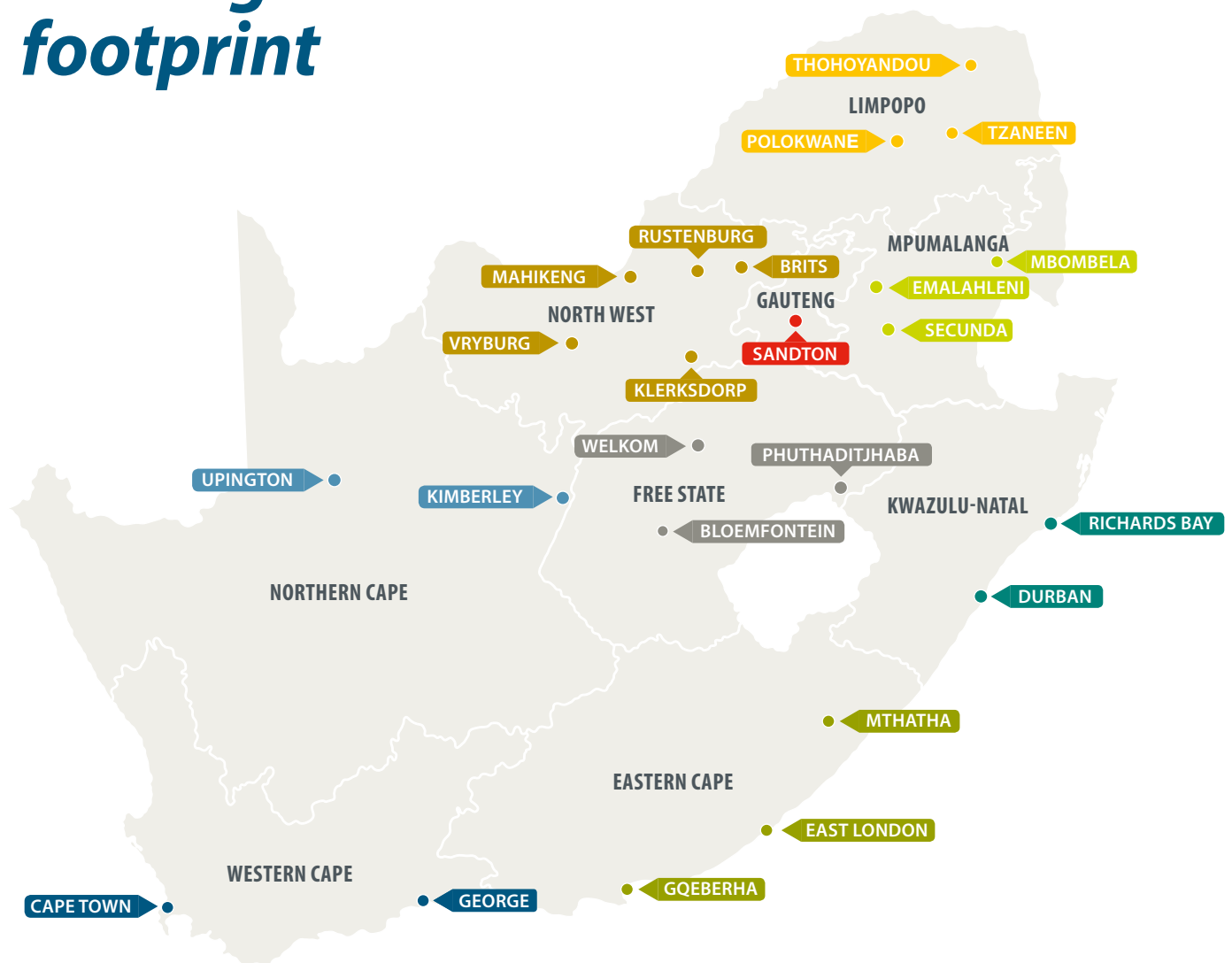
- Industry development plans finalised for the poultry, steel, renewable energy components, hydrogen value chain and automotive industries
- Industry research reports were completed for minerals (industrial minerals, fluorspar beneficiation), machinery and equipment (renewable energy components, instruments and controls equipment, transformers), horticulture (cherries, dragon fruit industry, pomegranates), tourism



Social capital

- 27 130 jobs are expected to be created and saved from committed transactions (2020/21: 2 281)
- R6.6 billion investment facilitated for priority groups of entrepreneurs (2020/21: R3.9 billion)
 - Black industrialists: R3.2 billion
 - Black-owned businesses and businesses with broad-based ownership: R6.5 billion
 - Women entrepreneurs: R1.1 billion
 - Youth entrepreneurs: R0.4 billion
- Reputation score: 72.4 (2020/21: 70.8)
- Client satisfaction index: 7.9 (2020/21: 7.6)
- R42.7 million corporate social investment (CSI) contributions (2020/21: R42.0 million)
- Level 2 B-BBEE contributor (2020/21: Level 1)

Our regional footprint



Regional offices

Eastern Cape

- Regional offices:**
- East London
 - Gqeberha
 - Mthatha

Free State

- Regional office:**
- Bloemfontein

Satellite offices:

- Phuthaditjhaba
- Welkom

Gauteng

- Head office:**
- Sandton

KwaZulu-Natal

Regional office:

- Durban

Satellite office:

- Richards Bay

Limpopo

Regional office:

- Polokwane

Satellite offices:

- Thohoyandou
- Tzaneen

Mpumalanga

Regional offices:

- Mbombela
- eMalahleni

Satellite office:

- Secunda

North West

Regional office:

- Mahikeng
- Rustenburg
- Brits

Satellite offices:

- Klerksdorp
- Vryburg

Northern Cape

Regional offices:

- Kimberley
- Upington

Western Cape

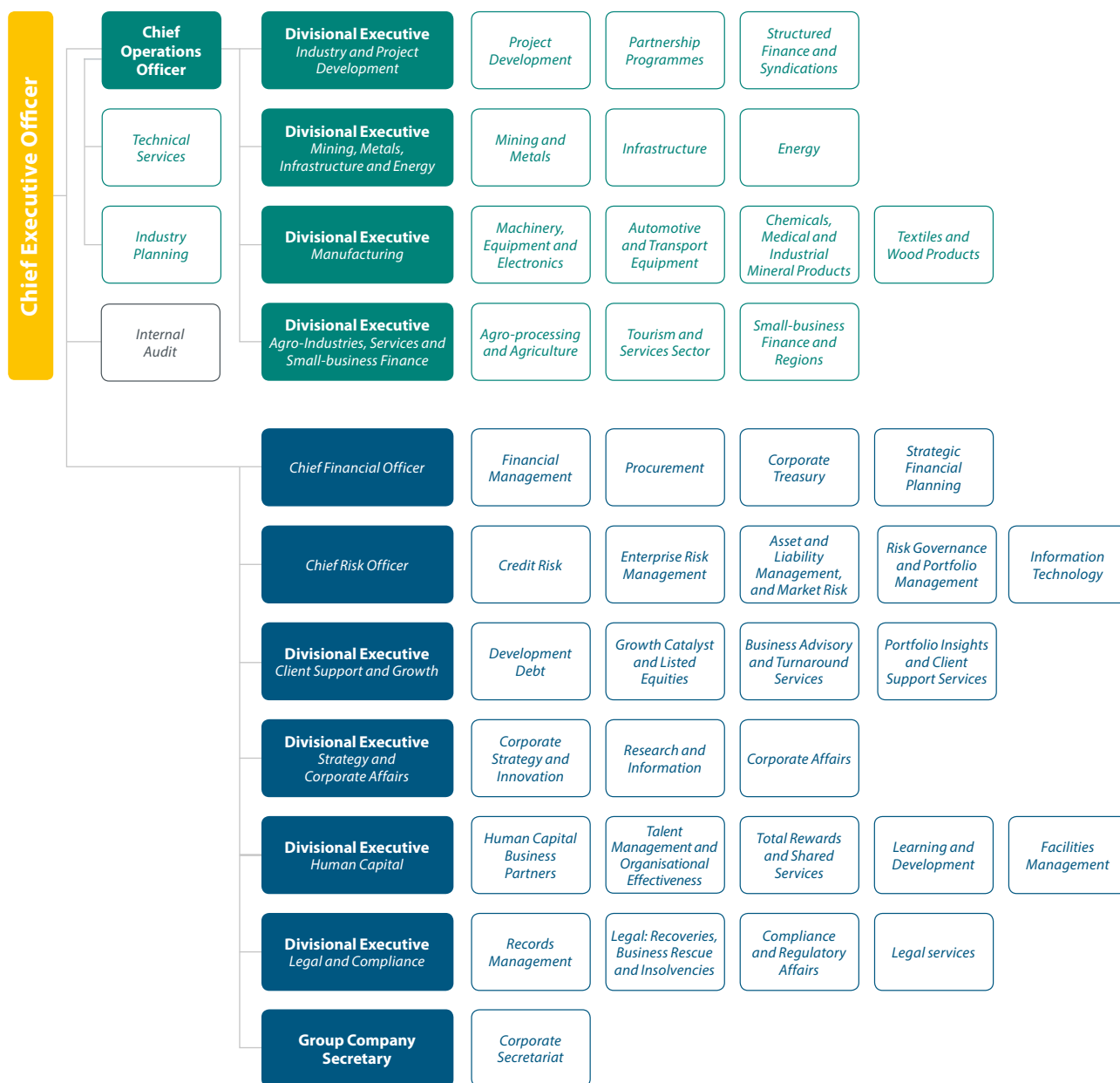
Regional office:

- Cape Town

Satellite office:

- George

Organisational structure



Board of directors



BA MABUZA (58)
Chairperson of the Board



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

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



TP NCHOCHO (55)
Chief Executive Officer

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

Appointed to the Board on 1 January 2019



LI BETHLEHEM (54)



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

Appointed to the Board on 1 October 2008



ADV ND ORLEYN (66)



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

Appointed to the Board on 29 January 2015



A KRIEL (59)



BSoc Sci (University of Cape Town)

Appointed to the Board on 1 April 2016



NP MNXASANA (65)



CA(SA), BCompt Hons (Unisa)

Appointed to the Board on 29 January 2015



DR SM MAGWENTSHU-RENSBURG
(63)



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

Appointed to the Board on 25 November 2011



PM MTHETHWA (58)



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

Appointed to the Board on 25 November 2011



DR NE ZALK (53)



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

Appointed to the Board on 25 November 2009



BA DAMES (55)



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

Appointed to the Board on 25 November 2011



RM GODSELL (69)



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

Appointed to the Board on 25 November 2011

Board committees

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

Executive management



TP NCHOCHO (55)
Chief Executive Officer

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



IN MALEVU (48)
Chief Financial Officer

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



J BATE (52)
Chief Operations Officer

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



MJ TSELE (53)
Chief Risk Officer

*BA (Hons) Economics and Government
(University of Essex)*



TL KHUMALO (42)
Divisional Executive:
Client Support and Growth

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



DA JARVIS (52)
Divisional Executive: Strategy
and Corporate Affairs

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



TP MUSHUNGWA (51)
Divisional Executive: Human Capital

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



R DEMANA (48)
Divisional Executive: Mining, Metals, Infrastructure and Energy

MSc Mining Engineering (Exeter University), BSc Mining Engineering (University of the Witwatersrand)



I SAYED (47)
Divisional Executive: Manufacturing

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



T LEGODI (48)
Divisional Executive: Legal and Compliance

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



F MOOSA (49)
Divisional Executive: Industry Planning and Project Development

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



ADV M KGANEDI (48)
Group Company Secretary

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

Joined the IDC on 1 May 2022

Our stakeholders and partnerships

How we engage	Their needs and expectations	Our expectations	How we create value
Stakeholders: Clients and business partners			
<ul style="list-style-type: none"> Regional roadshows Business support Customised products and services Client events Government-sponsored events One-on-one engagements Surveys 	<ul style="list-style-type: none"> Transparent and efficient application process Business support Affordable and appropriate pricing 	<ul style="list-style-type: none"> Innovative business plans that address South Africa's developmental needs Honour financial and other undertakings 	<ul style="list-style-type: none"> Providing funding to grow industries Funding for black industrialists, women, youth and other entrepreneurs Strengthen businesses through business support Interest and repayment rates linked to development impact
Stakeholders: Shareholder			
<ul style="list-style-type: none"> AGMs Board strategy sessions Presentations and reports to Portfolio Committee on Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour Integrated report 	<ul style="list-style-type: none"> Transparency and good governance Risk management and compliance Operational efficiency Thought leadership Lead sustainable industrial development 	<ul style="list-style-type: none"> An enabling policy environment Policy certainty Strategic leadership 	<ul style="list-style-type: none"> Investment in government priority areas Socio-economic development to fulfil our mandate
Stakeholders: Employees and prospective employees			
<ul style="list-style-type: none"> One-on-one engagements with staff Team and divisional engagements Internal and external communication platforms CEO feedback sessions Human capital initiatives (e.g. Employment Equity Forum) Staff engagements and culture surveys Involvement in strategic initiatives Management-union structures 	<ul style="list-style-type: none"> Job security Reward and recognition Employee development programmes and personal growth Good working environment Ability to make a valuable contribution to South Africa's development ambitions 	<ul style="list-style-type: none"> Motivated and empowered employees Living the IDC's values To be brand ambassadors Further the IDC's development agenda Enthusiasm, commitment and skills Service delivery mindset Awareness of the IDC's funding activities and developmental impact 	<ul style="list-style-type: none"> Transformation Personal development Remuneration linked to performance and value created Staff awareness of how their work contributes to the IDC's value proposition
Stakeholders: Regulators, rating agencies and funders			
<ul style="list-style-type: none"> Credit ratings Investor roadshows Integrated report Results announcements Stock Exchange News Service (SENS) announcements United Nations Environment Programme Finance Initiative community participation 	<ul style="list-style-type: none"> Transparent and effective corporate governance Financial sustainability 	<ul style="list-style-type: none"> Low lending rates Consultation Understanding of the IDC's operating context 	<ul style="list-style-type: none"> Funding schemes Input for policy development Leveraging funding to benefit South Africa Industry and economic development

How we engage	Their needs and expectations	Our expectations	How we create value
Stakeholders: Communities			
<ul style="list-style-type: none"> Regional offices Social enterprise and special initiatives Community trusts linked to the IDC's investments CSI initiatives Due diligence on the environmental and social impact of investments 	<ul style="list-style-type: none"> Job creation Supporting climate-resilient industries Wide dissemination of benefits Business opportunities and inclusive growth Compliance with environmental and social legal requirements Emission reduction Water stewardship 	<ul style="list-style-type: none"> Support for IDC-linked projects Participation in IDC initiatives Sustainable water resources Productive land 	<ul style="list-style-type: none"> Funding projects that create jobs Community and worker shareholding in IDC-funded projects Social and community projects Benefitting from poverty reduction Sustainable industrial development Utilising natural resources to create value for current and future stakeholders
Stakeholders: Other partners			
<ul style="list-style-type: none"> Engagements with academics, industry bodies and experts, development funding institutions (DFIs), state-owned entities (SOEs), research institutions and organisations 	<ul style="list-style-type: none"> Funding and participation in pilot initiatives Influencing policy development 	<ul style="list-style-type: none"> Entrepreneurship and innovative solutions Mutual partnership 	<ul style="list-style-type: none"> Knowledge networks that support sustainable industrial development and address the needs of society

Stakeholders are integral to the realisation of our strategic goals. Relationships and partnerships are therefore vigorously pursued and opportunities continuously sought to communicate our purpose and impact, thereby building our reputation and engendering trust in the organisation.

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

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

Establishing relationships with businesses and harnessing strengths and capabilities of our cooperating partners drawn from different spheres of development funding and financial ecosystems are key to scaling our development effectiveness and outcomes.

To convey the story of our socio-economic contribution and the developmental impact of our funding activities and outcomes thereof, we first identify our key stakeholders, after which we begin to monitor and evaluate their value add to the business.

We strive to forge partnerships with fellow DFIs so as to improve business impact and outcomes. One such initiative is the collaboration by DFIs

in efforts to decarbonise the local economy and ensure that South Africa accelerates its efforts to achieve a net zero future.

Indications thus far are that improved and focused engagement approach will result in the Corporation being viewed as both a partner and employer of choice.

Thought leadership

In the year under review, we continued to seek and use platforms for executives to provide thought leadership and insights on issues of national and continental importance. These included generation of newspaper articles, presentations and speeches, supported by branding, advertising, targeted

media publicity and effective use of our own social media platforms and website.

Apart from business development and ongoing meetings with stakeholders, we participated in a broad range of formal interactions aimed at profiling and positioning the IDC as a development finance institution that supports sustainable industries, finances entrepreneurs and, through its operations, improves lives.

Topics covered included the Corporation's funding support to economic transformation, the just energy transition, hydrogen economy, social employment, regional economic development and renewable energy.







Chief Executive Officer's statement

It was a year of recovery for many, as companies returned to normal trading, albeit with some differences across industries. Several sectors bounced back strongly, including mining, energy, infrastructure, agriculture/agro-processing and manufacturing, which encompasses textile automotive, pharmaceutical and chemical sectors

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Chief Executive Officer's statement

TP NCHOCHO
CHIEF EXECUTIVE OFFICER



As a development finance institution, our investment approach and appetite for risk are highly significant

It has been my privilege to lead this venerable organisation for the last three years; an entity that has thrived and contributed substantially to the economic landscape for more than 80 years. In the time since, the IDC's mandate has extended from strengthening industrial capacity in South Africa to including transformation and contributing to sustainable economic growth across the continent.

This mandate confers on us enormous responsibility, as investment for industrial growth and financial returns mutually reinforce each other for the betterment of society through economic inclusion of the previously marginalised and promotion of small businesses.

For the year under review, the IDC approved R16.0 billion in loans and equity support investments in an economy that was substantially depressed as a result of Covid-19 and had started to recover during 2021. The approval figure is a 145% increase from the R6.5 billion of 2020/21.

The Corporation disbursed R7.2 billion into the economy from its resources, with an additional R1.2 billion disbursed from funds that it manages on behalf of other partners. An additional R37.6 million worth of corporate social investment funds was disbursed to deserving causes. The funding has not only contributed to the goals of economic recovery, reconstruction and

inclusive economic participation, but has saved jobs and restored livelihoods. More importantly, this impact will multiply as ventures grow and create employment off the back of IDC funds and support.

For each rand we disbursed, an additional R1 was leveraged and mobilised from other funders to complement our investment.

Once again IDC achieved positive audit outcomes in the form of an unqualified audit opinion.

The Corporation continues to distinguish itself with exemplary governance and consistently gets positive reviews from funders, rating agencies, auditors and the broader stakeholder community.

As a development finance institution, the IDC is uniquely differentiated in its investment approach and risk appetite. We seek to maximise opportunities for economic growth and employment by focusing primarily on supporting entrepreneurs, the establishment of new businesses/startups, as well as the expansion and growth of existing businesses. This commitment to growing and expanding the size of the 'economic pie' is a fundamental feature of development finance.

As we seek out businesses deserving of capital and support to realise their potential for long-term sustainability, we remain fully aware of the investment risks and we are eminently equipped to assess and manage these through robust assessment processes and comprehensive post-investment client support programmes.

That said, the IDC strategy is predicated on a dual approach of enhancing development impact outcomes while maintaining a financially prudent and sound investment profile. Although we are a financial institution with a social objective, like any DFI that must operate on a long-term sustainable basis, the IDC expects advanced loans to be repaid.

Furthermore, the Corporation also expects its business partners to deliver development outcomes, such as employment creation and transformation, and deliver financial returns. Repayments for the year under review improved significantly. Additionally, there was a substantial improvement in the financial performance of our major subsidiaries which, has positively impacted the financial results of the IDC. The Small Business Finance Agency (sefa) made a profit, and Foskor achieved positive earnings before interest, taxes, depreciation and amortisation and turned its operating loss of R1.65 billion in 2020/21 to an operating profit of R120 million in 2021/22.

Changes in approach

In 2020, Covid-19 precipitated great disruption across the country and the world. The South African economy shrunk by 7% in 2020. The year under review saw a significant improvement in the economy and the valuations of our major investments. During the year under review, the Corporation registered growth in its capital base due to the upward valuation of its listed portfolio and total asset base, by 17.3% to R46.6 billion (R 39.7 billion in 2021) and 20.3% to R177.4 billion (R147.4 billion in 2021) respectively.

In response to the urgent and vital requirement for Covid-19 distress and critical supply funding, we streamlined our due diligence processes. We also set up dedicated teams and approval mechanisms to deliver when it mattered the most. In the process, we created a new blueprint of IDC processes. Sadly, we did not have to wait long to test the approach, as the devastating riots of July 2021 further challenged the country's resolve and resilience.

We approved R2.0 billion and disbursed in six months R1.5 billion to companies affected by the unrest and were able to restore more than 90 businesses to operation, saving 26 480 jobs in the process.

**R7.2
billion**

*disbursed during
2021/22*

>90

*businesses restored
to operation after
riots*

“

***A strategic shift
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and telecoms, all of
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functioning economy***

”

The unrest was regrettable and brought home once more the inequity of South African society, as the realities of social vulnerability surfaced. This is the society the IDC seeks to correct.

Year of recovery

It was a year of recovery for many, as companies returned to normal trading, albeit with some differences across industries. Several sectors bounced back strongly, including mining, energy, infrastructure, agriculture/agro-processing and manufacturing. The tourism, media and audio-visual sectors were adversely affected by the global pandemic, but are showing signs of recovery. For the tourism sector, we hope that the uptake in vaccination and relaxation of travel requirements will offer opportunities for renewal.

A strategic shift has been made in infrastructure, where we have matched our strength in energy finance with more involvement in water, logistics, warehousing and telecoms, all of which are crucial to a functioning economy. Notable investments in the last year were:

- R1.0 billion facility to Transnet to enhance its capacity to get goods moving.
- R1.3 billion towards the scheme that will pump water from Lesotho Highlands to South Africa's major industrial hub in Gauteng.
- R2.0 billion approved for energy sector investments – 33.3% higher than in the previous financial year (2020/21: R1.5 billion). Significant investment approvals included support for project developers participating in the Risk Mitigation Independent Power Producer Procurement Programme that will procure 150MW of emergency power that will be sold to Eskom to mitigate the risk of loadshedding. This project will create 667 jobs.

Finance

It has been a year for recovery, as reflected in our financial statements – a year in which we managed to shake off many of the negative effects of the pandemic and restore our balance sheet to historical strength. Notable contributions to the improvement of our balance sheet included the upward valuations of listed and unlisted investments. The exercise of divesting ourselves of non-performing businesses ensured we reduce potential impairments.

The IDC reports its results as the IDC company as well as a Group on a consolidated basis inclusive of its subsidiary and other associated investment.

The IDC company achieved a R2.6 billion net profit for the year and on a consolidated Group basis, the Group's net profit was R6.3 billion. This performance represents a massive turnaround from last year's performance.

A significant effort has been put into improving the quality of investments through the 'portfolio value improvement strategy' that we embraced at the beginning of 2020. This has seen a marked reduction in the level of non-performing loans (NPLs). However, impairments associated with unlisted equities remain sticky and difficult to remedy under a challenging economic environment.

As mentioned earlier, the approval numbers more than doubled during the review year to R16.0 billion from the R6.5 billion of 2020/21, a 146% increase in investment activity.

Our liquidity is sound, with cash reserves of R7.4 billion and an operating profit of R5.1 billion at year-end. The debt/equity ratio improved to 34.5% compared to 51.4% in the previous year. The cost-to-income ratio was 20% from 25%, showing a slight improvement over the 21% of pre-Covid levels.

Partnerships

Partnerships remain the lifeblood of most organisations, but DFLs in particular, cannot effectively expand without them. We partner with government, private companies, financial institutions and interest groups among others to ensure that our outcomes are inclusive. Our primary and longest-standing partnerships are those with our shareholder, **the dtic**, and our links to the Department of Agriculture, Land Reform and Rural Development (DALRRD) through the Agri-industrial Fund – a five-year R1.0 billion facility addressing funding constraints facing black farmers. A total of R400 million was approved at the end of 2020/21, 50% of which had been committed by year-end. We are ramping up our involvement in agriculture to bring to production vast tracts of land in rural areas and the former homelands and create significant employment in collaboration with the provincial departments of agriculture and the private sector.

Our partnership with the Department of Small Business Development, through *sefa*, continues to assist small businesses to grow, become sustainable and offer jobs.

A new partnership with the mining sector, including Anglo American, will see companies make available unused buildings and land at their mines conducive to the establishment of small to medium businesses suited to the environment, such as trading or clothing manufacturing.

We continue to pursue partnerships across the various sectors we operate in, including mining and agro-processing to create programmes that address spatial equity, small and medium enterprise (SME) development and environmental sustainability.

We remain strongly aligned with the employment creation goals of the NDP and SDGs, never losing sight of the tragedy of those unable to find jobs. Our performance is measured not only by financial indicators but by the

employment opportunities created and jobs saved. During the year under review, committed transactions created and saved 27 130 jobs.

Similarly, we are committed to creating new businesses to expand industrial capacity. A significant portion of our investment during the period under review included financing numerous start-up ventures with good prospects of creating jobs and expanding the country's manufacturing base.

We continued to provide growth and expansion finance to boost existing businesses and enhance their competitiveness and sustainability. Our efforts were concentrated on supporting industrial capacity development that simultaneously contributed to inclusivity.

Funding facilitated and committed for black-owned businesses, black industrialists, women entrepreneurs, and youth entrepreneurs was R6.5 billion, R3.2 billion, R1.1 billion and R394 million respectively. The funding for black-owned businesses, and black industrialists was a marked uptick over the R3.9 billion and R3 billion achieved in 2020/21.

Social development is another integral element of the IDC mix. We were entrusted with R800 million from the Social Employment Fund, **the dtic's** tailored support to the social and solidarity economy. The Corporation has committed all the funds to 28 strategic implementing partners that are rolling out part-time work supporting the common good in rural and semi-urban areas.

Climate change mitigation and promotion of the green economy continue to underscore all our investments in support of the prevailing policies and plans. During 2021/22, the IDC was mandated to lead the hydrogen commercialisation panel, together with public and private sector stakeholders, to establish South Africa as a key export market and support the decarbonisation of its carbon-intensive industries and transport sectors.

Decarbonisation is an economic imperative for almost all our investment sectors and we are working with our partners to reduce emissions. We are also exploring ways to support our mining, agro-processing and agriculture, and automotive clients in meeting emerging standards on emissions. Around 65% of South African manufactured cars are exported to the European Union, which has pronounced that from 2035 it will ban the sale of cars powered by internal combustion engines.

Thus, sustainability weighs strongly in our business development and investment decisions. Our partners have to demonstrate their viability, for everything else stems from this. Our due diligence must reveal structural, market, technical, compliance and management strength worthy of investment, including environment and social consciousness.

Client-centricity

Client-centricity begins at home. At the IDC, it is a culture transformation journey that is well underway to embed the concept in the professional skills sets and attitudes of our people. Over the last year, I have championed the cause through regular workshop-styled conversations with our divisions. I constantly remind our people that the boss is not **the dtic**, the Board or I – it is the client in whom we invest and who pays us back.

Our client experience team constantly monitor our responsiveness to and handling of issues, seeking the optimum balance between speed and quality of service, against the reality that, as a bank, we need to be prudent and never compromise on our diligence or high standards. Our client experience score is moving in the right direction, having increased from 7.6 in 2020/21 to 7.9.

Over the next three years, we will attend to the robustness and coherence of our digital infrastructure to elevate our client interface systems from the current adequate to advanced.

Post-year-end events

Our emergency processes and approaches were again called into play just after year-end, when floods took their toll on infrastructure and the livelihoods of already beleaguered KwaZulu-Natal communities, also resulting in tragic loss of lives. Our response was a similar package to that crafted after the riots.

Eighteen specialists were redeployed from their functional areas into a task team to allocate about R900 million we made available to those affected. By May 2022, we were already processing applications of about R480 million. The response will not be as immediate as with the riots, as businesses are not able to resume work until the roads, electricity and water infrastructure is restored, but we reacted with similar intensity, alacrity and purpose – the gifts of having to deal with disruption.

Outlook

Despite a challenging economic environment and against a backdrop of the country's immense development needs, we plan to disburse R107 billion over the next five years. Over the three years to come, this should create or save 112 000 direct jobs. By 2024/25, we aim to ramp up our support to targeted groups by deploying R18.8 billion to assist black industrialists, while black-owned companies will benefit from R30 billion in investment, with women entrepreneurs receiving R8.9 billion and youth entrepreneurs R3.9 billion. Investment in localisation will increase to R30.6 billion over three years, from R24 billion in the previous planning period.

Our financial strength bodes well for an even-greater impact on economic and societal development, employment creation, development of rural economies and the just transition journey. We also see tremendous growth potential in the minerals of the future, including platinum, lithium, hydrogen, copper and cobalt, and opportunities abound in the energy and

infrastructure sectors of Africa, notably in the Southern African Customs Union, and selected Southern African Development Community and East African countries.

We will continue to place greater emphasis on higher-quality deals and project pipelines to correct the high-risk portfolio to one of medium risk. The 'clean, fix and manage' approach to our portfolio management will be maintained and the focus will remain on effective performance management of subsidiary turnaround strategies. We will continue to invest in our human capital through, among other things, focused training programmes and on-the-job coaching to reinforce a high-performance culture.

New information technology systems are being planned to drive efficiencies and improve turnaround times and the customer experience. Externally, we will take a more proactive stance in profiling our organisation and its goals in the media.

We survived the storm in 2020, recovered well in 2021 and are well placed, with our partners and clients accompanying us on the road, to do more in 2022 and well into the future, as we expand the lungs of the economy.

Key focus areas for the Corporation include:

- The country's imperative around driving economic recovery and responding to the massive challenge of employment creation.
- Responding to the energy

challenge in the country that is a binding constraint to the economy. Addressing this requires support from various role-players, including private sector investment for new generation capacity and strengthening of grid systems.

- Supporting the growth of small and medium-sized businesses, particularly in townships and rural settings.
- Maintaining support for the agricultural economy and its evident potential to create employment at a large scale, especially in high-value crops.
- The enduring challenge of transformation for greater inclusion of targeted groups – women, youth and previously disadvantaged people – in the economy.
- Engaging with the various instruments and seeking partnerships to give effect to the African Continental Free Trade Area (AfCFTA) and its ambition to grow intra-continental trade and strengthen regional integration among African economies.
- Continued focus on our employees, continuing to invest in their wellbeing in terms of health and wellness, and their personal and professional development and support for their families as the world adjusts to new ways of working and new ways of living in a post-Covid-19 world.
- Working more strongly with regional and provincial development entities, both private and public, to extend our reach.
- Rising to the challenge of climate

change and the just transition globally.

- Maintaining agility in a world that has become extraordinarily volatile and unpredictable. Unforeseen events and wars that have erupted have translated into major disruptions to supply chains and trade.

Acknowledgements

All that we have achieved and aspire to do will not be possible without the support and guidance of our shareholder representative, Minister Ebrahim Patel and the Board. On behalf of the executive team and staff, I thank them for their commitment to the IDC.

I also thank the IDC staff, who continue to give their best in our pursuit to industrialise South Africa. Lastly, I recognise our partners and stakeholders, who and stakeholders who continue to work with us in all our endeavours, even in challenging times.



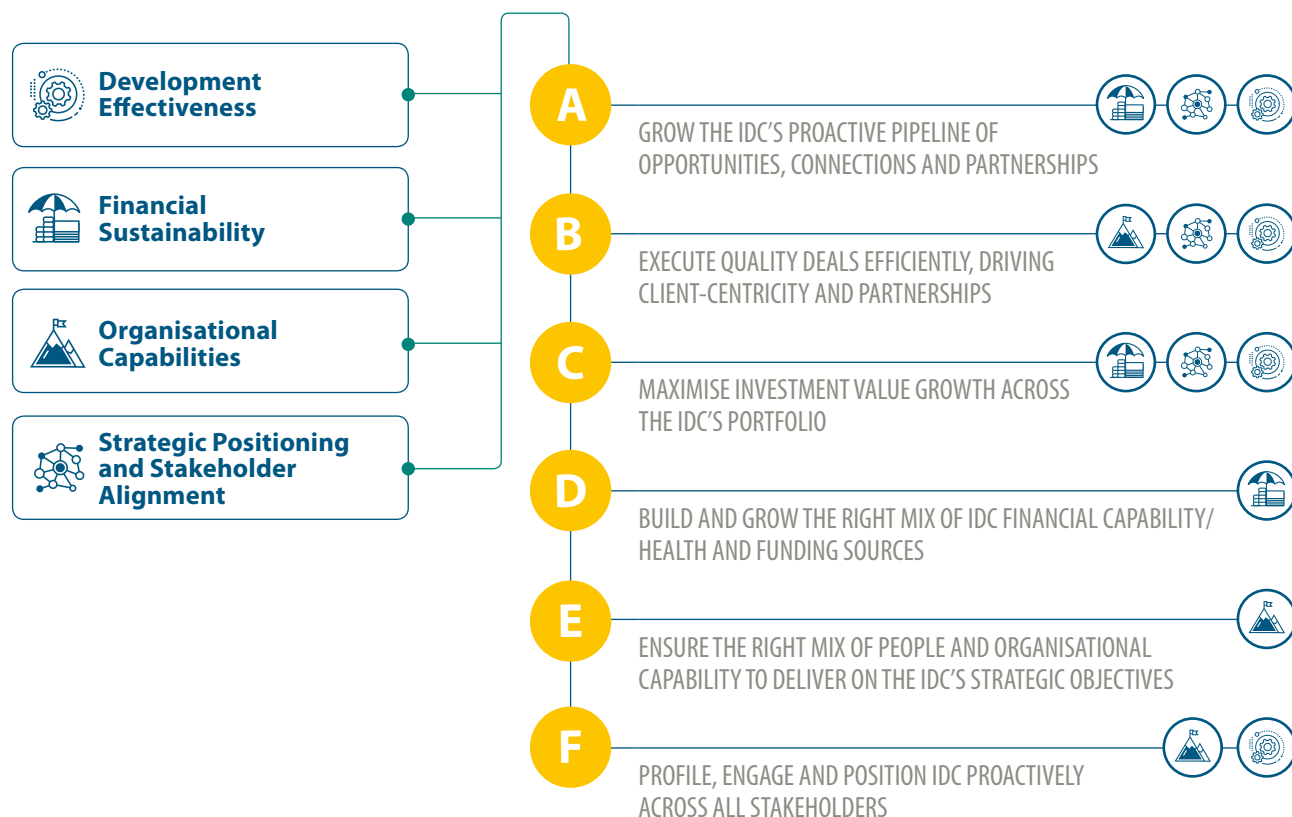
TP Nchocho
Chief Executive Officer



Our strategy

The Corporation's four strategic priorities cover six implementation themes, each addressing one aspect or more of the strategic priorities with defined, measurable, organisational improvement and transformation initiatives.

Strategic priorities





Our developmental outcomes and their contributions to the SDGs and NDP





The IDC mandate is to proactively maximise its development impact through effective and sustainable industrial development, in South Africa and across the continent. This means creating sustainable direct and indirect employment through industrialisation and contributing to an inclusive economy. Inclusivity is sought through funding black industrialists, black-owned companies, women and youth-entrepreneurs as well as broad-based empowerment. This involves leveraging and supporting implementation of government's industrial policy and aligning our activities with the NDP.

Through the businesses we support, we drive key development outcomes, which, in turn, drive equitable economic growth to create and sustain jobs. As part of government's integrated drive to support industrialisation, **the dtic**, in 2021, developed seven joint key performance indicators to coordinate activities of its agencies towards the common goals for which industrial and trade policy aims. We contribute directly to the implementation of several of these policies. The joint indicators were subsequently reconfigured into three broad categories.

We strive for seamless access to finance and customised products and offer support through a differentiated approach to different business segments. Offerings are constantly enhanced to emphasise development activities beyond just funding. These include creating enabling environments, providing business support and capacity building and introducing new capabilities such as syndication and lead arranging to facilitate greater leveraging of the IDC balance sheet.

Our activities are linked to all 17 SDGs and we strive for a positive combined effect.

SDG	NDP chapter	IDC developmental outcome	dtic joint indicator
	(11) Social Protection	<p>The IDC supports this goal, and that of the NDP, namely to reduce poverty. Through our financing, and the assistance we provide to SMEs, we generate jobs and increase income, thereby improving social services and the standard of living of communities. Our value is created by funding entities that play a significant role in a range of productive sectors of the economy.</p> <p>The Social Employment Fund is an initiative of the Presidential Employment Stimulus, which was created to counter job losses and create opportunities for growth and renewal. The fund contracts non-state actors to create and deliver part-time work that serves a common-good. This includes jobs that support the SDGs or that improve the quality of life of communities, with a focus on poor, marginalised and disadvantaged communities and groups.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Investment expansion/promotion <p>Transformation:</p> <ul style="list-style-type: none"> Structure of economy: Addressing economic concentration and/or SME promotion <p>Delivery/capable state:</p> <ul style="list-style-type: none"> Coordinating with other parts of the state to ensure effective outcomes on mandates and the industrialisation/transformation agenda
	(5) Environmental Sustainability and Resilience (6) Inclusive Rural Economy (11) Social Protection	<p>The IDC supports the poultry and sugarcane master plans and is pursuing several projects in these labour-intensive sectors. In partnership with the DALRRD, we established the Agri-industrial Fund to support economically viable activities in agro-processing.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Sector partnerships: Master plans
	(10) Healthcare for All	<p>We contribute to access to essential healthcare services. We are participating in the establishment of the first end-to-end mRNA vaccine manufacturing facility in Africa.</p> <p>Funding for the manufacturing of medicine and hygiene products is channelled through our Chemicals, Medical and Industrial Mineral Products Business Unit. Furthermore, we promote and encourage healthy lifestyles and support awareness campaigns in communities in which we have an impact.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Covid-19 industrial production
	(9) Improving Education, Training and Innovation	<p>The Corporation supports staff participation in continuous personal development and offers comprehensive educational assistance and bursary schemes. Opportunities are extended to external beneficiaries, including internships and learnerships. Our corporate social investment funding is directed largely to schools, skills training programmes and education facilities. We support early childhood development through on-site childcare facilities.</p> <p>In addition, we encourage development of the governance bodies' collective knowledge of economic, environmental and social topics.</p>	<p>Delivery/capable state:</p> <ul style="list-style-type: none"> Building staffing and governance capacity and quick response
	(11) Social Protection (12) Building Safer Communities	<p>The IDC promotes gender equality and offers financial products and business support tailored to priority groups.</p> <p>A new framework has been developed and will be implemented in 2022/23 to increase the participation of women in manufacturing.</p> <p>The Corporation has policies and frameworks in place to promote, enforce and monitor equality and gender non-discrimination in the workplace. These include work-life-balance and flexible working initiatives.</p> <p>Careful consideration is given to the proportion of women in managerial positions, Board representation and representatives in leadership roles in trade unions, workers' committees and/or associations.</p>	<p>Transformation:</p> <ul style="list-style-type: none"> Black economic empowerment promotion (black industrialists, women, youth)

SDG	NDP chapter	IDC developmental outcome	dtic joint indicator
	(4) Economic Infrastructure	<p>We provide funding for initiatives in water supply and sanitation, and measures for modern waste management systems that prevent contamination of water resources.</p> <p>Systems have been introduced to reduce our footprint on water.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Green economy initiatives
	(4) Economic Infrastructure (5) Environmental Sustainability and Resilience	<p>The IDC is exploring opportunities to increase its role in decarbonising the South African economy.</p> <p>Renewable energy: Continued support for the funding of projects forming part of REIPPP, with a focus on black and community participation in projects. We also increase support to private sector businesses in the industrial and commercial sectors to establish their own generation capacity, and promote the local manufacturing of components for the renewable industry.</p> <p>Hydrogen economy: The IDC-lead Green Hydrogen Action Plan supports South Africa's ambition to produce at least 4 million tons of hydrogen a year by 2050 and includes industry leadership through strategy planning and coordination, project development, business development around localisation opportunities, partnerships, policy and regulatory advocacy to facilitate an optimal regulatory environment.</p> <p>Alternative manufacturing technologies: We are working on a new, more environment-friendly process to refine platinum, one of South Africa's major export commodities. We also assist businesses to introduce new technologies that will decarbonise our portfolio.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Green economy initiatives
	(3) Economy and Employment	<p>Job creation requires long-term, sustainable investments. We monitor the direct jobs created through our investments and model our impact on the creation of indirect jobs.</p> <p>We are introducing a comprehensive township economies development programme that includes coordination of different role-players to improve access to finance, introduce policies to lower barriers of entry for small, medium and micro enterprises (SMMEs) operating and derisking SMMEs through effective business support. The initiative aims to bring together DFIs, government, private sector funders and non-governmental organisations to provide this support. Internally, the Corporation will review the sectors it invests in to expand on any other potential township investment sectors and prioritise internal resources and processes.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Sector partnerships: Master plans Localisation outcomes Beneficiation initiatives Investment expansion/promotion <p>Transformation:</p> <ul style="list-style-type: none"> Structure of economy: Addressing economic concentration and/or SME promotion
	4) Economic Infrastructure	<p>IDC funding contributes to access to infrastructure and to the internet.</p> <p>We seek stakeholder participation in decision-making for energy planning and infrastructure development.</p> <p>SMEs are integrated into the value chains. Key activities include investment facilitated for master plan sectors, localisation and project development.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> Sector partnerships: Master plans Investment expansion/promotion <p>Transformation:</p> <ul style="list-style-type: none"> District model reporting: Key outputs and outcomes of an entity to be reported in the framework of the 52 spatial units to the extent possible. Reports to also include work that may affect special economic zones and industrial parks Integrated delivery: entities to identify and implement measures to integrate their work with that of other public institutions in the 52 districts Delivery/capable state: Coordinating with other parts of the state to ensure effective outcomes on mandates and the industrialisation/transformation agenda

SDG	NDP chapter	IDC developmental outcome	dtic joint indicator
	(3) Economy and Employment (11) Social Protection (15) Nation Building and Social Cohesion	<p>Our transformation objectives focus on funding support, creation of enabling environments and non-financial support for black-, women- and youth-owned businesses.</p> <p>Our funding support for localisation and small businesses contributes further to this objective.</p> <p>The Corporation participates in intercontinental projects and initiatives and supports supplier development programmes and other initiatives that promote economic inclusion. Our social investment includes initiatives to enhance financial literacy. We implement policies and procedures for assessing and screening environmental and social risks in business lines.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Localisation outcomes • Beneficiation initiatives <p>Transformation:</p> <ul style="list-style-type: none"> • Black economic empowerment promotion and review (black industrialists, women, youth) • Worker empowerment measures/ outcomes where appropriate • Structure of economy: Addressing economic concentration and/or SME promotion • Township economy: Promotion of opportunities in the township economy
	(4) Economic Infrastructure (5) Environmental Sustainability and Resilience (8) Transforming Human Settlements	<p>The IDC endorses circular economy concepts and recognises the role of small businesses in the development of sustainable cities and communities.</p> <p>The industrial development of township economies, support programmes and targeted intervention are crucial factors.</p> <p>We strive to protect cultural heritage and manage the impacts of displacement carefully.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Sector partnerships: Master plans • Investment expansion/promotion • Green economy initiatives <p>Transformation:</p> <ul style="list-style-type: none"> • District model reporting: Key outputs and outcomes of an entity to be reported in the framework of the 52 spatial units to the extent possible. Such reports to also include work that may affect special economic zones and industrial parks where relevant • Integrated delivery: Entities to identify and implement measures to integrate their work with that of other public institutions in the 52 districts <p>Delivery/capable state:</p> <ul style="list-style-type: none"> • Coordinating with other parts of the state to ensure effective outcomes on mandates and the industrialisation/transformation agenda
	(5) Environmental Sustainability and Resilience	<p>The IDC is a signatory to international conventions and adopted frameworks to ensure its investments in productive sectors cause minimal environmental damage and mitigate potential harmful impact.</p> <p>We have policies and procedures in place to assess and screen environmental and social risks in business lines.</p> <p>We publish an annual integrated report and hold ourselves accountable for matters relating to sustainability.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Sector partnerships: Master plans • Localisation outcomes • Beneficiation initiatives • Covid-19-related industrial production • African and global exports • Green economy initiatives <p>Transformation:</p> <ul style="list-style-type: none"> • Structure of economy: Addressing economic concentration and/or SME promotion • Township economy: Promotion of opportunities in the township economy

SDG	NDP chapter	IDC developmental outcome	dtic joint indicator
	(5) Environmental Sustainability and Resilience	<p>As a purpose-driven organisation, the IDC supports environmental sustainability and ESG in its own operations, and investments in these areas. It encourages responsible ESG practices at its clients. Undertaking to increase its role to develop the green economy, it is developing an all-encompassing ESG strategy. Opportunities to raise capital through green bonds and sustainability bonds to finance projects are pursued.</p> <p>ESG policies and responsible investment remain current.</p> <p>Following COP26 in November 2021, the Corporation will collaborate with other DFLs on adaptation projects.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Sector partnerships: Master plans • Green economy investments
	(5) Environmental Sustainability and Resilience	We support blue tourism initiatives and sustainable practices in the blue ocean and maritime industries.	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Sector partnerships: Master plans • Green economy investments
	(5) Environmental Sustainability and Resilience	<p>We continue to participate in green economy stakeholder consultations, invest in eco-tourism ventures and support sustainable practices in the energy, agriculture and tourism industries.</p> <p>Projects are pursued in labour-intensive sectors, including projects using agricultural commodities as feedstock in industrial processes (e.g. sugar-based bio-jet fuel, bioplastics), high-value horticulture (e.g. seedless lemons, horticulture around the lower-Orange River), and community forestry projects.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • Sector partnerships: Master plans • Green economy investments
	<p>(13) Building a Capable and Developmental State</p> <p>(14) Fighting Corruption</p>	<p>We set high standards of business ethics and enforce zero tolerance of transgressions. We comply with all applicable laws, monitor adherence to anti-corruption and fraud prevention policies, and continuously improve our processes. We have a deal-making excellence initiative to streamline and improve deal development, including removing red tape. Our initiative-taking pipeline of opportunities, connections and partnerships is growing and transaction assessment and execution turnaround times have improved significantly. Digitalisation continues.</p>	<p>Delivery/capable state:</p> <ul style="list-style-type: none"> • Building the entity staffing and governance capacity and quick response • Addressing red tape and compliance in internal processes, including turnaround time targets • Reviewing legislation and identifying possible reforms to help external users and create more agile institutions
	(7) South Africa in the Region and the World	<p>Implementation of the African Continental Free-trade Area and partnerships with businesses, governments, DFLs and funders allow us to take advantage of export opportunities for South African products, input sourcing for South African value chains and broaden regionalisation.</p> <p>We measure our indirect impact on investment through funding leveraged, i.e. funding secured from partners and syndications for lending.</p> <p>We are a member of national and international institutions and bodies and aim to maximise sustainable development through collaboration. We have adopted leading reporting frameworks and participate in initiatives to achieve Agenda 2030.</p>	<p>Industrialisation:</p> <ul style="list-style-type: none"> • African and global exports <p>Transformation:</p> <ul style="list-style-type: none"> • Integrated delivery: Entities to identify and implement measures to integrate their work with that of other public institutions in the 52 districts <p>Delivery/capable state:</p> <ul style="list-style-type: none"> • Shared services with the dtic or between entities • Integration of work and mandates across relevant dtic institutions • Coordinating with other parts of the state to ensure effective outcomes on mandates and the industrialisation/transformation agenda

Top 12 key strategic risks

Risk name and description	Risk mitigation
Strategic pillar: Increased industrial development	
Macro-economic conditions and developments Adverse macro-economic conditions (domestically and/or globally) and/or sovereign credit downgrades affecting the IDC's business and its ability to achieve strategic targets	External environment: <ul style="list-style-type: none"> • Monitoring of economic developments and forecasting of key indicators • Scenario analysis and impact on IDC contingency plans • Research and analysis of economic, political, industrial and other pertinent developments Internal controls: <ul style="list-style-type: none"> • Quarterly budgeting forecasts • Impairment interventions • Post-investment and Asset and Liability Committee activities • Scenario analysis
Developmental impact risk Strategy implementation failures, resulting in the IDC not meeting its strategic objectives and having the desired developmental impact	<ul style="list-style-type: none"> • Preferential pricing given to black industrialists • Special schemes for youth and women • Corporate and strategic business unit targets set for funding to black industrialists, youth and women, and localisation • Black industrialist framework in place • IDC participation in the dtic incentive forums for black industrialists
Strategic pillar: Maintain financial stability	
Concentration risk Concentration in the IDC's portfolio, affecting diversification, dividend income and strength of the balance sheet	<ul style="list-style-type: none"> • Analysis and monitoring of investments • Recommendations are presented to Exco and Board • IDC Board seats in some significant investments • Financial scenario analysis by financial management • Tracking and forecasting of the portfolio against set targets
Significant investments risk Financial viability of significant investments and their ability to deliver effectively on their required strategy	<ul style="list-style-type: none"> • Representation on key subsidiary boards • Continuous monitoring of performance of subsidiary and significant investment performance
Credit and investment portfolio risk Non-payment by the IDC's business partners and non-recoverability of investments	<ul style="list-style-type: none"> • Well-defined Credit and Investment Policy and approved Delegation of Authority Policy in place to approve transactions • Business support given to business partners to address specific deficiencies • Implementation and monitoring of impairment interventions by Exco and Board Risk and Sustainability Committee (BRSC) • Impairment Reduction Strategy developed and implemented • Workout and Restructuring Department established in 2019 assists with the turnaround of clients in financial distress • Formation of Deal Development Forum and Portfolio Monitoring Technical Committee
Liquidity and funding risk The IDC is unable to maintain or generate sufficient cash resources to meet its payment obligations and fund transactions	<ul style="list-style-type: none"> • Funding plan rigorously managed across different areas • Strong and enhanced relationship with funders/sources of capital • Imminent risks flagged with shareholder • Continue to pursue high-risk appetite funders • Off-balance-sheet funding and sharing of transaction risk through new unit • Liquidity cash preservation processes and weekly meetings • Co-funding arrangements with other financial institutions • Prioritisation and close monitoring of disbursements and collections • More proactive stakeholder and reputational risk management approach (with funders and clients)

Risk name and description	Risk mitigation
Strategic pillar: Human, social, natural and manufactured capital	
People risk/organisational culture risk Failure to recruit, develop and retain the best talent and create a conducive work environment that enables high-performance and client-service culture	<ul style="list-style-type: none"> • Culture Transformation Plan and Change Management Plan approved and in progress • Continue with the rollout of the Corporation's leadership journey and focus on mentorship programmes • Employee engagement programmes • Organisational realignment: <ul style="list-style-type: none"> – Implement a revised organisational design to support the new operating model – Continue rollout of change management, supportive of the new organisational design • Effective performance and consequence management • Leadership capacitation to support culture transformation • Knowledge management programme to retain 'corporate memory' • Workplace skills plan and individual development plans • Service charter • Complaints management policy
Governance, ethical conduct and behaviour Non-adherence to good corporate governance standards and the risk of internal/external financial crime, including unethical business practices and behaviour	<ul style="list-style-type: none"> • Delinquent register • IDC policies (financial crime prevention politically exposed person- PEP/prominent influential person – PIP, anti-money-laundering, director nomination) • Audit Committee and Social and Ethics Committee • Whistleblowing Policy and 'Tip-offs Anonymous' process • Code of Business Ethics and Conduct • Systems and Procedures Committee • Application of funding reviews • Publication of all approvals • Annual conflict of interest review • Corporate governance framework • Delegation of authority • Conflict of Interest Policy (for Board directors) • Training for directors • Annual Board effectiveness review • Pre- and post-governance reviews for investee/subsidiaries
Legal and regulatory compliance IDC and business partners not meeting their legal/contractual and regulatory requirements	<ul style="list-style-type: none"> • Legal due diligence performed on all clients • Compliance training on key legislation for all staff • Monitoring of funding agreements and reporting on breaches • In-house specialised legal services • Compliance policy and annual plan • Regulatory universe • Delegation of Authority Matrix • Collections Monitoring Forum • Standardised legal documentation • Anti-money-laundering and Sanctions Policy (Financial Intelligence Centre Act – FICA) • PEP/PIP policies
Business continuity and IT security risk Business disruption due to an internal or external business continuity or IT-security-related event	<ul style="list-style-type: none"> • Firewall • Intrusion detection layer • IT security awareness and training. • Antivirus software • Daily monitoring by IT governance and network teams • Penetration testing • Updating of business continuity and crisis management plans • Testing of business continuity and crisis management plans • Crisis Management Committee set up to ensure minimal disruption to IDC business

Risk name and description	Risk mitigation
Strategic pillar: Human, social, natural and manufactured capital	
Sustainability and responsible investment risk Inadequate strategies to address ESG risks and achieving low carbon footprint by reducing concentration on carbon-intensive investments	<ul style="list-style-type: none"> • Carbon Tax Management Strategy for the IDC and material subsidiaries and associates • Audit the carbon footprint of the IDC and its key subsidiaries • Fund clean technology and energy-efficiency initiatives at subsidiaries • Development of ESG, sustainability and responsible investment framework and policies
Reputational risk Potential or actual damage to the IDC's image through factors (negative media reports) that may impair the profitability and sustainability of the business	<ul style="list-style-type: none"> • Social Media Policy • Proactive media monitoring of the IDC • Strong relationships with media houses and key journalists • Ongoing engagements with journalists who follow and report on the IDC • Close monitoring of key IDC stories in the media • Marketing and communication campaigns that create awareness of IDC's funding initiatives • Tight management of client complaints





Our operating environment

The South African economy rebounded over the 12 months to March 2022 as real GDP expanded by 6.3%, year-on-year, following a 7.0% contraction in the preceding year.

Materiality	46
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Materiality

The IDC deems a matter to be material if it could significantly affect its ability to create value in the short-, medium- and long term.

Our ability to create value and achieve our strategic objectives is affected by our external environment (pages 41-43), and risks and opportunities. Performance reporting takes place in the context of these factors, while we assess and link them to the concerns and interests of our stakeholders and our business strategy.

We apply integrated thinking to identifying and ranking material matters. The process starts with the identification of a broad universe of potential material issues. We use multiple sources (including industry research and analysis, industry intelligence, mandatory regulatory requirements, best practice benchmarking, online news and media) to reduce the risk of overlooking emerging issues and to ensure a credible and comprehensive analysis. This multi-source approach ensures a

more objective analysis as data can be triangulated and reduce the subjectivity of a specific stakeholder's point of view.

Our enterprise risk management (pages 41-43) process analyses the external environment and the expectations of our stakeholders, flagging risks and opportunities that can substantially affect our ability to create value. The likelihood and potential impact of risks and opportunities are considered to determine their materiality and to align our strategic approach with major elements in the operating environment.

The mapping of relevant stakeholder groups (pages 24-26) shows the external and internal groups affected, directly or indirectly, by the IDC's activities. Our ability to create value rests on the quality of stakeholder engagements. Open and effective communication channels facilitate the identification of risks and opportunities, which in turn inform the IDC's strategy and material matters.

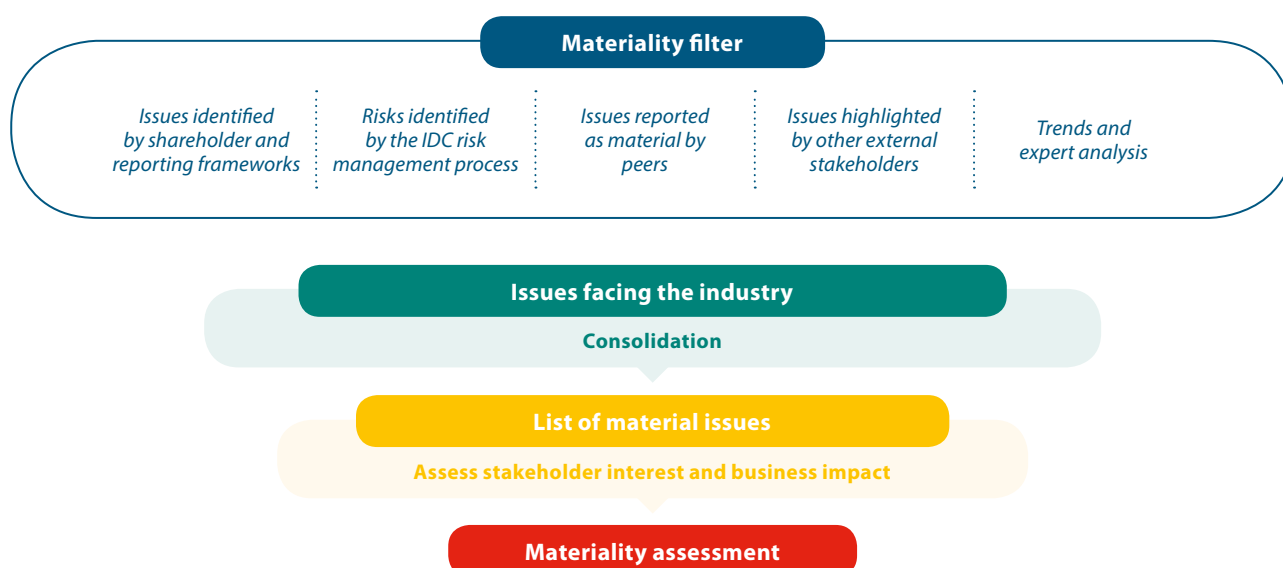
IDC stakeholders, through biennial stakeholder surveys (page 24), offer their views and expectations on IDC sustainability and challenges.

The executive management team and Board annually review material matters to confirm their likelihood and impact on the business, and to consider if new material matters have emerged. By analysing the outcomes of frequent employee engagements, Board discussions, economic and industry reports, we confirm the relevance of our list of material matters. The analysis occurs every two years and is the foundation of reporting and of reviewing and refining IDC strategies.

Covid-19 is no longer viewed as material and has been removed from our list. This de-emphasis was confirmed by our external stakeholder survey.

Our materiality matters confirmed and ranked:

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



Material matters, risks and opportunities

Material matter: Sustainable industrial development						
Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
The IDC is key to implementation of industrial policy in various industry master plans and in supporting government's Economic Reconstruction and Recovery Plan. Industrial development was cited as the most important materiality issue in the stakeholder survey, with most stakeholders indicating that it was especially important.	<p>Unreliable electricity supply and other infrastructure deficits have a bearing on the national development agenda.</p> <p>The global decarbonisation agenda and risk of carbon border taxes affect the future of the IDC's industrial sectors and exporters.</p> <p>Expectations for the IDC's potential impact could be outweighing its resources. Post Covid-19 disruptions to supply chains and supply chain disruptions continue to be a concern.</p>	<p>Investment in infrastructure development for building a stronger, greener base for industrialisation.</p> <p>Altering patterns of globalisation favours regionalisation, localisation and local beneficiation.</p> <p>Increased scope for import replacement.</p>	<ul style="list-style-type: none"> Our business partners Funders and financiers Government 	<p>We proactively demonstrate our impact on the country's development trajectory, thus bettering our reputation.</p> <p>We acknowledge the role of small business and decarbonisation in economic recovery and growth. Important capabilities are constantly identified and enhanced.</p>	<ul style="list-style-type: none"> Development effectiveness Strategic positioning and stakeholder alignment Financial sustainability Organisational capabilities 	<p>We anticipate increased cooperation by partners to drive economic recovery and decarbonisation.</p> <p>We will increase our contribution to the development and implementation of industry master plans to drive development of priority industries.</p> <p>We support the drive for further integration of South African businesses into continental and global supply chains as companies worldwide seek to diversify and decarbonise their sources of supply.</p>

Material matter: Socio-economic development						
Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
The IDC's socio-economic objectives support prominent international frameworks and recognised sustainability platforms and agendas. We are committed to South Africa's transformation agenda, with transformation one of our strategic objectives. We comply with B-BBEE codes and other legislation.	Poor transformation performance would affect the IDC's contribution to national imperatives and diminish its positive impact on business communities.	Our B-BBEE level 2 status favourably positions us to attract suitable funding and partners. It also demonstrates our commitment to transformation.	<ul style="list-style-type: none"> Our employees Our business partners Funders and financiers Government 	We enhance black ownership through concessionary funding. We apply preferential procurement practices and consistently improve our reporting and measurement of socio-economic and environmental activities and investments.	<ul style="list-style-type: none"> Development effectiveness Strategic positioning and stakeholder alignment 	We seek sustainable projects and pursue opportunities for job creation, infrastructure development and inclusivity. We will maintain our B-BBEE status and improve our performance in skills development and employment equity.

Material matter: Client expectations						
Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
Actual or perceived poor quality of services experienced by some clients may have an impact on client retention and the IDC's reputation. The increasing cost of financing could cause clients to take their business elsewhere, resulting in missed opportunities to contribute to developmental outcomes.	Failure to attract and retain clients by providing cost-effective and efficient service could result in the loss of clients and reputational damage.	<p>We are instilling a culture of delivering consistent client experience.</p> <p>We aim to reduce costs to clients while improving product delivery.</p>	<ul style="list-style-type: none"> Our business partners Our employees 	<p>We continue to improve our operational processes to offer a seamless, consistent experience to our clients.</p> <p>We promote a culture of accountability and continuous improvement.</p>	<ul style="list-style-type: none"> Development effectiveness Strategic positioning and stakeholder alignment Financial sustainability Organisational capabilities 	<p>We want to continuously improve the experience of our clients and save them time by reducing inefficiencies in the value chain.</p> <p>We consider the needs and context of our business partners and are innovative in our business support and products. We concentrate on business continuity and prioritise the sustainability of value chains, with environmental and social focal points.</p>

Material matter: Human capital						
Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
The IDC competes for skilled and experienced employees in the finance industry. Retention and intellectual capital, in particular development finance and project management, are vital.	A shortage of critical skills in the finance industry necessitates retaining existing skills and attracting new skills.	<p>Our succession planning and short- and long-term incentives can attract and retain critical skills. Our training and development strategies support employee and critical skill retention plans.</p> <p>We will stay abreast of new technologies, design new ways of work, be innovative in products and demonstrate flexibility to our clients.</p>	<ul style="list-style-type: none"> Our employees 	<p>We are building a pipeline of critical talent and successors for key roles.</p> <p>We implemented a leadership competency model to create common leadership behaviour that promotes employee engagement.</p> <p>We increased our focus on employee health and safety and continue to follow a work-from-home approach.</p> <p>We implemented a scarce skills retention strategy and are carefully assessing our cultural entropy.</p>	<ul style="list-style-type: none"> Strategic positioning and stakeholder alignment Financial sustainability Organisational capabilities 	<p>We will continue to mitigate the risk of losing critical skills by implementing retention and succession strategies, and through culture shift programmes.</p>

Material matter:
Governance, risk and compliance




Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
<p>The IDC promotes good corporate governance practices in the Corporation and the companies it funds. Technological innovation and digitisation enhance efficiency, relevance and client experience. The IT architecture forms the core of operations. When the Corporation is defrauded, losses are incurred and costs escalate.</p>	<p>Advancements in technology increase the threat of cybercrime. This could expose IDC intellectual property and client data and potentially damage client relationships and reputation.</p> <p>Fraudulent transactions have an impact on the IDC's financial sustainability.</p>	<p>We must strengthen our reputation as an effective organisation.</p> <p>We need to use current digital capabilities to reduce cost and improve client experience through value-added products and services.</p> <p>Our innovation focus can be strengthened by exploring and adopting artificial intelligence and digital strategies.</p>	<ul style="list-style-type: none"> • Business partners • Our employees • Financing partners • Potential clients 	<p>Conflicts of interests and politically influential persons are proactively managed, and we guard our reputation through policies and practices to eliminate corruption and bribery.</p> <p>We keep pace with technological advances to effectively implement our strategy. We invest in advanced threat analytics technology to strengthen the security of our systems.</p> <p>We adopted a digital strategy and implemented electronic record systems for high-risk clients. Intensive interventions were implemented to improve impairments.</p>	<ul style="list-style-type: none"> • Financial sustainability • Organisational capabilities 	<p>We will adopt an initiative-taking approach with improved analysis of cybercrime and data-security risks. Investments are ongoing in identification, detection and prevention technologies to mitigate risk.</p> <p>We ensure user awareness of cyber threats and vulnerabilities.</p>

Material matter:
Financial sustainability



Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
<p>Economic conditions remain challenging and while the Corporation has recovered, maintaining a good balance sheet remains crucial to supporting development activities.</p> <p>Constructive relationships with key regulators are essential to the short-, medium- and long-term interests of the IDC.</p>	<p>Portfolio concentration in resource-based sectors and single counters results in volatility and income concentration.</p> <p>There are lower levels of investor confidence.</p> <p>Clients not being able to meet obligations to the IDC, causing liquidity challenges for the Corporation.</p> <p>Elevated levels of impairments and non-performing loans.</p> <p>Sub-investment grade credit rating.</p>	<p>Position IDC as a diversified financial partner and increase our participation in partnerships with the public and private sector.</p>	<ul style="list-style-type: none"> • Our employees • Business partners • Funders and financial institutions • Government • Regulators 	<p>Diversification of revenue sources and service and product offerings.</p> <p>Partnerships with government to drive a universal agenda. We focus on liquidity management and economic recovery interventions, such as funding for post-unrest business recovery.</p>	<ul style="list-style-type: none"> • Strategic positioning and stakeholder alignment • Financial sustainability • Organisational capabilities 	<p>We will continue to position our organisation as a reliable business partner and capitalise on our strong reputation with funders/sources of capital.</p>

Material matter: Partners 						
Why is it material?	Risks	Opportunities	Stakeholders	Our response	Link to strategy	Outlook
Partnerships are required to support the IDC mandate of industrial development. The Corporation's knowledge and networks can broaden cooperation with social partners, DFIs, and other role-players to drive economic recovery and growth.	<p>There is a greater need for regional cooperation resulting from altering patterns of globalisation. Expectations for the IDC to deliver developmental impact are outweighing resources.</p> <p>Partners not being able to meet their obligations, contributing to liquidity challenges for the Corporation.</p>	<p>Closer cooperation with other DFIs, state-owned companies and other public and private sector entities to achieve joint and mutual outcomes.</p> <p>Increase private sector participation in electricity generation and other infrastructure investments.</p> <p>Strengthening IDC networks and sharing knowledge can further advance regional cooperation. The Corporation can enrich its facilitating role in integrating local economic development initiatives, identifying strategic outcomes and partners, managing partnerships and programmes, and measuring and reporting outcomes.</p>	<ul style="list-style-type: none"> • Business partners • Financial institutions • DFIs • Local and national government 	<p>We established a team dedicated to the leveraging of third-party funds to scale developmental outcomes and economic impact. Public and private sector partners are crowded in for funding and to share risks.</p> <p>We are committed to collaborating with other DFIs and policymakers on industry initiatives such as industry master plans.</p>	<ul style="list-style-type: none"> • Strategic positioning and stakeholder alignment • Financial sustainability • Development effectiveness • Organisational capabilities 	<p>We will extend our role in sustainable development and continue to enhance our stakeholder management capability.</p> <p>We support further decarbonisation and integration of South African businesses into continental and global supply chains as companies worldwide diversify and decarbonise sources of supply of input products.</p>

Economic environment

The South African economy rebounded over the 12 months to March 2022 as real GDP expanded by 6.3%, year-on-year, following a 7.0% contraction in the preceding year. Activity levels increased significantly across almost all economic sectors, albeit off very low bases. As Covid-19-related restrictions were eased, the operating environment improved and sentiment levels recovered from historical lows.

However, the domestic economic environment suffered a serious setback as several regions in the country, mostly in KwaZulu-Natal and Gauteng, experienced unrest, mass looting and destruction of property from 9 to 16 July 2021. Estimates of the damage incurred vary widely, but there was large-scale destruction of economic infrastructure.

The total output of South Africa's manufacturing sector recovered by 7.2% year during the review period, but remained below pre-pandemic levels, with many sub-sectors still struggling to sustain higher production activity. Challenging operating conditions and uncertainty generally continued to affect business activity and investor sentiment, curtailing fixed investment activity in the sector.

Mining production rebounded robustly over the review period as output increased by 9.7%, year-on-year, from the lows recorded during the Covid-19-induced downturn. However, mining output stabilised at pre-pandemic levels in recent months since the sector has been particularly affected by loadshedding, transport and logistics challenges, as well as industrial action in

some segments. Regulatory processes were also a hindrance to much-needed investment in exploration and self-generation of electricity by mining companies.

In sharp contrast, the agriculture sector recorded fairly solid performances over the past two years, on the back of favourable climatic conditions and strong export sales, especially in its citrus, grapes, maize and deciduous fruit segments. This sector expanded the fastest over the previous year, with an 11.0% increase in agricultural GDP, followed by a still sturdy 5.7% growth during the review period.

Consumer sentiment was low, with several factors affecting the ability and willingness of households to spend. These include relatively high indebtedness and subdued demand for new credit, rising inflation and interest rates, record unemployment and uncertain job prospects.

Fixed investment spending increased by 3.9% year-on-year during the review period. However, this followed five consecutive years of decline, including a sharp 15.6% drop in the preceding year. Although capital outlays by the private sector recovered by 6.5% in 2021/22, after a 19.7% decline in the previous year, in real terms these were still 12.3% below the pre-pandemic level. This reflected the challenging operating environment, surplus production capacity across many industries due to relatively weak demand, and low business and investor confidence. Without significantly faster growth

in fixed investment expenditure, the growth potential of the South Africa economy will not rise meaningfully.

A solid export performance resulted in a substantial surplus on the balance of trade, which amounted to a cumulative R396 billion during 2021/22. Rising world demand and high commodity prices saw mineral exports surge by 34.8% year-on-year to R874.3 billion, with coal, platinum group metals, diamonds and iron ore the best performers. Manufactured exports increased by 16.5% (or R117.8 billion) to R829.7 billion in the 12 months to March 2022, with motor vehicles, parts and accessories the largest manufactured export category, having increased by 12.5% to R192.8 billion. Exports of agricultural products were 10.4% higher at R99.5 billion, with citrus fruits, maize, grapes and deciduous fruits the leading categories.

Despite the recovery, the South African economy was unable to generate sufficient jobs to prevent the unemployment rate from rising further. Many companies remained hesitant to employ additional workers considering the prevailing trading conditions and uncertainty. Consequently, the economy employed around 1.5 million fewer people in the three months to March 2022 compared to pre-pandemic levels. By the final quarter of calendar year 2021, the official unemployment rate stood at 34.5%, with about 7.9 million people unable to find a job.

The rand was quite resilient during the

Our operating environment

Economic environment continued

review period, but was still volatile from time to time. It traded at R14.64 per US\$ on 31 March 2022, marginally stronger than at the start of the financial year and thus absorbing some of the rising global inflationary pressures.

Consumer price inflation in South Africa reached a six-year high of 5.9% in March 2022, with higher prices of fuel, food and electricity the main contributors. However, inflationary pressures have been largely of a cost-push nature, attributable partly to considerably higher international crude oil prices, exacerbated by the military conflict between Russia and Ukraine. To anchor inflation expectations, the Monetary Policy Committee of the South African Reserve Bank raised the repurchase (repo) rate by 75 basis points at its November 2021 meeting, towards 4.25% by 25 March 2022.

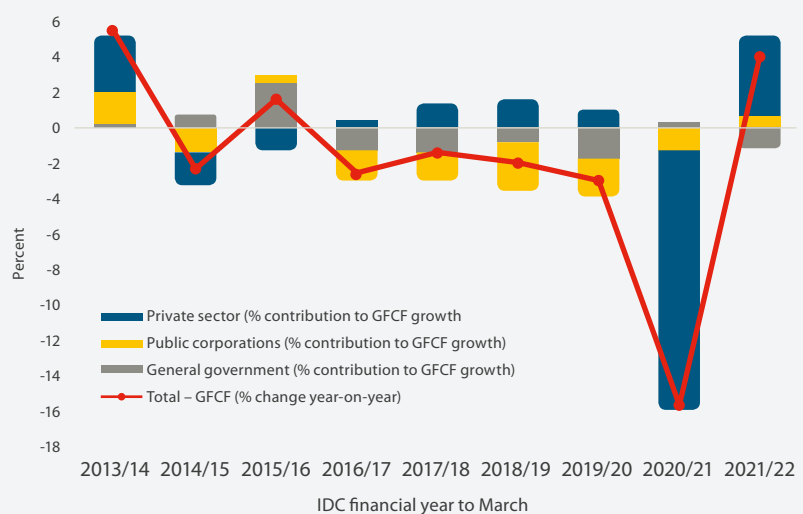
Short-term, the economic environment in South Africa is expected to remain challenging. Strong headwinds are hindering the world economy's expansion, including the war between Russia and Ukraine and the associated sanctions, persistently high inflation and the tightening of monetary policy globally, the economic slowdown in China and continued disruptions in global supply chains. Domestically,

several factors will constrain economic activity, particularly inadequate and unreliable electricity supply due to loadshedding, transport and logistics challenges, shortages of various input products due to global supply chain issues, and rising inflation and interest rates. Such factors will affect production activity, household consumption

and investment spending over the short-term.

The local economy, therefore, remains on a challenging recovery path with a modest growth outlook unless binding constraints to growth are effectively addressed.

South African economy: Growth in total real fixed investment and respective contributions by type of organisation




















Source: The IDC, compiled using Stats SA data

Trade-offs

Making trade-offs

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

Description	Affected capitals
Funding for capital-intensive vs labour-intensive industries The IDC is targeting job creation to alleviate unemployment. We balance investment in more capital-intensive industries that do not create many direct jobs but have the potential to unlock downstream economic activity and increase competitiveness with investment in more labour-intensive downstream businesses that create jobs, often at a lower cost but without a catalytic impact on industrial or value chain development.	<ul style="list-style-type: none"> • Social capital • Intellectual capital  
Leveraging more funding from the private sector vs increasing the IDC's share of project funding The IDC prefers other funders, including project promoters, to participate in project funding to avoid crowding out investment and permit the allocation of limited financial resources to other developmental endeavours. However, partially funded projects that do not attract other investors and are not implemented will not contribute to development. Such partially funded projects require an increase in IDC funding, especially where the potential impact is considerable.	<ul style="list-style-type: none"> • Social capital • Financial capital  
Prioritising high levels of funding approvals and disbursements vs partnering for growth and sustainable development Given its countercyclical role, the IDC has focused on increasing its impact by growing levels of investment approvals and disbursements and supporting companies in distress with the prospect that economic conditions would improve. While the Corporation has had notable successes, many businesses have not proven to be sustainable. This negates the expected development impact and depletes our resources. An increased focus on ensuring higher levels of sustainable development could result in lower levels of funding as marginal projects would not receive funding.	<ul style="list-style-type: none"> • Social capital • Financial capital  
Focus on project development vs transactions with short-term outcomes The IDC aims to develop industries proactively, specifically those identified as essential to the prioritised value chains. We endeavour to optimise resource allocation between achieving short-term goals and investing in activities with a long-term impact.	<ul style="list-style-type: none"> • Intellectual capital • Social capital • Financial capital   
Supporting transactions that create new jobs vs assisting companies in distress and saving jobs The IDC provides funding predominantly for start-up businesses and the expansion of existing businesses. We also fund businesses that experience difficult trading/operating conditions to build their strengths and improve their competitiveness. In addition, our countercyclical assistance to distressed companies with long-term sustainability potential avoids negative deindustrialisation costs.	<ul style="list-style-type: none"> • Social capital • Financial capital  
Taking more risk vs rebalancing our portfolio and reducing impairments The IDC provides funding to entities with viable business plans. Given its higher appetite for risk, the IDC can fund more businesses but with a potentially negative impact on impairments. Ideally, the IDC wants to increase funding while simultaneously managing impairments downward. We manage increased funding/decreased impairment conflicts by continuously strengthening post-investment processes and monitoring high-risk clients and will continue with interventions to assist clients before they become financially stressed. Decisions that reduce the IDC's financial risk, such as not continuing support for a business that has proven not to be sustainable, can result in negative social impacts such as job losses. These considerations are taken into account when such decisions are made.	<ul style="list-style-type: none"> • Social capital • Financial capital  
Maximising short-term impact vs ensuring long-term financial sustainability High short- and medium-term funding levels can deplete the IDC's funding capacity over the longer term. This is exacerbated if funding does not deliver returns in the short-term. The IDC will continue to monitor economic conditions and assess its capacity to increase funding levels by considering the performance of its mature portfolio and new investments.	<ul style="list-style-type: none"> • Social capital • Financial capital  
Increased industrial development vs negative environmental impacts The IDC provides funding to promote economic growth. Economic activity, in turn, impacts on the environment, while degrading environmental resources have negative impacts on long-term economic growth. In assessing projects in which to invest, the IDC assesses the potential negative environmental impacts and ensures that these impacts are mitigated in the project.	<ul style="list-style-type: none"> • Social capital • Natural capital  





Our operating context

For the year under review, we adopted a more proactive approach to transactions, targeting growth sectors such as mining, energy and infrastructure and segments in manufacturing with significant multiplier potential.

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Developing industrial capacity

For the year under review, we adopted a more proactive approach to transactions, targeting growth sectors such as mining, energy and infrastructure and segments in manufacturing with significant multiplier potential. The Corporation achieved R16.0 billion in approvals in the review year (2020/21: R6.5 billion), a 146% increase in activity. The key focus now is the conversion of these approvals into disbursements. An amount of R8.4 billion was disbursed by the IDC, consisting of R7.2 billion on-balance-sheet and R1.2 billion off-balance sheet funds, an increase of 19% from 2021. The disbursement level was influenced by the low level of approvals in the previous financial year due to the slowdown in funding activity attributed to the Covid-19 pandemic.

The implementation of new ways of work involving the optimisation of our processes to improve the client experience prepared us well to expedite the 91 transactions that followed the July 2021 unrest in KwaZulu-Natal and Gauteng. Through fast-tracking approvals and team agility, we were able to disburse funds to eligible affected businesses, enabling them to return to trading and profitability shortly after the unfortunate event.

Some landmark transactions approved include IDC support for water and logistics infrastructure; the commercialisation of an innovative project developed by the IDC and partners to provide a greener, more efficient smelting process; the support for a project to establish a world-class vaccine-producing facility in South Africa, and the support of projects aligned to the objectives of the Steel and Metal Fabrication Master Plan and Green Hydrogen Commercialisation Plan.

The Minister of Trade, Industry and Competition mandated the IDC to drive the commercialisation of green hydrogen, including the Corporation acting as chair and secretariat of the

Green Hydrogen Panel. The panel includes public and private sector players and is building from the work of the Hydrogen Society Roadmap to deliver a commercialisation plan for the hydrogen value chain. The commercialisation plan will be presented to Cabinet in 2022/23. A key achievement for the review year was the inclusion of green hydrogen in the Just Energy Transition Partnership announcement at COP26 in November 2021. A memorandum of cooperation has been concluded with Sasol, with further partnership agreements in place across the green hydrogen value chain. Catalytic projects are under review, including conversion of grey hydrogen facilities to green hydrogen production, new green ammonia production, sustainable aviation fuel and industrial mobility applications.

With a pipeline of projects to the value of R14 billion, we will support sector linkages crucial to developing and extracting value from the entire green hydrogen value chain.

In further support of green industries, the IDC is developing several projects in the battery value chain with a key focus on unlocking the localisation of value added beneficiation to support the battery storage needs of South Africa and the region and to drive greener and more sustainable value chains. Within the automotive sector, this has the potential of enhancing the value proposition for selection of South Africa as an investment destination for original equipment manufacturers and the conversion of existing local automotive manufacturers to new energy vehicles.

The Kell hydrometallurgical process, at Sedibelo Platinum Mines in Pilanesberg, is a 'greener', efficient alternative to conventional smelting, with lower capital and operational costs, less power consumption and free of the constraints of a high chrome content. The IDC has been involved through its project development efforts and funding since

scoping phase in 2015 and is pleased to see this priority project progressing to construction.

The Corporation's role in the just energy transition is in sharp focus, as it supports a global net zero ambition by 2050 and well as South Africa's nationally determined contributions. This is reflected not only in our work in green hydrogen and the establishment of new energy vehicle manufacturing in South Africa, but in the inclusion of targeted groups and affected groups and entities such as SMMEs, entrepreneurs, women and marginal communities, and workers. In addition, a women enterprise framework is being implemented to bolster participation of women-owned enterprises in the economy. The IDC is an active founding member of the Energy Council of South Africa, has a commissioner on the Presidential Climate Commission, is leading, together with the Development Bank of Southern Africa, a local DFI CEO Forum focused on the just transition and is an active participant in the shaping of the country climate deal.

Another significant investment is Afrigen, a project being implemented that will develop and produce adjuvants and vaccines for priority diseases. Afrigen, in Cape Town, is the only adjuvant formulation facility in the southern hemisphere and is part of the local consortium appointed by the World Health Organisation to establish its first Covid-19 (mRNA) vaccine technology transfer hub.

Partnerships with industry players and government departments are crucial to the IDC achieving its development objectives. Successful partnerships for the review year included the Social Employment Fund in collaboration with the Presidency and **the dtic**, which aims to create 50 000 jobs, and the Township Economic Partnership Fund, a pilot project with Gauteng Provincial Government and Gauteng Enterprise Propeller to support vulnerable small

township businesses. In partnership with Impact Catalyst – an initiative founded by Anglo American, the Council for Scientific and Industrial Research, Exxaro, World Vision South Africa and Zutari – we will drive strategic projects and socio-economic development in Mpumalanga, Limpopo and Northern Cape.

Improving efficiencies and effectiveness to enhance client experience is beginning to show its worth as evidenced by the improved client experience score, which increased from 7.6 (2020/21) to 7.9. Furthermore, we continue to focus on improving the client experience, resolving client complaints and improving turnaround times.

Mining and metals

We support the development of a globally competitive mining and beneficiation industry and the metals value chain, which includes the steel and aluminium value chains. In the metals value chain, we fund the establishment of new metal processing and fabrication facilities and expansion of existing facilities, including primary steel mills, mini-mills, semi-fabricators, foundries, metal fabrication factories and battery mineral facilities.

South Africa's mining sector recovered well in 2021. The sturdy 11.7% growth in the sector's total output on a year-on-year basis was driven largely by the post-lockdown normalisation of production volumes in the platinum group metals, gold, iron ore, manganese, chromium and diamond mining sub-sectors. Revenue generated by the mining sector increased by almost 40%, with the platinum group metals and iron ore mining segments having benefitted materially from higher prices.

Employment in the sector in the fourth quarter of 2021 was 2.2% higher than a year earlier.

Downstream, the sectors producing basic iron and steel and metal products in South Africa posted solid growth rates in 2021. Increased demand for steel both locally and abroad as Covid-19-related restrictions were eased, coupled with buoyant prices, underpinned their welcomed performances during the year.

IDC approvals in mining and metals increased significantly, to R5.4 billion (2020/21: R988 million). Significant investments in the mining and metals sector included increased investment in the platinum sector, specifically the Kell Technology Project, discussed above and funding for an expansion of the same mine, which will create a further 3 000 jobs.

The outlook for these sub-sectors is relatively positive considering infrastructure development activity expected locally and regionally in the coming years, accompanied by the national localisation drive, which should raise demand for locally produced downstream metal products. Furthermore, China's lower propensity to export steel products provides expansion opportunities for South Africa's downstream metals fabrication industries in regional markets.

The drive for technologies that enable energy storage is also creating demand for battery minerals.

For committed transactions, 1 739 jobs are expected to be created and saved. A total of R539.7 million in investment is being facilitated for transformation in these transactions.

Renewable energy

The IDC is a major player in the just energy transition and in promoting security of energy supply in the country and the rest of the continent in support of growing economies. We fund energy generation and efficiency projects that reduce greenhouse gas

emissions or avoids them altogether, ranging in size from utility scale (under the government's Independent Power Producer Procurement Programme) to smaller-scale distributed energy solutions, either for own-use by (predominantly) commercial and industrial companies or for sale by independent power producers to commercial and industrial concerns.

Electricity supply is widely considered the top risk facing the South African economy. Sufficient and reliable electricity generation, alongside the decarbonisation of the energy sector through a just transition, are imperative for the economy's sustainable expansion.

Funding approvals for energy investments were R2.0 billion, 28% higher than in the previous financial year (2020/21: R1.5 billion), while disbursements increased by 43% to R329 million (2020/21: R229 million).

Significant investment approvals in the energy sector included support for project developers participating in the Risk Mitigation Independent Power Producer Procurement Programme. The project will procure 150MW of emergency power, which will be sold to Eskom to mitigate the risk of loadshedding. The project will create 667 jobs.

A priority is empowerment of communities to benefit from inclusive, equitable and sustainable development. As part of our R14 billion investment in the industry, we have funded 24 community trusts, enabling them to actively participate in the REIPPPP. We ensure that communities use dividends for socio-economic development, addressing poverty and unemployment through community-based development programmes. Some 824 jobs are expected to be created in committed transactions, with R1.1 billion of investment being facilitated for transformation.

* Information on funding activity reported in this section of the report excludes PUBRF-related funding, which is reported on elsewhere

Infrastructure investments

The Corporation enables infrastructure enterprises to pursue growth opportunities in water and sanitation, telecommunications, logistics and transport.

The South African economy's recovery, expansion and long-term growth potential are inextricably linked to the successful rollout of a large infrastructure plan covering energy, water, road, rail, ports, telecommunications and digital. Progress has, however, been slow. The revised estimate for public sector spending on infrastructure in 2021/22 stood at R223.6 billion, dominated by transport and logistics infrastructure, followed by energy, and water and sanitation. The consolidated public sector spending on infrastructure over the three years of the Medium-Term Expenditure Framework (MTEF) is estimated at R812.5 billion. Given public sector financial constraints, the infrastructure rollout will hinge substantially on private sector capital funding and operational participation through public-private partnerships.

Infrastructure funding activity increased significantly, to R2.5 billion* from R1.3 billion approved in 2020/21. Disbursements have followed a similar trend, increasing to R1.1 million (2020/21: R55 million). Funding approvals have been largely for water and logistics projects managed by state-owned enterprises.

Manufacturing recovery

South African manufacturing output recovered significantly during the review year, by 7.2% on a year-on-year basis, albeit off the very low base set by the steep 11.7% decline of the preceding year. However, production volumes remained below pre-pandemic highs, with numerous industries still struggling to record higher output sustainably due to the prevailing challenges.

The motor vehicles and parts sub-sector was among the top performers, while robust growth was also recorded in machinery and equipment as well as in textiles and clothing. The automotive and transport equipment industries experienced considerable recoveries on the back of rebounding demand globally and domestically as Covid-19-related restrictions were eased. All segments of the machinery and equipment sub-sector reported solid increases in production volumes, with electrical machinery being the best performer. Although the textiles and clothing sub-sector posted strong

growth, its output was still marginally below pre-pandemic levels, and it continues to face fierce competition from foreign producers in both local and export markets. The wood products sub-sector, including furniture manufacturing, also expanded during the year, but output was still marginally below pre-Covid-19 levels.

Despite the overall recovery in manufacturing production, the broader chemicals, medical and industrial mineral products sub-sectors collectively recorded significantly lower output during the review period. This was due largely to the poor

THE IDC IS DRIVING INCLUSIVITY AND ACTIVE PARTICIPATION IN RENEWABLE ENERGY

In view of South Africa's well documented energy challenges, the IDC – through its funding support to the energy sector – has been proactive in contributing to the country's just energy transition and energy security.

The IDC's funding activity has benefitted entities with exposure to energy generation and efficiency. These projects are also aimed at reducing greenhouse gas emissions. Funded projects have ranged in size from utility scale, through to smaller scale distributed energy solutions, either for own-use by commercial and industrial sector companies or for sale by independent power producers.

Of significance to the IDC is the need to empower communities to benefit from inclusive, equitable and sustainable development in their respective regions/areas.

With over R15.6 billion invested in renewable energy projects spread across the country, the Corporation has funded 25 community trusts, enabling for active community participation in the country's Just Energy Transition.

Our support is purposeful in ensuring that communities use these dividends for socio-economic development, addressing poverty and unemployment through community-based development programmes.

R15.6 billion

Invested in renewable energy

25 community trusts funded

Enabling active participation

NORTHERN CAPE

Number of projects
14 PROJECTS

Combined purchase price for community shareholding

R2.1 billion

Combined capacity
386MW

WESTERN CAPE

Number of projects
3 PROJECTS

Combined purchase price for community shareholding

R110 million

Combined capacity
168MW

NORTH WEST

Number of projects
1 PROJECT

Combined purchase price for community shareholding

R23 million

Combined capacity
13.6MW

EASTERN CAPE

Number of projects
6 PROJECTS

Combined purchase price for community shareholding

R256 million

Combined capacity
386MW

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performances of the petrochemicals and chemicals products industries, underpinned by the halting of production at a fire-ravaged refinery from mid-2020 and the shortage of feedstocks at a state-owned gas-to-liquids plant.

Formal manufacturing sector employment dropped by 1.4% in 2021, with various sub-sectors reporting job losses.

In the automotive and transport equipment sector, the IDC aims to enhance both domestic and global competitiveness in the downstream manufacturing of automotive, transport equipment and related components, with a specific focus on enabling growth in new energy vehicle production and assembly. We support businesses involved in developing the automotive, rail, aerospace and maritime industries for both domestic and export markets.

Higher levels of funding were recorded in the 2021/22 financial year, with the gross value of funding approvals for IDC funds and managed funds increasing to R572 million (2020/21: R363 million). Disbursements of IDC and managed funds increased by 27% to R353 million (2021: R277 million).

Funding approved included support for a black-owned manufacturer of aluminium and steel blanks for BMW and Mercedes Benz South Africa. The IDC enabled the business with much-needed equity.

The Corporation also funds manufacturers of machinery and capital equipment, and innovations in electronics and robotics.

Funding approved from IDC and managed funds in 2021/22 increased by 18% to R869 million (2020/21: R734 million). Industries supported included manufacturing of solar cells, a key component of solar panels, and yellow goods manufacturing for the mining and construction industry. Disbursements declined by 35%, from R993 million in 2020/21 to R647 million in 2021/22.

The chemicals, medical and industrial mineral products value chain includes a wide range of manufacturing sub-sectors, including petroleum products, basic chemicals, fertilisers, agro-chemicals, paints, pharmaceuticals and other medical products and devices, soaps and detergents, plastic and related products, and battery manufacturing.

Given the reduced activity in the sector, the R1.6 billion approved in the review year was 31% lower than in 2020/21.

The value of disbursed funding, however, increased to R2.6 billion from R2.2 billion in 2019/20. Companies supported included a Free State producer and distributor of liquefied natural gas.

Funding approvals for clothing, textile, leather and footwear manufacturers and those involved in beneficiation of wood, including paper and packaging manufacture, increased by 66% to R661.5 million (2020/21: R399.6 million). Most of the funding provided to the textiles industry pertained to continued support for existing clients, particularly those in distress, where manufacturing capacity has the potential to deliver the objectives of the Retail, Clothing, Textile, Footwear and Leather (RCTFL) Master Plan. Among the activities was expansion of a manufacturing plant producing specialist technical fabric for bulletproof vests and firefighter uniforms. Among notable new approvals in the wood sector was continued support for a particle board manufacturer, which is envisaged to create 428 jobs. Disbursement increased by 20% to R551 million (2020/21: R460 million).

The expected jobs impact for manufacturing activities for committed transactions was significantly higher than in the previous year, at 1 860 (2020/21: 831). Investment facilitated for black industrialists, women entrepreneurs and youth increased to R1 453.4 million, R262.4 million and R277.6 million respectively (2020/21: R698 million, R170 million and R0).

In the short-term, the operating environment for the manufacturing sector is expected to remain challenging. The world economy's constrained expansion may hinder the performance of some export-oriented industries. Domestically, adverse factors include frequent loadshedding, transport and logistics constraints, shortages of certain inputs, strong competition from imported products, and rising production costs and interest rates in a subdued demand environment.

Nevertheless, several master plans promise development opportunities. The IDC was involved in the development of the RCTFL Master Plan, the Steel Industry Master Plan, the Automotive Master Plan and the Furniture Master Plan, and has formulated internal action plans.

Other opportunities in manufacturing include the public sector's localisation drive, the growth of the green economy (such as components supply for a burgeoning renewable energy industry and the emerging electric vehicle industry, including energy storage solutions, battery minerals and charging components), gradually recovering fixed investment activity and market development potential in various export markets, including opportunities presented by the African Continental Free Trade Area agreement.

Strong growth in agriculture

The agro-processing and agriculture value chain comprises agriculture, forestry, fishing and processing of agricultural products. South Africa's agriculture sector posted strong growth for the second consecutive year in 2021, again benefitting from favourable weather conditions, including frequent high rainfall. This encouraged farmers to increase plantings, resulted in improved yields and culminated in near-record harvests in some crops. High export volumes supported the horticulture sub-sector's performance despite logistical challenges throughout the season that delayed picking, packaging

Our operating context

Developing industrial capacity continued

and shipping. Citrus and deciduous fruits were among the large harvests, with record citrus export volumes. The livestock sub-sector also sustained a good performance throughout 2021 due to improved grazing conditions.

Conducive conditions for agricultural production supported a 7.1% increase in the broad sector's employment in the final quarter of 2021, compared to the corresponding period a year earlier.

The agriculture sector's solid performance did not, however, translate into output growth in food processing, which recorded lower output levels for the second successive year. Although meat processing and grain milling increased production, the output of the dairy and other food products sub-sectors declined compared to the previous year. The latter was affected by the civil unrest in KwaZulu-Natal and Gauteng in July 2021, and by industrial action and input shortages in specific operations. Production of beverages rose following the lifting of Covid-19 restrictions on the sale of alcohol.

Funding approvals for IDC and managed funds increased to R421.9 million in 2021/22 (2020/21: R83.4 million), but are still low considering the opportunity and growth in the sector. Disbursements totalled R386.9 million, an increase of 93% from the previous year (2019/20: R200.9 million).

We continued to support the local poultry industry in line with the Poultry Master Plan, approving R302 million for six chicken farmers to supply 1.9 million birds a month, creating 151 jobs. Many of these transactions tapped into the Agri-industrial Fund established in 2020/21 to provide grants to black producers and investees in the agro value chain. We also assisted in setting up a seed oil manufacturing factory in Limpopo that will create 23 jobs.

Funding facilitated for black industrialists in the sector for committed transactions increased to R238.6 million (2020/21: R30.6 million).

Harvests in 2022 are unlikely to reach the levels of the past two years but should still exceed the long-term

averages. Heavy rains at the start of the 2022 production season threatened certain crops, with various production areas experiencing visible damage. Furthermore, the conflict between Russia and Ukraine has put the agriculture sector at risk, particularly through the sharp rise in the costs of fertilisers, fuel and other key inputs. With household budgets depleted by a significantly higher cost of living, spending patterns on food and beverage products may be altered. Agricultural value chains will, however, continue to present development opportunities in both primary production and processing segments.

Support to ailing industries

The IDC provides development finance for high-value services in the tourism, and media and audio-visual industries.

South Africa's tourism sector was severely affected by Covid-19, with the adverse impacts enduring despite the full or partial lifting of travel and other restrictions domestically and abroad. Although demand has recovered since the height of the pandemic, particularly in the domestic travel segment, tourism income and occupancy rates in the accommodation industry remain well below 2019 levels. Employment levels are also substantially lower. International arrivals are not expected to return to pre-pandemic numbers for some time, thus the industry can expect a very gradual and protracted recovery.

The media and audio-visual industry was hit by Covid-19-related restrictions on travel and foreign film productions in South Africa, but demand for some services increased through the adoption of remote learning and working. Higher filming activity may be anticipated over the short- to medium term with the global lifting of travel bans.

Funding approved for tourism and services increased by 25% to R394.1 million in 2021/22, from R316.1 million in the previous year. This included approval for the construction of a hotel in the Eastern Cape creating 278 jobs. Disbursements

followed a similar trend, increasing to R409.1 million (2020/21: R380.8 million).

There were no approvals for the media and audio-visual sector and disbursements were R29.7 million down from R121 million the previous year.

Bolstering small businesses

The Corporation has a dedicated focus on small businesses, catering for those seeking R1 million to R15 million in sectors covered by the IDC. Since inception two years ago, the Small Business Finance Unit has gained much traction in financing small- to medium-sized businesses. Approvals for 2021/22 increased to R235.5 million from R22.8 million the year before.

The small business market operates quite differently from larger businesses, especially in access to finance, systems and processes, and financing instruments. Despite the unit's performance, current systems, processes and instruments may not be appropriate and are being revised for closer alignment to the market. More aggression in trade finance and short-term working capital is sought, and fit-for-purpose requirements and instruments for different transactions are being designed and streamlined to ease access to finance, improve turnaround times and improve client experience.

Early stage project development and industry planning

Industry planning and project development activities aim to drive sustainable industrial development through the execution of proactive industry development plans and projects.

To proactively drive industrialisation, the IDC needs to use all its capabilities and competencies to grow and develop certain high-impact priority value chains. Industrial planning ensures that

such industrial plans are developed and executed in a coordinated fashion. These IDC industry plans are aligned to sector-specific industry master plans that are co-developed by the private sector, government and labour. Through these plans, the IDC will also fulfil an advocacy role in the facilitation of an optimal policy environment and have maximum impact through stakeholder collaboration.

The sectoral focus of the reporting period was aligned to the IDC's sectoral priority areas. Industry plans have been developed (and are in implementation) in:

- Agriculture (mainly with a focus on the poultry and sugar industries),
- The automotive sector (with inclusion of new energy vehicles),
- The steel value chain,
- The renewable energy value chain (with a specific emphasis on the localisation of manufactured inputs),
- The green hydrogen value chain.

Industry planning during the reporting period also included developing industry plans for the following sectors, which will be finalised in the 2022/23 financial year:

- Cannabis,
- Furniture,
- Clothing, textiles, footwear and leather (CTFL),
- Agriculture,
- Battery storage.

House views are also being developed for investments in the coal value chain and the natural gas sector in the context of the just energy transition.

Project development, as with industry planning, is closely linked to the proactive industry leadership of the IDC. Through the IDC's project development activities, funding is provided for feasibility studies for priority industrial projects through to development of ideas and concepts, with strategic equity partners, towards bankability. The objective is not only to address this market failure and facilitate industrialisation, but for these projects to 'graduate' into potential investment opportunities for the IDC. Historically, project development funding has been the foundation of many key equity holdings on which the IDC's financial sustainability is based.

Over the financial year, the project portfolio grew from 43 projects to 54, with potential total project value of R68 billion (compared to R53 billion at the start of the year). On the portfolio the Corporation addressed more than 60% of the milestones that indicate a level of progress. Project development funding approvals amounted to R317 million for 10 projects, with R224.4 million disbursed to project development activities of 20 projects (2021: R131.7 million).

Post-unrest response

The Post-unrest Business Recovery Fund, devised and deployed after the July 2021 riots, took the lessons learnt when establishing the Covid-19 Fund, leveraged the newly implemented ways of work and crafted them into a proactive, responsive and effective vehicle for disbursement of funds to distressed businesses in KwaZulu-Natal and Gauteng.

The fund, based on concessionary rates (including loan and grant), was tailored and targeted, with a clear focus on agility and constant pivoting to ensure continuous improvements.

The total R2.28 billion package for post-unrest, which included the IDC's R1.5 billion and the IDC-administered Manufacturing Competitiveness Enhancement Programme (MCEP) and Economic Stabilisation Fund, saved an estimated 30 000 jobs.

The IDC approved post-unrest funding totalling R2 billion and disbursed R1.5 billion.

This included R154 million grant funding distributed in 52 transactions, which included affected township, small town and rural informal traders and small businesses, saving 7 100 jobs.

Programme/fund	Description	Number approved	Value approved R'm	Jobs created/saved
Khoebo Innovation Promotion programme	Early-stage technology commercialisation	13	49.5	83
Green Tourism Incentive Programme	Energy and water efficiency and greening solutions	51	33.6	n/a
Regional programmes: Special Intervention Fund and Social Enterprise Fund	SIF: Spatial disparities, job creation and meaningful change. SEF: Grow and support the social economy	14	64.9	298
MCEP main fund	Working capital and capital equipment funding to the manufacturing sector	10	400.8	1 083
MCEP Economic Stabilisation Fund	Support for companies affected by the July 2021 unrest	34	467.3	15 435
MCEP Economic Distress Fund	Support to companies in distress	8	139.0	176
MCEP Economic Job Creation Support	Incentivise companies to expand and create more jobs	7	97.0	370

Partnership funds

To enable it to conceptualise, negotiate, establish, administer and monitor ringfenced funds in line with fund owners' requirements, the IDC set up the Partnership Programmes Department in 2020. The department manages several funds on behalf of government departments (including **the dtic**, Department of Tourism and DALRRD), other development partners and also manages on-balance-sheet funds ringfenced for specific purposes.

The activities of the key funds are summarised in the table above, with detail on all funds under management available online.

The MCEP Economic Stabilisation Fund, MCEP Economic Distress Fund and MCEP Economic Job Creation Support Fund were established in the wake of the July 2021 unrest and formed part of the PUBRF suite of products. In addition, three new prominent funds were designed or launched in 2021/22.

During 2020/21, the Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP) was designed to replace the Clothing and Textiles Competitiveness Programme. The new fund ensures alignment with the RCTFL Master Plan. Under the revised scheme, support is provided to entities

that grow employment, improve overall competitiveness and expand the CTFL manufacturing industries. The fund was allocated R835 million for 2021/22, part of which was directed to the CTFLGP Rapid Response Fund, which allocated R147 million to 29 companies affected by the unrest and looting of July 2021. During the review year, an additional R310 million was approved for 24 companies. A further R586 million was allocated for CTFLGP from the MTEF for 2022/23.

In addition, through the Presidential Employment Stimulus initiative of the government, we were allocated R800 million to support 50 000 part-time job opportunities through the Social Employment Fund created in 2021/22. We contracted 28 strategic implementing partners to create and deliver part-time work in projects supporting the common good. The initial allocation of R800 million was fully committed during the review year, with additional MTEF funding of R1.65 billion earmarked for the next two years. The fund provides 'work for the common good' – work that contributes to public rather than private goods and services. It includes work that supports the SDGs and improves the quality of life of communities, with a focus on disadvantaged communities and groups.

The Township Economy Partnership Fund was launched in the review year, a R400 million partnership of Gauteng Provincial Government, the Gauteng Enterprise Propeller and the IDC to support vulnerable township small businesses. The fund is in pilot phase in Gauteng and its learnings will inform a rollout to other provinces.

Due to the increased focus on managed funds, new funds are being actively pursued. These are more closely aligned to our priorities and their design is intended to achieve greater consistency in the management and delivery of the funds by building key competencies internally. An example is the Localisation Support Fund, a R240 million partnership of the IDC, **the dtic** and Coca Cola, which provides technical resources and/or funds to third parties to develop localisation initiatives.

SME-Connect is a strategic collaboration model to expand and deepen industrial development in the small industrial business segment through leveraging the skills, balance sheets, resources, networks and influence of all partner entities – mostly corporates – to develop and grow SMEs through the following three levers: Increasing market access for small industrial businesses, access to appropriate and timely finance, and focused business and technical support.

Contributing to transformation

The IDC strives to achieve positive economic and social outcomes that contribute to inclusivity and connect previously marginalised people and places to the larger economy through finance and support for transactions leading to lasting change.

The Corporation's all-inclusive and integrated transformation strategy addresses all aspects that enable participation in economic activity:

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

The strategy has enabled the IDC to deliver measurable societal benefits. Performance highlights during the reporting period included:

- Achieving level 2 B-BBEE contributor status for the period 1 April 2020 to 31 March 2021 on the priority elements of the scorecard. These include skills development, and enterprise and supplier development. Ratings improved for socio-economic development and consumer education. Irrespective of Covid-19 limitations in that financial year, the Corporation maintained a good performance in the skills development indicators and scored above the sub-minimum of 40% of the target.
- 16 approvals with a value of R66.1 million to support social and solidarity economy enterprises and initiatives.

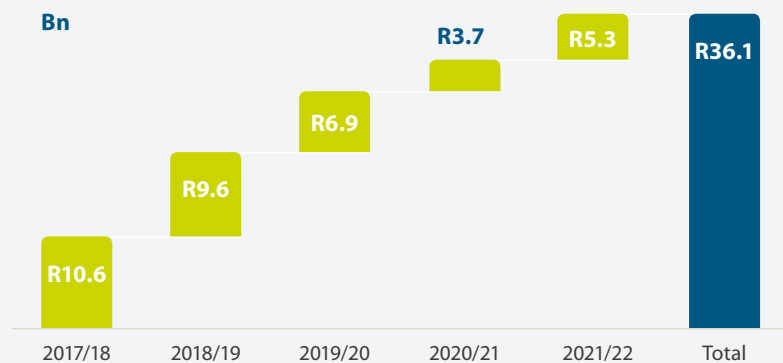
Black industrialists and black economic empowerment

The IDC has an established history of supporting black industrialists through a programme, initiated in 2014, that has promoted their long-term sustainability. The programme promotes and supports black entrepreneurs as manufacturers and owners in crucial sectors to drive economic growth and inclusive development.

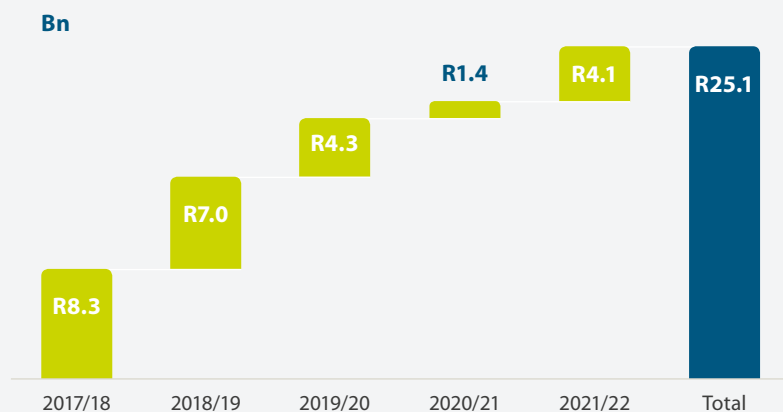
Over the last five years, the IDC approved R25 billion to support transactions for 328 black industrialists. The emphasis was on entrepreneurial leadership, controlling- or majority-equity shareholding or financial interest, significant influence on strategic direction and executive participation or managerial control over operational activities.

In 2021/22, the IDC approved R4.1 billion in 83 transactions for black industrialists.

Funding approved for black-empowered and black-owned companies



Funding approved for black industrialists



Over the last five years, R36 billion was approved to companies with more than 25% black shareholding. This equates to 50% of all funding approved by the IDC for the period. Of this amount, R25 billion was for black-owned companies. In 2021/22, R5.3 billion was approved for black-empowered businesses, R3.8 billion of which was for black-owned businesses.

Women entrepreneurs

New approvals of R1.1 billion were made during the year for enterprises in which women held more than 25% equity. Gauteng, KwaZulu-Natal and Western Cape dominate the approvals in regional contributions. However, the entrepreneurial activity particularly of the youth of Limpopo has increased significantly, with young women registering the highest number of approvals this year and contributing 20% in value approved to women.

Youth entrepreneurs

The IDC fosters youth entrepreneurship and accelerates youth-owned and -managed enterprises that contribute to GDP growth and increase self-employment and innovation. We approved R386.0 million to youth-owned and -empowered businesses during the year. We have advanced R6.4 billion to youth-empowered businesses over the last six years.

Broad-based black economic empowerment

B-BBEE restructures the economy to increase participation of black people through entrepreneurial activity and in the workplace and black businesses in the mainstream economy. An independent audit confirmed the IDC's current B-BBEE score as 87.3 points with the status of a level 2 contributor empowering supplier under the Financial Sector Code (FSC).

The Corporation embraces a broader view of empowerment, expecting its business partners to achieve at least level 4 B-BBEE status. Should partners not meet requirements, they are given advisory support and recommendations for improved transformation plans to be implemented within 24 months of signing contracts with the IDC.

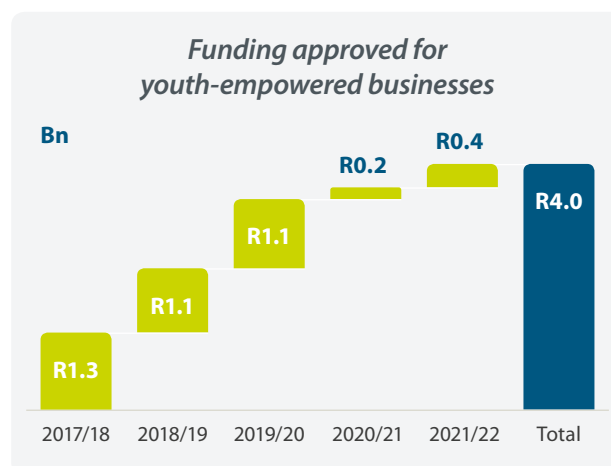
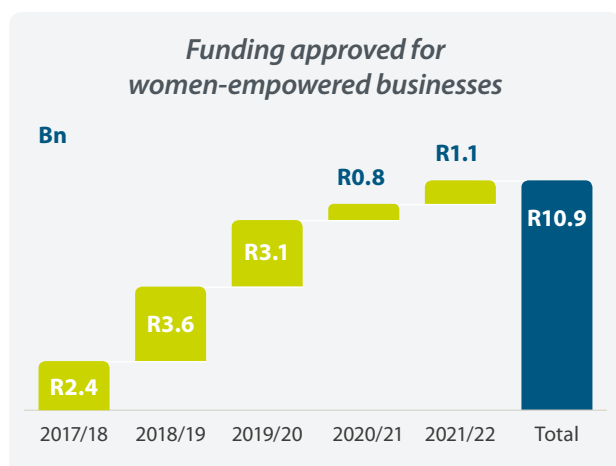
The IDC is also a facilitator of black ownership through its B-BBEE facilitator status. This status is used on only a small number of business partners where IDC holds a significant stake (equity). Facilitator status is applied when businesses are in distress, require venture capital or are new projects. This is a short-term intervention to enable businesses to trade and develop their own B-BBEE compliance strategies.

Socio-economic development

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

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

In 2021/22, the IDC approved four worker trusts and one community trust. All shares were acquired through a free carry and we approved R480 000 for trust establishment.



2022 IDC B-BBEE scorecard and priority elements*

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

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

**Including bonus points



Case studies

ZA Geared to achieve business dream

We moved what we could salvage into our family basement, but were devastated at the magnitude of the damage

Twenty-seven years ago, Mohamed and Zuraida Saib, equipped with nothing but a mere sewing machine, founded ZA Gear. Their entry was well-timed as the textile market was peaking. With passion, grit and a reinvention when cheaper imports started flooding the market and threatening their profits, the Saibs grew their company into a formidable force. By 2020, it employed 200 people at its Mayville factory.

When the company's bottom line was eroded by Covid-19, it served only to make the couple more determined to realise their goal of a design house incubating a network of development factories owned by trainees. The plan was well underway and orders were flowing in when, on 12 July 2021, their factory was burnt down in the unrest mayhem and damaged equipment left strewn in the street. 'I cried blood, sweat and tears to see our dreams go up in flames,' Mohamed recalls.

'We moved what we could salvage into our family basement, but were devastated at the magnitude of the damage,' Zuraida adds. 'We knew that the insurance companies would be inundated with claims and Covid-19 was still a factor, so no amount of school of hard knocks could have prepared us for the chaos and loss.'

Fortunately, the Saibs heard about the IDC's Post-unrest Business Recovery Fund and applied, being pleasantly surprised by the smoothness and transparency of the application process. Within weeks, they received the green light and ZA Gear was back in business, training newcomers to work in the new design facility and welcoming back staff eager to return to work.



IDC funding is Setšong's cup of tea



The company has a small factory in Limpopo at which the harvest is ground, infused with intriguing flavours, packaged and distributed for sale across the country

When Setšong Tea Crafters' Retang Phaala approached the IDC for funding, the company was already making a name for itself in the market, but it wanted to bag an even greater share. Modern manufacturing equipment was essential to boost its production capacity and it needed to heighten its profile to expand beyond the existing retailers, health stores, restaurants, lodges and online stores it called its customer base.

ST, as it's popularly called, is a black-women- and youth-owned business founded by Summer Trading and Sekhukhune cooperatives, Tlemang Thari and Tsogang Ke Nako. Established in 2014, its core offering is rejuvenating, nutritious, organic blends of herbal tea made from indigenous plants.

The company has a small factory in Limpopo at which the harvest is ground, infused with intriguing flavours, packaged and distributed for sale across the country.

Since processing was, for many years, largely manual, with minimal mechanisation, technology was a longstanding item on the shopping list.

The IDC brewed up a delicious deal that soon had ST flourishing like the buds on a tea bush, to the point that it needed to take on 10 additional permanent staff to join the 15 individuals already employed in the cooperatives harvesting and handling the primary processing of the ingredients.



10
additional
staff

**Black-women-
and youth-owned
business**

Funding the female mining frontier

IDC funding is enabling the company to conduct a feasibility study to determine the economic viability of producing direct application organic fertiliser as a cheaper, more environment-friendly fertiliser

Adelaide Ruiters Mining and Exploration is a 51% South African black-woman-owned mining and exploration company focused on exploration, mining and beneficiation of sedimentary phosphates in the Saldanha Bay area, Western Cape. Its Zandheuveld sedimentary phosphate mine and beneficiation plant occupies a number of farms in the area. The proposed mining site is adjacent to Lafarge and opposite Mittal Steel Saldanha, 150km from Cape Town and 5km from the port of Saldanha.

IDC funding is enabling the company to conduct a feasibility study to determine the economic viability of producing direct application organic fertiliser as a cheaper, more environment-friendly fertiliser for farmers in South Africa and the Southern African Development Community.

The development of Zandheuveld phosphates conforms to the IDC's chemicals value chain goal of developing primary fertiliser molecular inputs, one of which is phosphate. This allows efficient component inclusion into the local fertiliser blend. This strategy aims to reduce input costs and increase security of supply, including food security.

The project has created employment and boosted supply network opportunities in Saldanha Bay and Vredenburg. It should create 312 jobs in the long-term.



51%
**South African
black-woman-
owned**

312
**jobs in the
long-term**

Capital concept poised for tourism industry revival



The Capital Hotel and Apartments Mbombela, partially funded by the IDC, recently welcomed its first guests.

Boasting state-of-the-art facilities including hybrid apartment hotel rooms and a penthouse for business or leisure travel and modern conferencing facilities, the R205 million facility heralds a new tourism era for Mpumalanga and will take advantage of the expected rebound following the lifting of Covid-19 and travel restrictions.

Marc Wachsberger, CEO of the establishment, is upbeat about his company's investment in Mbombela, explaining that creating job opportunities in a region that is battling unemployment was a primary motivator.

Ninety-five percent of the hotel's 125 employees are drawn from local communities, with the hotel group's focus on staff growth and development, positioning them for a promising career in the group and in the hospitality industry. As with all the hotels in the company's portfolio, guests benefit from complimentary uncapped high-speed wi-fi, ensuring connectivity when and where it's needed.



Guests enjoy easy access to a shopping and entertainment complex located next door, as well as regular events at the hotel's pool deck supported by local DJs and artists. A loyalty programme, La Famiglia, offers guests up to 20% instant discount on accommodation booked online at www.thecapital.co.za.

146
rooms and
apartments
and conference
facilities

125
employees
are local

Prospering through professionalism in paper products

The IDC has consistently supported the business - which is 100% owned by previously disadvantaged individuals, 40% of whom are women - throughout its journey.

GQ Tissue Products is something of an institution, having prospered for more than 20 years. The IDC has consistently supported the business - which is 100% owned by previously disadvantaged individuals, 40% of whom are women – throughout its journey.

Established as a tissue converter and to provide high-quality tissue products at cost-effective prices, the company faced stiff competition in a market dominated by entrenched brands.

It initially produced facial tissues using raw materials sourced from suppliers accredited for environmental good practice, including responsible deforestation and replenishment principles.

In 2004, it expanded into serviettes, sourcing coloured paper from leading European producers with European Union and Food and Drug Administration approval for dyes and bleaches, making them safe for food handling. GQ now produces one- and two-ply coloured serviettes in a range of 22 colours.

Three years later, the company moved to a newly built 2 500m² factory, thereafter introducing a full range of tissue products, adding variants to its 'Away from home' lines in 2009.

By 2011, GQ had outgrown its premises and moved to 7 500m² facility, adding automatic touchless facial tissue and toilet lines.



100%
*previously
disadvantaged
individuals*

40%
women-owned

Cane growers enabled to plant afresh



They were heaven sent to help me during my darkest moment

When the South African Sugar Association mill in southern KwaZulu-Natal was forced to shut for three weeks due to the July 2021 riots, the harvest of around 200 cane growers was left to rot before it could be crushed. Fortunately, the growers of Umdoni and Umzinto have a local support body, Sezela Association, looking after their interests. A representative visited all the local growers, assessed the damage and submitted a claim to the IDC's Post-unrest Business Recovery Fund just in time to be accepted as a beneficiary.

Among those who was overjoyed by the support was Mr Ngubo of Malangen, whose harvest, painstakingly nurtured over 12 months, was ready to be cut and crushed. He feared he was facing ruin until the funds came in to give him the strength to roll up his sleeves, replough his land and plant more cane to make up for his loss.

Also in Malangen, 86-year-old Patricia Mbele, affectionately known as 'Gogo' by her employees, watched the unrest on television, unaware that her cane had been set alight by looters. She was still coming to terms with the death of her son, so the news couldn't have come at a worse time. Gogo has tilled the soil and tended her crops since the 1970s. When the local representative and his team arrived at her door with news of the fund, she thought they were there to convey condolences, but instead, she says, 'they were heaven sent to help me during my darkest moment'. The money allowed her to buy fertiliser and pesticides and get her employees back out into the fields. She has rebuilt her business in honour of her son.



Further south, in Umzinto, is Wiseman Njikija, who runs a larger-scale operation, Idwala Farms, with his son Siph. Their hopes, too, went up in flames during the unrest. They lost more than R500 000 worth of cane and were worried that they would not be able to pay wages nor even survive themselves. IDC funding saved the day, giving the pair the motivation to not only re-establish the farm, but improve it to ensure bigger yields and greater returns in future.

100%
black-owned

70+
jobs saved

Gamahlako goes out on a limb

Gamahlako's operations contribute to the development of the metals and mining industry

In 2017, young entrepreneur Malose Nicolas Tolo spotted a gap in mining procurement in the eastern limb of the Bushveld Igneous Complex and founded Gamahlako to step into the void to provide logistics services in Mokopane, Limpopo.

That year, Gamahlako enrolled for an enterprise development programme at Anglo American's Mogalakwena Platinum Mine, an established, fully developed and highly profitable asset with estimated reserves of 276 million ounces of platinum and an estimated resource life of more than 150 years.

After successfully completing the programme, Gamahlako attracted the attention of the IDC, which provided funding through its SMME initiative, which seeks to empower the youth and nurture the growth of their enterprises.

Gamahlako's operations contribute to the development of the metals and mining industry value chain, which is key to the IDC's strategy to grow and transform the mining industry. So successful has Malose's enterprise been that it is now contracted by companies such as Barloworld to transport platinum concentrate from Anglo Mogalakwena to Anglo's smelters in Limpopo and North West.



Provides logistics services

Contracted by Barloworld





Our corporate social investment

Our corporate social investment activities reinforce our commitment to improving the quality of life of the most marginalised South Africans.

Investment in enhancing lives

76

Investment in enhancing lives

Through its corporate social investment activities, the IDC makes its non-commercial contribution to social upliftment, reinforcing its commitment to improving the quality of life of the most marginalised South Africans. CSI activities largely complement the Corporation's traditional business pursuits.

In the year under review, during which the threat posed by Covid-19 receded significantly, other issues emerged demanding attention, foremost among them the unrest in KwaZulu-Natal and Gauteng, which claimed more than 300 lives and damaged thousands of businesses, pushing many – particularly smaller enterprises – to the brink.

A special R13 million CSI initiative provided humanitarian assistance to those affected. We partnered with eight non-governmental organisations to provide food, water and hygiene supplies to about 14 000 households with 40 000 inhabitants. In addition, funds were provided to the National Education Collaboration Trust for rebuilding KwaZulu-Natal schools.

Our main thrusts, however, in keeping with the CSI policy, remained education and skills development, entrepreneurship, consumer education and employee volunteering and giving.

The introduction of the Corporate Affairs Committee to consider and approve applications in line with the new delegation matrix added value to the programme by strengthening expertise and scrutiny of funding applications.

In achieving meaningful development, we seek initiatives that are a fit with our skills, influence and resources. Activities are focused and deliberate to maximise resources. The programme is aligned with priorities outlined in the NDP, namely education, employment,

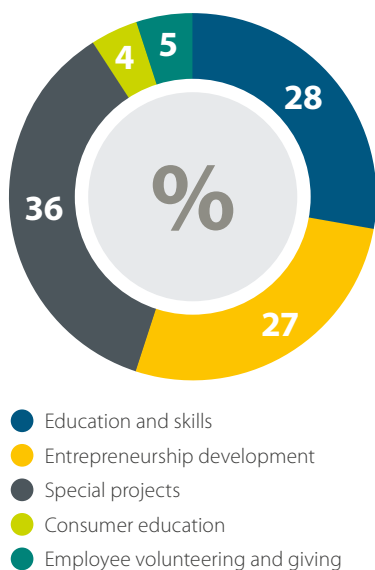
skills development, infrastructure, rural development and social protection. It also responds to SDGs 1 to 6 – no poverty, zero hunger, quality education, gender equality, and clean water and sanitation. The upliftment of underprivileged communities and vulnerable groups is paramount, reflecting our goals of transformation and sustainability.

During the year, 43 initiatives were approved, reaching more than 50 000 individuals nationally across all nine provinces, mainly in rural and underdeveloped areas.

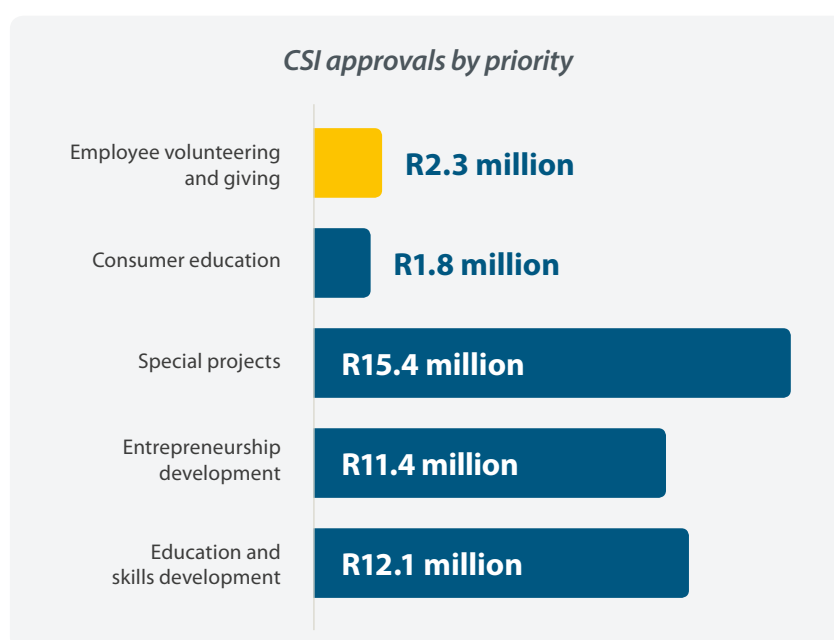
The budget allocated for the year was R51 million, with R42.6 million approved and R37.6 million disbursed.

Factors that influenced our social investment performance included Covid-19, which prevented due diligence on prospective new beneficiaries. This limited our support to partners in established relationships, with the organisation prioritising humanitarian efforts stemming from the pandemic and the civil unrest disrupting work in other areas.

Distribution of CSI approvals by priority



CSI approvals by priority



Education and skills

This is a government partnership for basic education: Whole school development and capacity development for technical and vocational education and training (TVET) colleges.

Eight projects were supported, including the enhancement of three TVET colleges' training and learning capabilities, through the provision of information and communications technology (ICT) equipment valued at R6 million, and construction of three early childhood development centres – Phathekile in Hlohlweni, Eastern Cape, and Emmanuel and Atlehang, both in Viljoenskroon, Free State. A school for youngsters with disabilities received funding to install solar panels.

Entrepreneurship

Entrepreneurial skills are provided primarily to youth and women. The category also includes innovative community models for grassroots initiatives that sustain individual livelihoods through income-generating job-creation projects.

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

Seven projects were funded, which will benefit 1 612 people when implementation is completed. More than 70% of beneficiaries are youth, 50% are women and 47 are people with disabilities.

Consumer education

This element was introduced to the B-BBEE scorecard in line with the Financial Services Code of Good Practice. It empowers consumers to make more informed finance and lifestyle decisions, including financial choices and practices for their business ventures.

In the review year, funding supported the Financial Services Consumer Education Foundation financial literacy speech competition for schools, which targets Grade 11 scholars in quintiles 1, 2 and 3 schools across provinces. The competition inculcates financial literacy and knowledge in the formal schooling environment using an interesting and engaging approach, while recognising the official curriculum. It is a platform to empower youngsters to increase financial literacy in their communities and to become active contributors to a thriving economy.

Volunteerism

The employee volunteering and giving programme engenders a culture of volunteerism, aiding social development, encouraging community involvement, enhancing employee morale and creating a brand that reflects responsible corporate citizenship.

Covid-19 restrictions prevented physical volunteering in the review year. However, initiatives that are normally supported by employees were funded. These included:

CANSA Shavathon	R50 000
Slipper Day	R30 000
National Council for Persons with Disabilities Casual Day	R50 000

The 'I do care' programme continued, through which employees donate part of their salary and the Corporation matches it 3:1. Contributing employees select beneficiary organisations annually.

A total of 359 employees contributed R231 251 in 2021/22, which, after the Corporation's match, amounted to R924 998. Thirteen qualifying organisations nominated by employees benefitted from the funds raised in 2020/21.





Our people

We pride ourselves on our employee value proposition and we constantly refine our offering to ensure that we offer the best value to our staff.

The IDC is what it is because of its people. Maintaining its standing as one of South Africa's top-performing state-owned companies requires skilled, committed and engaged individuals.

The ongoing achievement of strategic objectives and delivery on its mandate is made possible through excellent human capital strategies, solutions and practices.

Our human capital is viewed as cradle-to-grave. Our people are important from the time they join the IDC until they leave. Therefore, we pride ourselves on our employee value proposition. Although this is competitive, we constantly refine our offering to ensure that we offer the best value to our staff compared to that of our peers.

The year under review was difficult for staff and organisations due to the continued impact of Covid-19. Organisations had to be agile in response to the pandemic and the fact that, in South Africa, a state of disaster was declared by the President. Staff had to work remotely to reduce the spread of the virus. The IDC swiftly established a crisis management team that gave guidance to the Corporation on how to deal with health and wellness of staff, clients and visitors; technological requirements,

safety issues and other risks exacerbated by the pandemic. The remote work arrangement provided employees with opportunities to work flexibly and enabled them to balance family demands and performance. However, it also made it difficult to set boundaries between home and work demands. This resulted in instances of fatigue, burnout and mental health issues. Our health and wellness partner, Universal Health, was integral in providing solutions. We also have an in-house qualified nursing professional who manages the health and wellness of staff, undertakes individual case management of wellness matters and provides medical advice and referrals.

Inadvertently, the remote working arrangement became an added employee value proposition to draw talent, the flexibility of the arrangement being an attractive tool in the competition for rare skills.

We pride ourselves on our ability to offer work that is meaningful, impactful and stimulating. However, in the last four years, including 2021/22, we have not achieved targets, which has halted the payment of short- and long-term incentives. This has negatively affected staff morale and has resulted in an unfortunate loss of talent. Notwithstanding this, we motivate staff by other means. For instance, our Employee Recognition Scheme was revitalised, appreciating and recognising individuals and/or teams for a job well done. Performance management is an effective mechanism of aligning

staff performance with corporate performance. In partnership with PricewaterhouseCoopers, a review of performance management as a business enabler began in August 2021.

The project sought to align across organisational objectives, integrate and cascade delivery at team and individual level, balance incentives and corrective measures in performance management; improve trust, collaboration and engagement; nurture innovation, learning and development; build performance accountability and entrench a high-performance organisational culture.

Learning and development

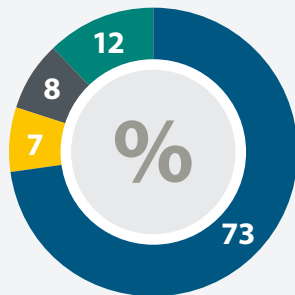
The restrictions placed on face-to-face training caused by Covid-19 continued to affect the implementation of face-to-face training and development activities for our people. However, we deployed training through virtual platforms such as Zoom, Microsoft Teams and e-learning to conduct both virtual classroom training and self-paced learning. These platforms not only provided remote access to learning material, but reduced costs of learning associated with physical training.

Covid-19 aside, our efforts to develop people improved compared to previous years. Below is a summary of how training has evolved in the last five years, with an increase in the number of female employees trained in 2021/22.

Total training by gender for 2021/22

Indicator	2021/22	2020/21	2019/20	2018/19
Total employees training	557	555	495	304
Female	323	304	272	176
Males	234	251	223	128

Training by race for 2021/22



● African ● Indian
● Coloured ● White

Formal education

75%



Undergraduate studies

25%



Post graduate studies

During the year under review, more black employees received training in line with our transformation plans to ensure representation of our people according to the economically active population statistics. Formal academic programmes were offered to 120 employees, with 25% studying for postgraduate qualifications. These were complemented by short learning programmes in technical, functional, leadership and compliance skills.

Building leadership capabilities

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

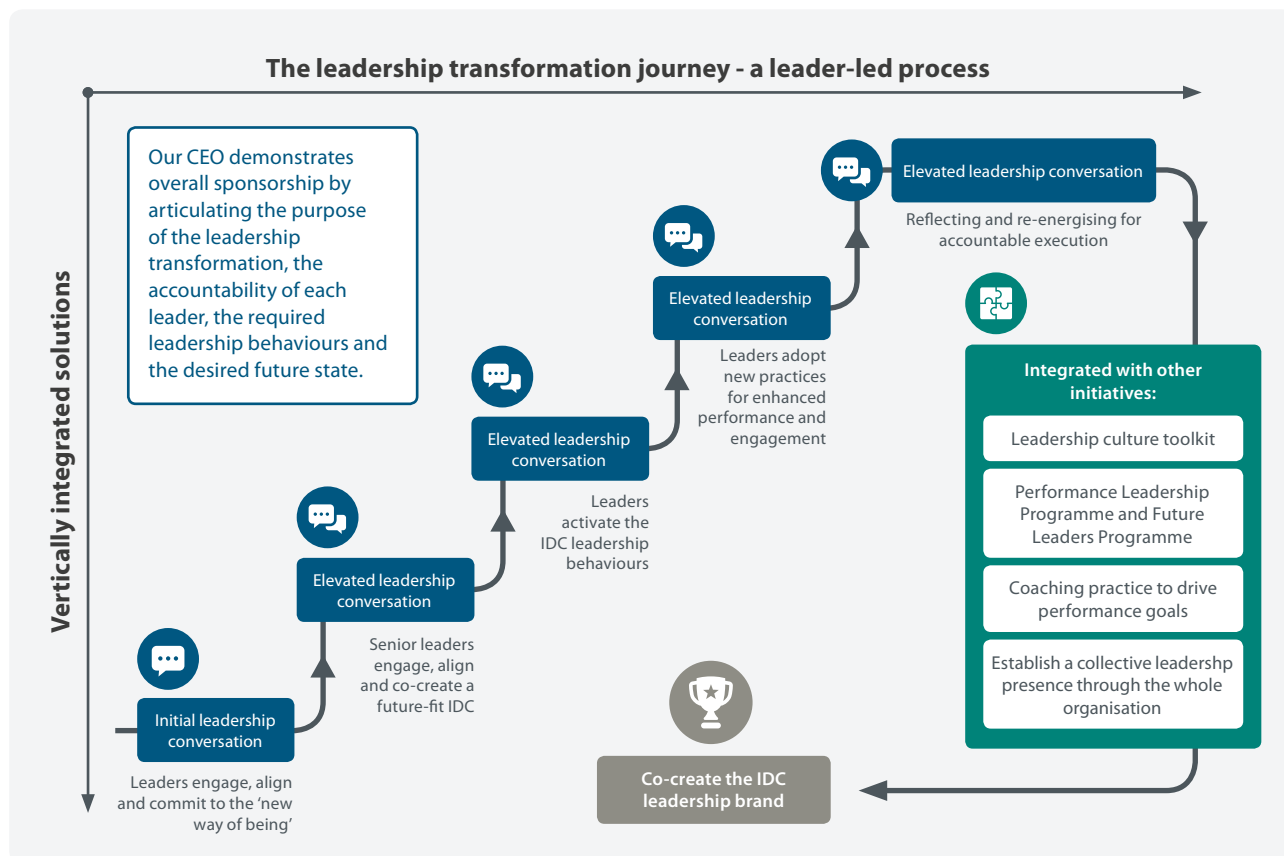


Leadership development framework

The IDC leadership transformation journey map was developed to enhance leadership effectiveness and to assist leaders to connect with and understand

their leadership role as an enabler to improve business performance. This included the design and implementation of various interventions for leaders aimed at improving the culture entropy across the Corporation.

Our leadership development journey below remains relevant and critical in shifting mindsets and behaviour and capabilities required by the Corporation to achieve its business goals.



Since the introduction of the leadership development journey in 2019, several initiatives have been introduced and implemented to build a strong IDC leadership brand. Initiatives include:

- Leadership 'connect' sessions to allow leaders to engage on expected leadership behaviours and on how they should 'show up'.
- A more rigorous and individualised coaching programme to support leaders in their journey to improve self-effectiveness and self-mastery.
- Team alignment and integration sessions to integrate leaders and their teams.

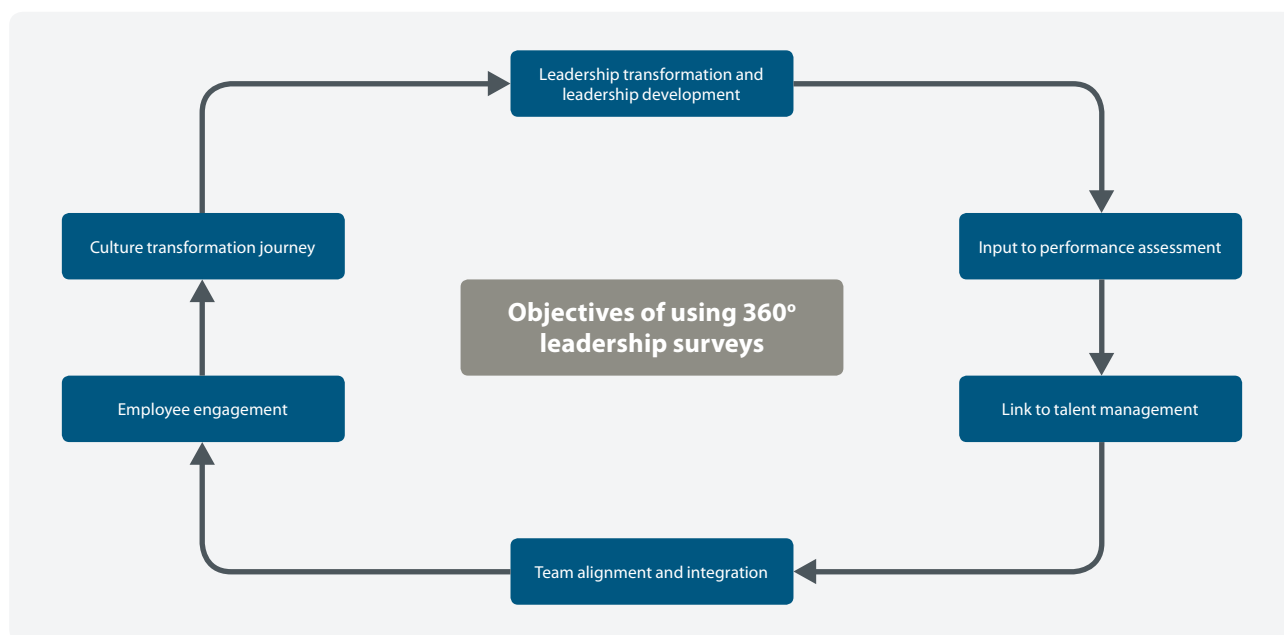
- Performance leadership programme to prepare leaders for career growth and succession.

These above initiatives were effective in enhancing the Corporation's leadership bench-strength. However, more work is required in this area.

Priority programmes for leaders in 2021/22

Pivotal programmes prioritised in 2021/22 set out to increase the leadership presence and develop specific skills needed to build new ways

of working at the IDC. Programmes such as structured thinking and communication, emotional intelligence and personal mastery, and crucial conversations were implemented to ensure that the Corporation has leaders with appropriate skills to deliver on its strategic objectives and its mandate. We provided director training through the Institute of Directors to our leaders and managers who occupied Board roles in various organisations.



Talent and succession planning

Talent and succession planning is a crucial enabler for business continuity. The Corporation's business appropriate operating model and structure, and long-term sustainability plan inform the critical future roles in the business. In the year under review, a comprehensive talent and succession identification, planning and review process was concluded. Talent and succession management is essential for the following reasons:

- To ensure that the Corporation has an appropriate bench-strength (i.e. future talent readily available and developed capability) for its leadership and other key roles.
- To develop strategies to attract, develop and retain identified talent.
- To develop identified talent for business growth and continuity.

Subsequently, succession plans were drawn up and concluded for executives, senior leadership and other critical roles. The succession coverage outcomes indicated availability of potential successors in various readiness levels (immediate readiness, one to three years' readiness and three years and more). The outcomes indicated that additional focus is required to build a

pipeline of succession for executive roles, as the current bench-strength, particularly immediate succession coverage, is limited. At senior leadership level, succession coverage is positive, particularly in the operations and client-facing divisions. Succession coverage in non-operational divisions is acceptable considering that roles in this environment are more specialist and, therefore, transferability of skills in terms of direct succession is limited.

For other key roles identified, 81% of which are in the operations and client-facing divisions, succession coverage is very positive, albeit it for very technical or specialised roles where it may be more limited.

Having concluded the analysis and consolidated the corporate talent review outcomes, the focus will be on key actions to drive, enable and support talent review outcomes. These include career engagement and talent discussions with potential successors identified for individualised development planning. Other talent development initiatives will include alternate development and capability-building initiatives such as opportunities for acting in leadership roles, providing exposure and experience through forums/platforms and engagements at various leadership levels, and

facilitating job rotation and secondment opportunities, including international exposure.

To 'build our own timber', a framework will be finalised and approved to ensure that strategic capability of current leaders is capacitated and 'ready' to compete for senior leadership/executive roles.

Developing the youth

The IDC invests in youth development programmes to improve the feeder pipeline of important skills required by the business. These initiatives also create job opportunities for young South African professionals who require practical skills and experience to enter the job market. In 2021/22, we absorbed 23 young professionals through an internship programme in accounting, law, human resources, information technology and procurement. These individuals will be developed over two years under the guidance and support of experienced professionals at the IDC.

Furthermore, we have enhanced our pipeline of dealmaking capability by developing 14 cadets through our Dealmakers Programme, facilitated in-house through the IDC Academy. Emphasis is on mastering technical, marketing and financial disciplines essential for an experienced dealmaker.

Bursary schemes

The IDC offers three bursary schemes – for staff, children of staff and underprivileged unemployed South African youth unable to afford formal tertiary studies.

Of the 312 bursaries offered in the year under review, 38% went to staff, 26% to the children of staff and 36% to external bursars.

Performance management

Performance management is an effective mechanism to align staff performance with corporate performance. For the past few years, the Corporation has not achieved its targets. The 2018/19 organisational culture survey revealed that the performance management philosophy, process and policy needed to be reviewed. Hence the abovementioned review of the Performance Management Policy.

There were delays in the analysis phase of this project, due partly to inadequate comparative benchmark data. Further analysis was needed, which uncovered key challenges with the current system.

The project continues and is scheduled for completion by end-2022/23.

The focus for 2022/23 will be on:

- Designing a corporate target setting framework and a methodology to cascade targets.
- Providing recommendations on setting targeted levels based on best practice.
- Designing new performance management methodology, policy and processes, and individual scorecards, including links to rewards.

- Reviewing and improving linkages between performance management and rewards, and other people processes.
- Piloting and fully implementing the new performance management methodology and process.

These will be supported by ongoing change management and training.

In recognition of the employees' efforts and contribution to corporate performance overall, the Corporation paid out R81 million to recognise employees who contributed significantly to the upward lift of the Corporation's performance. The amount was provided for in the Corporation's 2021/22 financials.

Culture transformation

The need for culture transformation has been a key strategic focus of the Corporation, with the work starting as far back as 2014/15. Current work was necessitated by the gradual regression in the Corporation's culture entropy gleaned from the survey results of 2018/19. A follow-up survey was completed in November 2021, with a 53% participation rate. The results showed an increase in trust levels between management and staff. Both groups concurred that trust and psychological safety are important in building an inclusive work environment. We have partnered with Mandate Molefi Human Capital Consultants to drive the process. In the review year, various mechanisms were used to increase engagement between staff and management and between teams. The sessions are referred to as 'hearts and minds' sessions. In other sessions, leaders share the corporate plan, strategic objectives and expectations

of each IDC employee. These sessions are interactive and allow staff members to understand their roles and how their performance contributes to the performance of the Corporation. Attendance at these events has reached 80%.

Culture does not change overnight. It takes time, effort and leadership. It also requires that employees understand and buy into the need for change and are full participants in the change transformation process. The culture transformation journey has been clearly laid out and milestones must be reached to ensure success.

Culture transformation milestones during 2021/22 included extensive leadership engagements to define and explore the culture vision. Among these were an Exco visioning meeting, training sessions for newly identified transformation champions and a heads, hearts and minds workshop for senior leadership.

Hearts and minds workshops will continue with leadership in the new financial year before being rolled out to staff, the intention being to retain key talent, sustain business continuity and enable our people to contribute effectively to the bottom line.

Managing employee wellness during Covid-19

Since the onset of the Covid-19 pandemic, the Corporation has experienced 198 positive cases, 195 recoveries and, unfortunately, three fatalities.

The country's vaccination drive was launched towards the end of 2020/21 and, during the review year, the IDC supported employees in various ways. These included hosting a wellness information session with a specialist in occupational medical health to create awareness of vaccines, and partnering with the Banking Association of South Africa and select medical schemes to communicate key messages.

Bursary scheme	Number of participants 2021/22
External bursary scheme	112
Children of staff bursary scheme	80
Staff bursary scheme	120
Total	312

A themed vaccination campaign was introduced called #IDCCommunityImmunity with the slogan '67 reasons to get vaccinated'.

By 31 March 2022, 75% of staff were fully vaccinated. We continue to advocate and encourage vaccination, but not to enforce it, a decision approved by Exco in September 2021, with an agreement that it would be revisited in 2022/23.

Wellness initiatives are ongoing, with individual support offered by our partner Universal Health. In addition, during the year, staff were made aware of the availability of seasonal flu vaccines, encouraged to have Covid-19 booster shots and urged to declare their vaccination status so that total rates could be tracked.

Qualifying staff, 40 years and older, were afforded a medical assessment to detect potential health problems for further investigation/treatment. We participated in the 2022 CANSA Shavathon to heighten cancer awareness. Plans were put in place for the 2022/23 introduction of multidisciplinary team visits to operations to discuss and promote wellness matters.

67 REASONS WHY WE WANT #IDCCommunityImmunity

#19 Community immunity means we are making our work place a safe space for everyone.

Get vaccinated through your medical aid or our IDC/BASA partnership. It's safe, easy and convenient. #IDC67%

Industrial Development Corporation

IDC 67 Reasons to get vaccinated campaign

Employee relations

The Corporation complies with labour legislation and is committed to employment practices that ensure the decent and supportive work environment envisaged in Section 23 (1) of the Constitution of the Republic of South Africa, 1996 and that are part of the South African government's commitments to the International Labour Organisation. In the year under review, the Corporation capacitated line managers through training on initiating

and chairing disciplinary proceedings and on managing staff in a unionised environment.

Training and awareness sessions were held for staff on the Employee Relations Policy, which was approved in 2020, particularly on acceptable and unacceptable behaviour in the workplace. Training and continuous engagements with employees on the IDC Code of Business Conduct, with the swift handling of misconduct cases, have reduced the number of disciplinary



HEAD

Steps 1, 2, 3 and 4

- Laying the foundation
- Putting structures in place
- Gathering data – quantitative and qualitative
- Defining the ideal end state – What we know should be happening
- Documenting strategy



HEART

Steps 5 and 6

- Engaging at a deeper level
- Personal reflection
- Individual commitment to lead from front
- Dialogue and confronting uncomfortable truths



HANDS

Steps 7, 8 and 9

- Implementation

What is expected of leaders?

- Commitment to drive and communicate the project to ensure maximum participation
- Acknowledgement of how employees experience the organisation and the acceptance of results
- Willing to share the results with respondents and to participate in the formulation of the strategy moving forward

- Lead from the front by being open, willing to be vulnerable and sharing from the heart to ensure that an inclusive culture is created for all

- Commitment to the implementation of recommendations
- Holding leaders accountable for their own business areas and for ensuring attitudinal and systematic issues are attended to, to create a cultural ideal for IDC

and grievance cases over the year. This downward trend has improved the levels of staff engagement and trust according to the culture survey report.

Relationship with the union

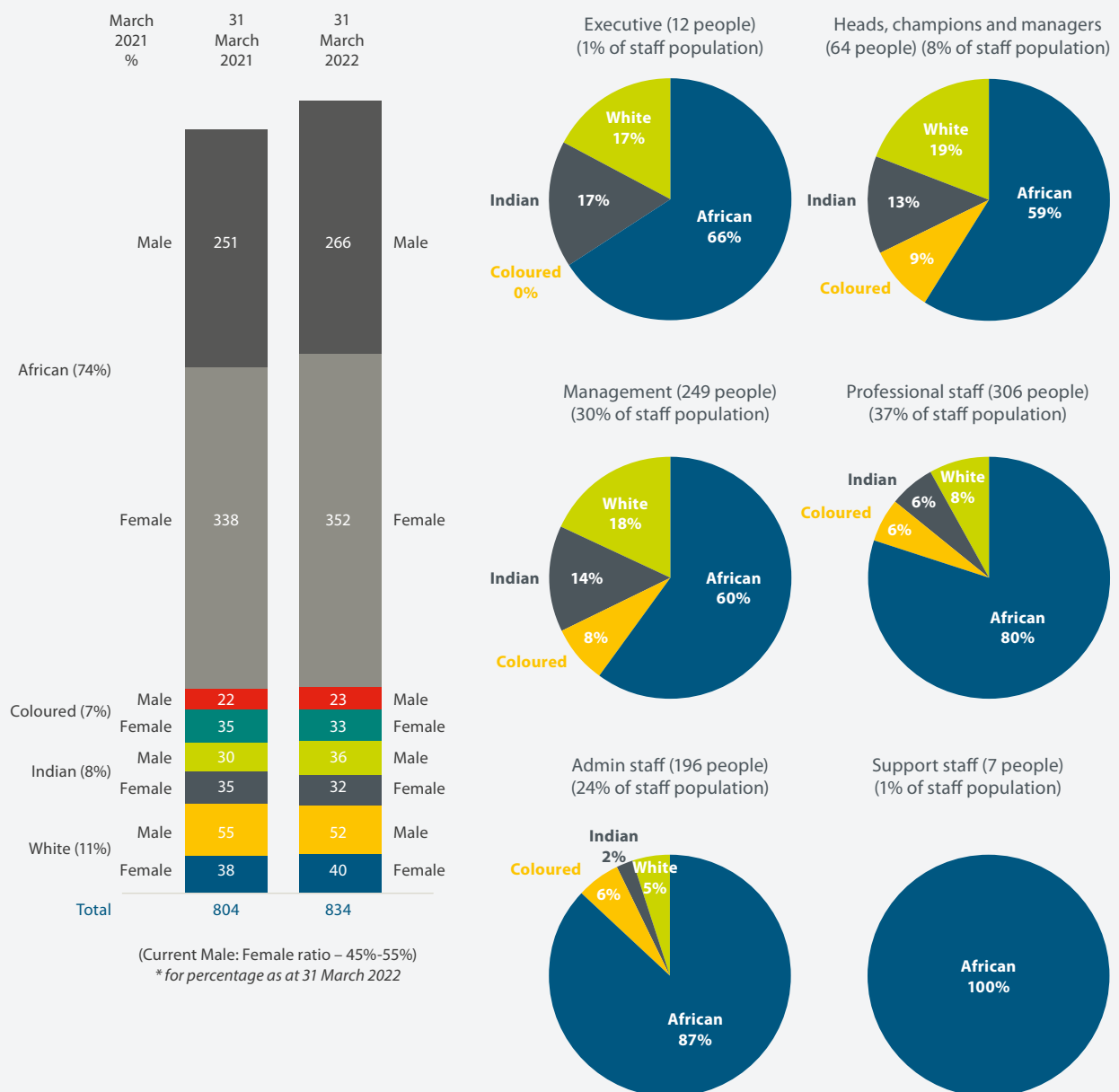
The Public Servants' Association of South Africa (PSA) is currently the only recognised trade union at the IDC. In 2021/22, the PSA represented 66% of the IDC workforce. The relationship between management and the

union is effective. For example, the parties agreed on salary increases for 2021/22. A recognition agreement and a constitution have been signed and quarterly meetings are held to deal with issues brought to management through the union. Both parties have expressed their commitment to ensuring labour peace and harmony in the workplace and to striving for a positive relationship.

The Corporation's equity profile remains high at 92% (2020/21: 90.8%).

Women representation remained consistent with that of the previous year, at 55%, with women executives remaining at 50%. There was a slight improvement in female representation at senior management level to 34% (2020/21: 32%). The reviewed employment equity plan for 2021 to 2024 includes actions to remove potential barriers to transformation, be they policy-, process- or practice related. In addition, the focus is on addressing under-representation

% Breakdown by level and race as at 31 March 2022



of professionally qualified, mid-management and senior management levels and women with disabilities. The current staff profile is indicated below:

Capacitating our business

Existing and prospective employees are the IDC's ambassadors. Having employees who are committed and connected to the corporate purpose requires a dynamic, compelling and competitive employee value proposition that attracts, grows,

nurtures and retains talent. At 31 March 2022, the Corporation employed 834 people (2020/21: 804), an increase of 3.7%. This increase has brought in the additional skills and capabilities required to deliver on our mandate in line with the organisational realignment process concluded in 2020/21. In the year ahead, the Corporation will strive to attract and develop talent where business capacitation and key specialist skills may be required. The number of employees directly delivering the IDC's operational objectives (client-facing and support) increased by 4% to 75% of total staff numbers (2020/21: 71%). Additional expertise and capacity were required,

particularly in the operational units, which saw an increase in headcount of 3% to 38% (2020/21: 35%). This is slightly lower than the anticipated 40% reported last year. Increased capacity and recruitment will continue to be informed by market and economic activity in key sectors, industries and business operations.

As shown below, voluntary turnover increased by 1.6% from the previous year. Voluntary turnover in critical roles increased marginally, from 6.05% in 2020/21 to 6.11%. Overall, turnover increased to 8.02% (2020/21: 7.79%), an increase of 0.23%.

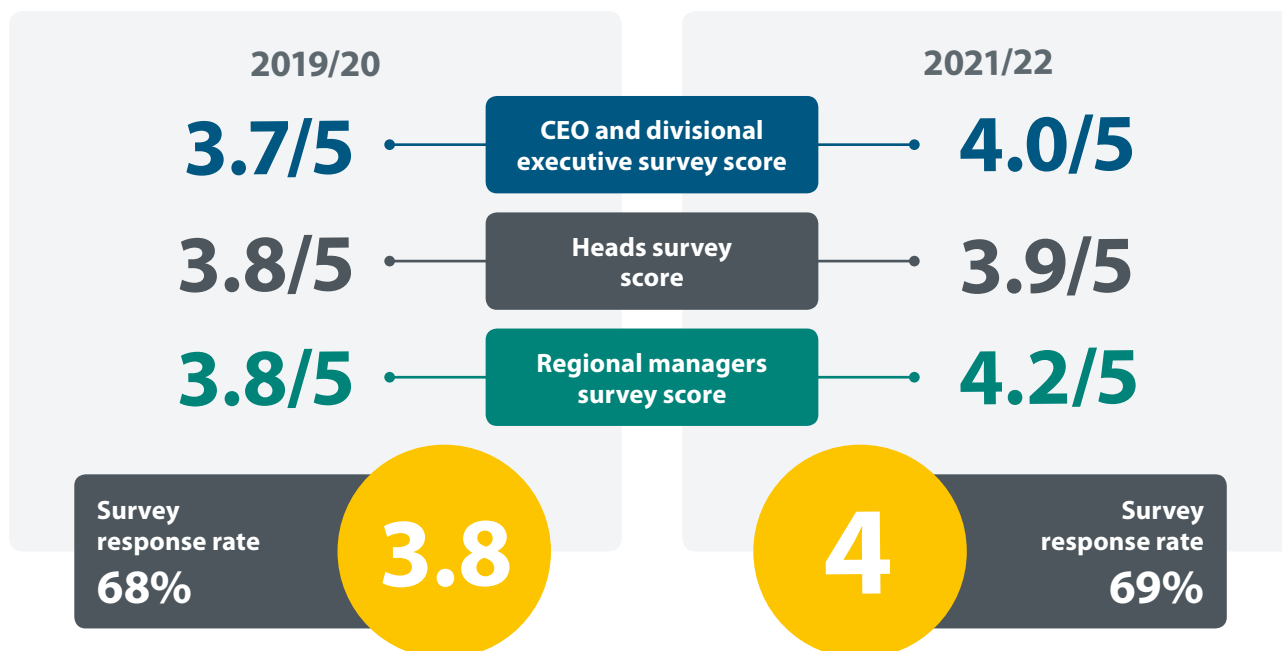
Turnover rate from 2019/20 to 2021/22

	2021/22	2020/21	2019/20
Overall turnover (all types)	8.02%	7.79%	7.40%
Overall turnover (voluntary)	5.60%	4.02%	5.40%
Overall turnover (critical roles)	6.11%	6.05%	5.60%

The second 360° executive survey aligned to the IDC's leadership framework and competencies revealed that leadership is perceived to be effective across all constituencies, particularly technical leadership. However, improvement could be effected in leadership of people, which has great impact on employee engagement and, consequently, culture transformation.

Leadership development interventions have been tailored to address this.

360° leadership survey results – comparison to previous survey



Commentary

- Overall, the current survey showed improvement over the previous one
- Except for the regional managers, incomplete surveys (by rater group: Line manager, self and peers) resulted in higher scores
- Response rate is a 1% improvement from previous survey





Governance report

Accountability, transparency, ethical behaviour, fairness, responsibility and social development underpin the Corporation's commitment to good corporate governance.

Commitment to good governance	90
Combined assurance	98
Board committee reports	106

Commitment to good governance

The Board remains committed to the highest standards of business integrity and ethics in all its activities and is unwavering in its commitment to ensuring that the IDC is aligned to the principles of King IV.

With this approach, the Board entrenches accountability, transparency, ethical behaviour, fairness, responsibility and social development to ensure that strategic objectives are realised and stakeholder value is delivered. Passion, partnership and professionalism are the values that underpin the IDC's structures and approaches and form the foundation

for governance. These values are evident in dealings with stakeholders and are core to decision-making.

Executive authority and parliamentary oversight

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

The Executive Authority ensures that annual performance plans and the corporate plan are true to the mandate and the government's priorities. The Executive Authority also provides direction on developing and implementing strategic priorities and policies.

The Standing Committee on Public Accounts reviews the annual financial statements and the Auditor-General's audit reports.

Key governance activities during 2021/22

The Corporation continues to manage risks posed by factors such as the poor economy and stock market volatility, which are likely to persist beyond the immediate response and recovery periods, and is well prepared to deal with unexpected occurrences, such as Covid-19 and the 2021 unrest. During the year, the Corporation considered several corporate governance issues in response to the risks and changes in legislation.

Key governance activities during 2021/22

Corporate Plan and Capital Allocation	Approved the Corporate Plan and Capital Allocation for the 2022/23 to 2023/25 budgeting period and 2022/23 annual plan.
Code of Ethics	Approved the revised IDC Code of Ethics, which incorporates the Gift Policy.
Conflict of Interest Policy	Approved the revised Conflict of Interest Policy.
Delegation Matrix	Reviewed the Delegation Matrix to improve governance and enhance operational efficiencies

Governance framework

The Board's emphasis on the importance of an enabling corporate governance environment is reflected in its governance framework, which promotes efficient and effective, fair and transparent operations through clearly assigned roles and responsibilities. Shareholder and Board

oversight ensures that the Corporation's practices align with governance good practice, while policies, legislation and regulations govern operations.

Although ultimately accountable, the Board delegates authority through a delegation matrix to its committees and to various structures of the Corporation to ensure efficiency.

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

Governance structure

During the review year, the IDC's Board was unchanged.



Role of the Board

The Board is responsible for the strategic direction and control of the Corporation and for setting the tone for ethical and effective leadership. It approves the policies and plans that give effect to effective governance of the Corporation based on good corporate governance practices and monitors the implementation thereof by executive management.

It provides decisive and effective leadership on key matters of strategic direction by bringing an independent and informed view. The Board creates value through driving outcomes that support our vision of creating globally competitive industries and realising Africa's potential.

It promotes an ethical culture through regularly reviewed policies and practices and advocates uncompromising integrity and transparency to embed excellence in every facet of the business.

The Board charter, which regulates Board parameters and ensures good corporate governance in all dealings, outlines the roles and responsibilities of the Board, including adopting strategic plans, defining materiality clearly, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls, and director selection, orientation and evaluation.

The Board is confident that it achieved the governance outcomes set for 2021/22 and it identified and agreed actions for implementation in 2022/23.

Composition

In constituting the Board, the Executive Authority ensures an appropriate balance of knowledge, skills, experience, power and diversity in gender, race, tenure and socio-economic background. The Board composition encourages vigorous Board and committee debates that lead to relevant

and effective judgment and guidance for management on strategy and objectives. The meeting of minds from various industries and sectors widens appreciation of objectives and concerns across the economy.

The IDC Act determines Board size, with a minimum of five and maximum of 15 members appointed by the shareholder. All members except for the CEO are non-executive.

There were no changes to the Board composition during the review period. At 31 March 2022, the Board comprised one executive and 10 non-executive members – six of whom are female and five (including the CEO) male. Diversity of race and age ensures continuity and effective succession planning.

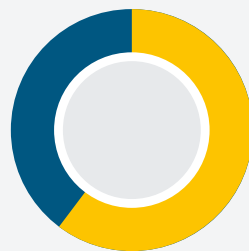
The Chairperson and CEO positions are separate.

Terms in office

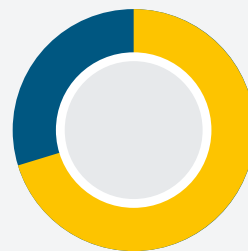
Non-executive Board director tenures:

Members	Number of years
BA Mabuza	10.5
LI Bethlehem	13.5
BA Dames	10.5
RM Godsell	10.5
A Kriel	6.0
Dr SM Magwentshu-Rensburg	10.5
NP Mnxasana	7.5
PM Mthethwa	10.5
Adv ND Orleyn	7.5
Dr NE Zalk	12.5

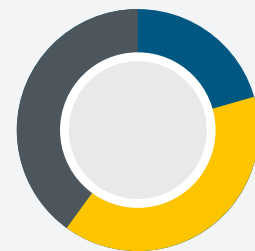
Demographics*



Male (4)
Female (6)



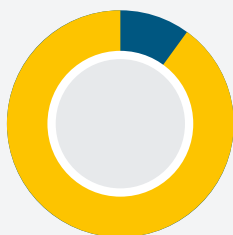
White (3)
Black (7)



50-54 years old (2)
55-59 years old (5)
60+ years old (4)

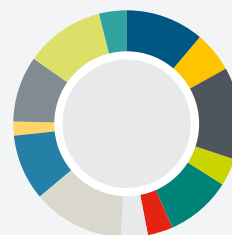
*Non-executive

Tenure*



> 4-6 years (1)
> 6 years (9)

Skills*



Agriculture
Automotive/transport
Banking
Construction

Energy
Environmental
Forestry and fisheries
Government
Manufacturing
IT and technology
Other financial services
Mining
Tourism

Board meetings and attendance

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

During the review period, the board held six scheduled meetings, two special meetings and one strategy session, which was held in September 2021. The Board remained alert to the continued repercussions of Covid-19 and to the implications of the July 2021 unrest.

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

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

Conflicts of interest

Directors have a fiduciary duty to disclose the nature of their interests at each Board and committee meeting. These are recorded in a register kept for this purpose. Each director's personal interests are updated at each Board meeting and this register is circulated at each Board meeting for information. The approved Conflict of Interest Policy is well-entrenched within the Corporation.

Authority is delegated to the committees through terms of references and, taking their lead from the Board, each committee promotes integrity and transparency across the Corporation. Board committees bring independent judgment and enhance the balance of power in decision-making, enabling the Board to conduct its duties effectively. Committee terms of reference are reviewed regularly to maintain alignment with legislation and governance prescripts.

also confirmed a good balance between the size and composition of the Board, given the role of the IDC as a DFI.

The focus during the review period was on addressing the areas identified as requiring attention, being the number of other directorships held by individual directors, which could impair their ability to discharge their duties without logistical challenges or potential conflicts of interest.

Board committees

The Board has established five committees, namely Audit Committee, Risk and Sustainability Committee, Social and Ethics Committee, Human Capital and Nominations Committee, and Investment Committee. Each committee is chaired by a non-executive director who reports to the Board on discussions, conclusions and recommendations. The Board appoints committee members, save for the Audit Committee, whose members are appointed by the shareholder at the annual general meeting. The Board Chairperson and the CEO are standing invitees to all committee meetings, while other executives attend as needed or when invited.

Board and committee evaluation

To ensure that the Board and committees perform optimally and satisfy their mandates, they are evaluated periodically. The Company Secretary collates and communicates the outcome to the subcommittee chairs.

The independent Board evaluation considers Board composition, director performance, the performance of the Board as a unit and individual committees of the Board. The Board scored well on ethical characteristics, fiduciary roles and responsibilities, and technical competencies. The evaluation

Board remuneration

Non-executive Board member remuneration is the domain of the Human Capital and Nominations Committee (BHCNC) and its recommendations, based on benchmarking conducted by an external service provider, are considered by the shareholder. Directors do not receive performance-based remuneration or retainers.

Annual fees for non-executive directors were approved by the shareholder at the annual general meeting on 24 February 2022. The fees paid to non-executive directors during the reporting period appear on page 101 of the Group Annual Financial Statements.

Chief Executive Officer

The management of day-to-day operations is the CEO's responsibility, assisted by the Executive Management Committee, working to detailed mandates.

The CEO's contract requires a notice period of three months and expires at the end of 2023. Currently, outside of the IDC mini-group positions, he serves as a non-executive director of Sedibelo Resources Limited. Succession planning is in place for his position.

Company Secretary

The Group Company Secretary is independent of the Board and not a director of the Corporation. The appointment and removal of the individual are determined by the Board, as is good practice. The Company Secretary plays a key role in providing guidance to the Board members on the execution of their duties, keeping the Board aware of relevant changes in legislation and corporate governance best practice. The Company Secretary is also secretary to the Board committees and the Board members have unfettered access to the services of the Company Secretary. The Board appoints the Company Secretary and ensures that the Company Secretary has the requisite level of knowledge and experience to discharge her duties.

During the review period, Ms Nomini Rapoo fulfilled the role of Group Company Secretary. She resigned from the IDC with effect from 30 April 2022. The Board appointed Adv Maseapo Kganedi with effect from 1 May 2022. Adv Kganedi is an admitted advocate of the High Court of South Africa and her career spans over 20 years, mainly in the public sector at both local and national levels in various legal advisory and company secretarial roles.

Ethical culture

Governing and managing ethics

Ethical leadership starts with the Board and the policies and practices it sets for the organisation. The Social and Ethics Committee, on behalf of the Board, monitors the establishment and application of ethical norms and their public disclosure.

The ethics policy framework is entrenched throughout the organisation and contains a suite of policies that set the ground rules for ethical business conduct in and outside the Corporation, the consequences of fraud, equitable and transparent procurement, regulation of gifts and whistleblowing under the Protected Disclosures Act, 26 of 2000.

An anonymous tip-off hotline, administered by an external contractor, is accessible to employees and stakeholders, who are urged to report unethical or corrupt behaviour. During the reporting period, 12 complaints were reported. A preliminary investigation is conducted to validate the veracity of the complaint, whereafter an in-depth one may be conducted based on the results of the preliminary investigation. Sanctions include criminal and civil action against perpetrators of fraud and listing on the IDC's delinquents register.

Key focuses

Due to the nature of the IDC's business, the Corporation constantly faces significant risks of unethical conduct by employees, clients and service providers. This risk remains a key area of concern that warrants close monitoring by the Board. To mitigate the risk, the Corporation frequently communicates its zero-tolerance to fraud, reviews controls and policies to prevent asset misappropriation and the temptation to behave unethically and deals decisively with allegations of unethical conduct.

Despite a clear commitment to ethics in the Corporation, the organisation still fell foul to underhand practices, with 12 cases – five internal and seven external – coming to light during the review year and in various stages of resolution by year-end.

The Corporation continues to embed a culture of ethical conduct in the IDC DNA. Various awareness initiatives to reinforce the culture are continuously conducted across all areas of businesses.

Ethics in procurement

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

Procurement Committee members declare their interests at every meeting to evaluate and adjudicate bids and recuse themselves if need be from decision-making.

The rigorous project award process includes background checks on all bidding entities and their shareholders, including checks against the National Treasury list of restricted suppliers, court cases and criminal records. Credit checks are conducted, and media reports sought for potential business or reputational risk for the IDC. Suppliers must declare relatives employed at the IDC. Supplier fronting and misrepresentation of information are dealt with decisively. The Procurement Policy, which conforms with the B-BBEE Act, 53 of 2003 and codes of good practice, allows the IDC to cancel a contract and claim damages in cases where fronting and related offences are detected. Suspected fronting is reported to **the dtic** through the office of the Black Economic Empowerment Commissioner.

Environmental, social and governance

Environmental, social and governance (ESG) practices are essential qualities of a responsible corporate citizen and central to our organisational strategy. They are integral to sustainable and responsible socio-economic development that enables us to create employment opportunities directly and indirectly through the projects and businesses we fund. Environmental sustainability being paramount, during the review year we strengthened our focus on and contribution to the NDP and SDGs through boosting funding in projects that contribute to employment and the green economy.

ESG implementation looks largely to the Environmental and Social Policy for its direction. This policy guides our actions in:

- Responsible environmental, health and safety management that complies with statutory requirements and good practices.
- Improved environmental, health and safety performance assistance for our business partners.
- Socially responsible and environmentally sustainable natural resource use.
- Management of carbon liabilities and exposure, and accent on bankable green projects that demonstrate social responsibility.
- Promoting trade and activities with only minimal adverse environmental and social impacts.
- Setting targets to monitor and improve our environmental, health and safety performance to attract investment and enhance internal ESG activities.

ESG considerations are integrated in our due diligence and post-monitoring processes to assist clients to comply through the investment cycle.

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

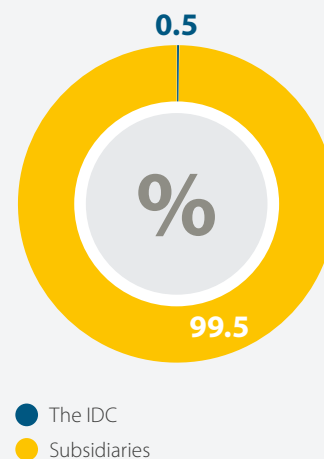
After determining a project's risk category, we assess the client's environmental and social performance against local legislation. Most of the 2021/22 transactions were Category B (medium risk), while there was an increase in the number of clients experiencing environmental and social management performance challenges. In the coming year, we will implement proactive post-investment monitoring to assist clients to meet their obligations.

Greenhouse gas containment forms part of our ESG efforts and we continued during 2021/22 to monitor the inventory of our offices and those of subsidiaries in which our shareholding is greater than 50%. This initiative is being extended to all operating subsidiaries, associates and other clients.

It will help our clients to understand the sources of their emissions, measure them, and develop and implement plans to reduce them. We will work closely with relatively large emitters to ensure compliance with new plant minimum emission standards regulations by 2025.

Because our exposure extends to hard-to-abate sectors such as coal mining, primary steel manufacturing and cement manufacturing, we are developing house views on coal and natural gas and adopting the national green finance taxonomy to reduce financial risks through enhanced management of the environmental and social performance of our funded business partners.

GHG emissions comparison of IDC and its subsidiaries



We are well placed in the just energy transition through our funding of the renewable energy sector, energy efficiency, industrial infrastructure improvements, battery storage and transport, as well as our focus on economic transformation and empowerment. We are also a leader in the hydrogen economy that will be a pillar of the low-carbon economy.

Offices

Although our in-house operational emissions for the review year increased to 4 429 tCO₂e from 4 035 tCO₂e in 2020/21, they remain lower than the 2014 baseline of 6 220 tCO₂e and the 2019/20 pre-Covid level of 5 134 tCO₂e. The increase is attributed to the need for greater office ventilation due to the number of employees returning from the work-at-home response to Covid-19. This trend is noted by most subsidiaries, again due to increased business activity. A detailed analysis of the Group carbon footprint is presented in the IDC online report.

IDC office emissions over four years to 31 March 2022					
	Verified	Verified	Unverified	Verified	Unverified
Base Year	2014	2018/19	2019/20	2020/21	2021/22
	Baseline	Update	Update	Update	Update
Scope 1 (tCO₂eq)					
Fleet cars	68	89	82	30	46
Generator fuel	9	17	29	40	<1
Aircon gas (R22)	98	65	76	37	52
Aircon gas (R407)	–	–	–	2	11
Aircon gas (R404)	–	–	–	12	28
Jet fuel	(230)	–	–	–	–
Refrigeration gas (R134)	2	1.00	92	–	3
Refrigerant (410) *	–	8	12	3	60
Subtotal scope 1	177	172	292	124	199
Scope 2 (tCO₂eq)					
Electricity	6 043	4 852	4 842	3 911	4 230
Scope 3 (tCO₂eq)					
Newspapers	5	5	5	5	4
Stationery	20	7	7	3	4
Mixed waste	13	251	346	13	21*
Car rentals	35	19	<1	6	<1
Business air travel	2 343	1 301	358	23	123*
Staff commute	1 280	1 774	751	290	–
Business mileage claim	174	94	77	12	–
Water	55	39	40	40	25
Subtotal scope 3	3 804	3 491	1 584	392	177
Subtotal (scope 1 and 2)	6 220	5 025	5 134	4 035	4 429
Total IDC (scope 1, 2 and 3)	10 024	8 515	6 718	4 428	4 606
Emis int (IDC scope 1,2 and 3)	12.11	11.00	8.0	5.47	5.42
Emis int (IDC scope 1 and 2)	7.51	6.46	6.13	4.99	5.21
Emis per m² (IDC only)	0.28	0.2	0.2	0.11	0.12

* Data provided by contractors

** Provided by travel agent and is inclusive of car rentals

Legacy rehabilitation projects

African Chrome

During the year, R4.6 million was spent on care and maintenance at African Chrome in Brits. As part of the second phase of rehabilitation, Cliffe Dekker Hofmeyr was commissioned to give a legal opinion on whether the site should be registered as contaminated land. The second phase also includes a hydrological study to recalibrate the groundwater flow and mass transport model, based on historical data, and redesign the boreholes well field.

The current care, maintenance and technical advice service providers will be reviewed.

Samancor/Columbus

The joint venture spent more than R8 million in the review year on relocating hazardous materials to landfill, with almost 1.7 million tons still to be removed. This figure is surveyed monthly and fluctuates as much material is compacted below ground and unearthed only during excavations. A further R36.6 million has been budgeted for the project and talks to fast track the process are underway with Samancor, the remaining joint venture partner.

Occupational health and safety

Employees and visitors to the IDC are assured of an environment free of health risks through our health and safety programme.

The Occupational Health and Safety Policy and allied systems and procedures, including Covid-19 health and safety guidelines, promote high standards of care and protection of people and property.

During the state of disaster, risks were managed by the crisis management team in compliance with Occupational Health and Safety Act, 1993, the Occupational Injuries and Diseases Act and Regulations and directions for managing Covid-19 issued under the Disaster Management Act, 2002.

IDC Covid-19 statistics are reported on page 86.

No work-related disabling injuries were recorded during the review year. Six minor incidents required first aid and medical attention was needed only once.

Combined assurance

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

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

First line of defence

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

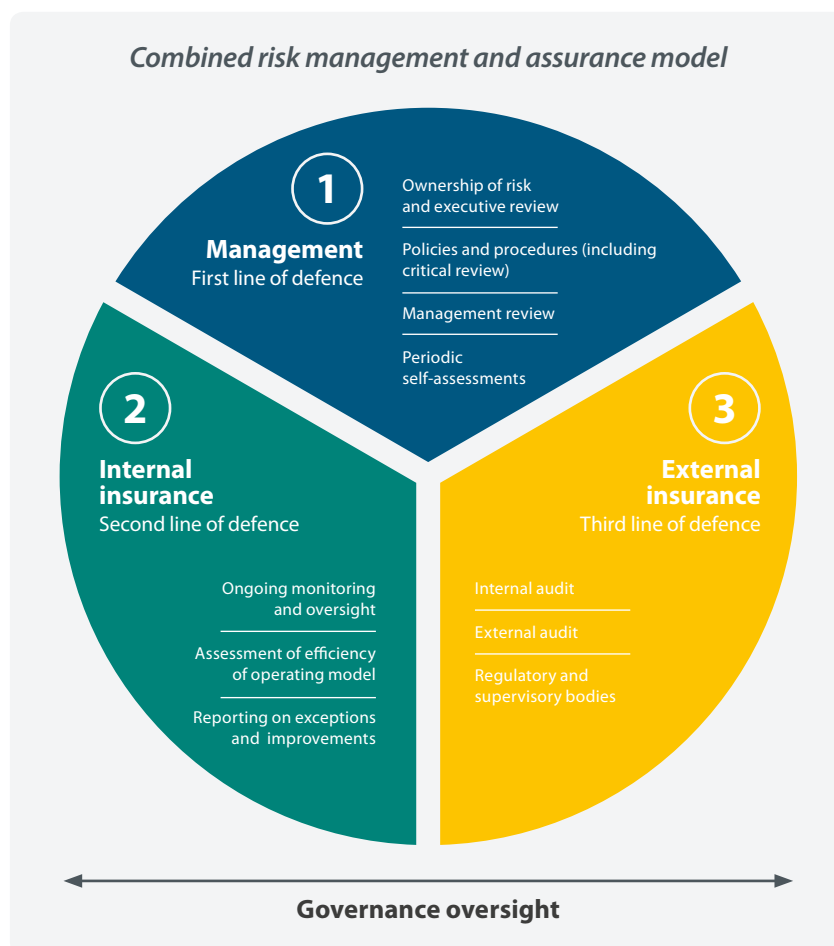
Each strategic business unit or department is expected to maintain and review its operational risk register annually, so that material common

operational risks are detailed on the strategic risk register.

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

Second line of defence

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



Third line of defence

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

Governance oversight

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

Combined Assurance Forum

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

Focuses

A combined assurance report on the adequacy and effectiveness of controls over the key strategic risks was presented to the Board Audit Committee in February 2022. The committee approved a revised combined assurance plan, which was updated to align and link the various assurance providers' planned activities for 2022/23 to the revised 12 key strategic risks detailed in the strategic risk register in September 2021 (pages 41-43).

The dashboard will lead to a 2022/23 combined assurance report for discussion at the Board Audit Committee and noting by the Board Risk and Sustainability Committee.

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

As required by the approved 2022/23 combined assurance plan, the forum will present a consolidated report on the outcomes of assurance activities to executive management and committees during the 2022/23 financial year to assist management in its oversight.

The three assurance providers will continue to assure the emerging risks identified and highlighted in the operational risk registers and strategic risk register. The forum will consider the following as part of its assurance activities in the 2022/23 financial year:

- Economic activity, while mostly subdued compared to pre-Covid-19 levels, began to regain momentum in many economies as the impact of the virus declined as a result of vaccinations and natural immunity. It will consider how the IDC has assisted its business partners in the prevailing economic and sociopolitical climate.
- IT cybersecurity remains a priority risk to be managed in the post-pandemic hybrid working environment, with its significant flow of data and critical information through electronic media. The forum will continue to review controls to ensure data protection and integrity.
- The health and wellness of employees are paramount and will be monitored by the forum to provide assurance over controls and mechanisms to mitigate people-related risk.

Risk management – second line of defence

Managing risk is vital to maximising development impact through sustainable development and economic inclusion. Risk is inherent in IDC strategy, processes and operations, thus the Board has adopted an enterprise-wide risk management framework. The risk universe is managed through a risk lifecycle, which includes risk identification, risk assessments and measurement, risk treatment and monitoring through key indicators and combined assurance. The diagram on page 100 depicts the high-level approach to enterprise risk management. Strategic and operational risks are captured and monitored on an integrated governance, risk management, compliance and audit software solution. The system is also used by the Compliance Department and Internal Audit Department for greater alignment.

Managing strategic risks

The Enterprise Risk Management Department employs different methodologies to identify and analyse strategic risks exposures and their potential impact on the achievement of strategic objectives. Methodologies range from one-on-one interviews to distribution of surveys to workshops with the Board, management and employees. During 2021/22, the department facilitated the review of key strategic risks, which reduced the number from 19 to 12. These were approved by Exco and the BRSC. The key strategic risks are on page 41 to 43.

Operational risk management

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

Operational risk is managed through:

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



Business continuity management

Through business continuity management programmes, the IDC responds effectively to disruptive events that may affect the ability to continue to provide services. Management of programmes is guided by the Business Continuity Management Policy and Disaster Management Plan, which are aligned to good practice. The function safeguards the interests of the IDC by ensuring that it continues to deliver key products and services at an acceptable level following a severe disruption or incident by:

- Delivery of business continuity management plans organisation wide.
- Prioritising crucial business processes and implementing agreed recovery strategies to minimise the effect of business disruptions.

- Collaborating with internal departments, units and/or external stakeholders.
- Annual testing and validation of business continuity plans to ensure they are fit-for-purpose and increase the Corporation's recovery capability.

Business continuity and Covid-19

In response to Covid-19 and its waves of infection in 2021/22, the IDC's crisis management team continued with its strategy to curb the spread of the disease in the workplace, safeguard health and safety of staff and stakeholders, and ensure that business operations continue to operate optimally. The team maintained measures such as workplace health and safety protocols, and the Covid-19 risk matrix to monitor the risk of infection and manage return to work

using thresholds and staff rosters. Staff were encouraged to vaccinate against Covid-19 during the year to reduce the transmission risk. At the end of the period, 75% of employees had been vaccinated, surpassing the set Corporation-wide target of 75%.

Oversight

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

Credit risk management

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

- A multidisciplinary due-diligence team with financial, marketing and technical skills and operational support resources that include the legal, environmental, health and safety, fixed asset valuations and credit risk management departments.
- An independent credit and investment risk assessment by the Credit Risk Management Department.
- Credit approval committees that include the executive management team, senior managers, external members and independent non-executive directors of the Board Investment Committee.
- The Client Support and Growth Division, which manages the portfolio after the first disbursement until final settlement. A dedicated and experienced team that focuses on large equity investments is assigned to monitor and manage IDC subsidiaries and significant investments.

- A business advisory and turnaround team provides specialist insight on strategic actions to turn around and restructure businesses in distress.

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

Asset quality

The overall impact of Covid-19 was reflected in increased portfolio migration to higher potential default stages. A concerted effort to assist clients to restructure their facilities through interest and capital moratoriums as well as extension of repayment periods has improved the outlook of the portfolio. In July 2021, we rapidly reallocated funding to those affected by the riots. The Post-unrest Business Recovery Fund was established, supported by a streamlined credit-granting process. The Credit Risk Department assesses funding proposals, ensuring adherence to sound investment credit and debt recovery principles.

Impairments

During the year, clients had to deal with poor macro-economic conditions and Covid-19. Many were still grappling with these when the riots broke out, followed by conflict between Russia and Ukraine, which has increased the cost of doing business for most enterprises. These conditions prompted us to increase our appetite for distressed businesses that ordinarily may not have been our target market.

Despite the tough macro-economic challenges and instability created by Covid-19 and the unrest, impairments were contained as a result of targeted strategic interventions introduced in 2020/21 and increased accountability at all levels, including quarterly reporting to management structures and to the BRSC.

The overall level of impairments including solely payments of principal and interest provision for impairments (R22.2 billion) and impairments for equity valued below cost (R11.1 billion) decreased from R34.0 billion in 2020/21 to R33.2 billion in 2021/22. The overall impairment ratio decreased to 36.1%. The impairment charge in 2021/22 increased from R1.1 billion to R4.3 billion, due mainly to targeted write-offs from the clean-and-fix portfolio strategy.

Non-performing loans

The value of non-performing loans decreased from R18.8 billion in 2020/21 to R12.8 billion in 2021/22, with a similar downward trend noted in total arrears. The non-performing loan ratio is trending in the right direction, from 40% in 2020/21 to 31% in 2021/22, but still remains much higher than the internal risk appetite level of 15%. The two biggest non-performing loan exposures account for 50% of the total. These two clients are continuously monitored and managed while permanent, structured solutions are sought.

Future focuses

Focus is on managing asset quality to protect the IDC's balance sheet and ensure financial sustainability. This will act as an enabler for the competitive borrowing of funds will enable the Corporation to further entrench its developmental impact. The prevailing risk appetite levels were reviewed and will be monitored to ensure alignment with strategic objectives.

Liquidity risk management

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

The IDC uses liquidity coverage ratios to test liquidity stress. These weigh potential liquidity outflow exposures under stressed scenarios (net stressed outflows) against the available counterbalancing capacity (available high-quality liquid assets). The stress scenarios are aligned with the Corporation's risk profile and take into account currency convertibility and the ability to raise funding, including foreign currency funding, to meet simulated maturing liabilities.

Early-warning indicator methodology

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

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

Contingency Funding Plan

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

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

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

Liquidity crisis simulation workshops are organised at least annually and are supported by independent external facilitators. Identified shortcomings are addressed and improvements incorporated into the Contingency Funding Plan.

Key focuses

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

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

assurance about their operation.

These models are important to the Corporation as they are employed in risk pricing, financial reporting and forecasting processes. The findings of the validations are attended to by the model owners within agreed timelines.

Compliance – second line of defence

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

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

Key focuses and new regulatory developments

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

King IV requires the governing body committee to ensure implementation

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

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

The Financial Intelligence Centre Act 38 of 2001, as amended (FICA) sets out a regulatory framework for South Africa's anti-money laundering and counter financing of terrorism programmes and positions the Financial Intelligence Centre as the supervisory body overseeing compliance with the framework. FICA's core is built around delivering domestic compliance with the Financial Action Task Force's 40 recommendations – considered the global standard. South Africa is a member of the task force, thus must implement its policies and procedures. FICA complements the Prevention of Organised Crime Act, the Protection of Constitutional Democracy against Terrorism-related Activities Act and the Prevention and Combating of Corrupt Activities Act. It gives the Financial Intelligence Centre authority over accountable institutions in South Africa.

The IDC provided significant financial support to businesses affected by Covid-19 from 2020 and the civil unrest in KwaZulu-Natal and Gauteng in July 2021. These applications for funding resulted in an enormous increase in the number of FICA files to be processed by the Compliance and Regulatory

Affairs Department. During the screening of clients, the department uses tools that assist with the detection of potential money laundering and terrorist financing risks. Any irregularities detected will trigger the invocation of an enhanced client due diligence.

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

Protection of Personal Information Act 4 of 2013

This took effect on 1 July 2020 and enforcement began on 1 July 2021. The Compliance and Regulatory Affairs Department conducted a privacy impact assessment on the IDC and its subsidiaries to assess readiness to comply with the Act.

The Act aims to:

- Promote the protection of personal information processed by public and private bodies.
- Introduce eight minimum requirements for the processing of personal information.
- Provide for the establishment of an information regulator to perform certain duties and functions in the Act.
- Provide for the issuing of codes of conduct.

To familiarise staff and executive management with the requirements of the Act, the department, together with the Learning and Development and Records Management departments, conducted virtual and online training sessions. Training was also extended to subsidiaries.

The Records Department is the custodian of the Act and responsible for

the formulation of associated policies. The Compliance and Regulatory Affairs Department played a role in the review of the privacy statements and disclaimers to ensure adherence to the requirements of the Act. Subsidiaries requiring assistance were guided in developing their own policy in line with the Corporation's policy.

Public Finance Management Act 1 of 1999

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

The Compliance and Regulatory Affairs and the Procurement departments have launched a compliance support project to support affected subsidiaries to improve their compliance with the Preferential Procurement Policy Framework Act (PPPPFA) and regulations.

Training sessions were provided, including a tool pack to assist with systems and procedures and other National Treasury prescripts. On request, the Corporation also helps subsidiaries to align their tender processes to the PPPFA.

Disaster Management Act 57 of 2002

This Act, in conjunction with the Disaster Management Tax Relief Act, the Disaster Management Tax Admin Act and the Children's Act 38 of 2005 was observed with Covid-19 directions in terms of Regulation 10(1) (A) under Section 27(2) of the Disaster Management Act: Measures to address, prevent and combat the spread of coronavirus in the workplace.

Comprehensive monitoring was conducted and a report containing the outcomes of the review was presented

to Exco and BRSC for approval in June 2021 and July 2021 respectively. The organisation was found to be compliant with the requirements of the Disaster Management Act and the regulations.

In line with the IDC Disaster Management Plan, a crisis management team including the Compliance and Regulatory Affairs Department was set up to ensure that business was conducted seamlessly during the national state of disaster. The team ensured that business complied fully with statutory requirements and regulations, professional standards, acceptable business practices and internal standards.

Internal audit – third line of defence

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

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

Key focuses

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

The IDC maintains financial and operational systems of internal controls to provide reliable financial and performance information, reasonable assurance that transactions are concluded according to laws, regulations and the delegation matrix as approved by the Board, and that assets are protected adequately against material loss and recorded fully and correctly.

The control environment architecture was adequate to manage most identified operational risks effectively.

Management remains committed to enhancing the control environment where weaknesses were identified by internal audit. The reviewed and enhanced client account management approval system went live during the review financial year to address gaps identified by the post-approval changes audit.

In the aftermath of Covid-19, various initiatives and funds were instituted. The Internal Audit Department conducted various reviews of the controls for the Covid-19 personal protective equipment emergency procurement process and the essential supplies fund. The sanitisation/fogging contract was also reviewed. To remain agile and responsive to rapidly changing business needs, the IDC established the Post-unrest Business Recovery Fund, an emergency response to the destruction of the July 2021 riots. This fund also formed part of the focal area of internal internal audit activities in the year under review.

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

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

During the year, the Financial Crime Risk Management and Protected Disclosure Policy was also revised in and approved

by the Board Audit Committee. Training sessions were conducted on the updated policy, which included responsibilities and consequences of committing financial crime.

The Internal Audit Department provided financial crime awareness to IDC employees, with 327 employees attending virtual training. A session on ethics, including what constitutes corrupt practices, was presented to the IDC executives and heads.

The department continued with on-boarding training to new staff members on fraud-related matters, including where to report incidents of fraud and corruption; making them aware of the Tip-Offs Anonymous line; and topical issues relating to financial crime.

Twelve cases were reported for investigation in the review year (2020/21: 17), five of which involved internal matters and seven external business partners.

Future focuses

Focus areas for the year ahead include:

- Review of revised processes implemented by the Client Support and Growth Division, such as value creation plans and capability advisory services in line with the revised target operating model.
- Assessment of the effectiveness of

processes and the readiness of the IDC to deal with the impact of natural and other disasters that may impact the IDC's business partners as well as the IDC directly.

- Review of various initiatives identified by management as improving the effectiveness of risk management, controls and governance processes, and ensuring the achievement of long-term strategy.
- Assessment of the adequacy of processes to identify and report on material risks and growth opportunities of ESG matters, as this also affects subsidiaries and business partners.
- A pre-implementation review of the IDC optimisation and digitalisation project to automate deal development and portfolio management processes.
- Through awareness programmes, provide trend analyses on previous years' forensic and operational reports and identify themes and lessons learnt to be shared with IDC staff to enhance their effectiveness in continuous and proactive management of risks in their areas and to the IDC.

Internal audit, in an independent and advisory capacity, will continue to review and provide input on systems and procedures flowing from the organisational realignment to mitigate emerging risks.

Board committee reports

Board Audit Committee

Committee terms of reference

The Board Audit Committee (BAC) is a statutory committee constituted in terms of the Public Finance Management Act, as amended, and the Companies Act, 71 of 2008, as amended. The committee functions within an approved terms of reference and complies with legislation, regulations and governance codes. It assists the Board in discharging its integrated reporting and combined assurance duties and oversees financial matters and external audit with the office of the Chief Financial Officer, internal audit and risk management.

Composition and attendance

The committee consists of five members, three non-executive directors and two co-opted members. In addition, the Chief Executive Officer, Chief Financial Officer, internal audit, external auditors and a representative from the Auditor-General's office are permanent invitees to committee meetings.

BAC quarterly meetings are aligned with the key reporting and regulatory timelines. During the period under review, the committee had five meetings and one special meeting.

BAC's key activities and outcomes during 2021/22 included:

- Assessing the skills, independence and performance of the external auditors, and monitoring the effectiveness of audit plan execution and reporting.
- Approving the audit planning memorandum for the financial year ended 31 March 2022.
- Consulting and agreeing with executive management on the engagement letter, terms, audit plan, scope of work and audit fees for the year.
- Overseeing internal audit in the implementation of audits in the risk-based audit plan to evaluate the efficacy of risk management and internal controls.
- Monitoring the identification of weaknesses and breakdowns of systems and internal controls by internal audit, and assessing key management actions and implementation plans to address adverse audit findings.
- Assessing the independence and effectiveness of the internal audit function.
- Receiving and considering reports from internal auditors.
- Considering the conclusions of external assurance.
- Reviewing the audited annual financial

statements included in this integrated report and discussing them with the external auditors, the CEO and the Chief Financial Officer.

- Reviewing the external auditors' report and management's responses.
- Reviewing any significant adjustments based on external audit queries and accepting unadjusted audit differences.
- Reviewing significant judgments and estimates in the annual financial statements.
- Assessing the consistency of information disclosed in the integrated report with the annual financial statements and information contained in operational reports.
- Assessing the reliability and consistency of the sustainability information, in all material respects, against the financial results.
- Assessing the Corporation's finance function to ensure that it has appropriate financial reporting procedures and that they are operating effectively.
- Reviewing the appropriateness of the expertise and experience of the Chief Financial Officer and the financial management team.
- Regularly evaluating the appropriateness, adequacy and efficacy of accounting policies and procedures.
- Monitoring the adequacy and reliability of management information and efficacy of management information systems.
- Reviewing legal and compliance matters that have a potentially significant impact on the financial statements.
- Assessing the combined assurance model to ensure that it addresses all significant risks.

Members	Number of meetings: 6
NP Mnexasana (Chairperson)	6/6
RM Godsell	5/6
Dr SM Magwentshu-Rensburg	5/6
BP Mathidi*	6/6
R Pitot*	6/6

* Co-opted member of the committee

- Monitoring the effectiveness of internal controls and compliance with the enterprise-wide risk management framework to ensure the reliability of financial records for preparing the consolidated annual financial statements.
- Reviewing and monitoring the appropriateness of all key financial performance indicators to ensure that decision-making capabilities are maintained at high levels.
- Reporting to the Board on the effectiveness of the Corporation's internal reporting controls.
- Reviewing management reports on the adequacy, efficacy and efficiency of credit monitoring, related impairments and impairment provisions needed for it to discharge its obligations satisfactorily.
- Reviewing the debt listing requirement policy document and recommending it for approval by the Board.
- Considering and supporting the 2022/23 to 2024/25 corporate plan and the Corporation's budget and borrowing mandate for the period ending 31 March 2022.

Going concern

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

Conclusion

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

- The internal controls of the Group were effective. Where areas for improvement have been identified, they are being addressed by management.
- These controls ensured that the Group's assets had been safeguarded.
- Proper accounting records had been maintained.
- Resources had been used efficiently.
- The skills, independence, audit plan, reporting and performance of the external auditors were acceptable.

We believe that the financial statements for the year ended 31 March 2022 comply with the PFMA, 1 of 1999 (as amended) and IFRS and fairly present the results of the operations, cash flow and financial position of the Corporation.

We complied with all King IV principles, including those for integrated reporting, as evidenced by this issue of the Corporation's integrated report for the financial year ended March 2022. The committee is satisfied that it has complied in all material respects with its legal, regulatory and other responsibilities.

BAC recommended this integrated report to the Board for approval.



NP Mnxasana

Board Audit Committee Chairperson
30 August 2022

Board Investment Committee

Committee terms of reference

The Board Investment Committee (BIC) is an equity and credit-granting committee with delegated authority to consider transactions where the IDC's cumulative exposure to a business partner is between R300 million and R1.5 billion and group counterparty exposure is between R500 million and R5 billion. Transactions exceeding these limits are submitted to the Board for approval.

The committee also reviews transactions where the transaction or counterparty limits and sector or regional limits have been breached and strategic transactions for recommendation to the Board.

Composition and attendance

The committee consists of six members, all non-executive directors, including the Board Chairperson. Executives and the CEO are permanently invited

to attend committee meetings and other persons may be invited at the committee's discretion.

The committee held 24 meetings during the reporting period. The significant increase in the number of meetings was due to the augmentation of the committee's mandate, in line with the revised IDC delegation matrix. The meetings comprised the 12 scheduled meetings and 12 additional meetings to address challenges created by the Covid-19 pandemic and its economic impact on businesses.

The committee approved 17 transactions with a gross value of R4.97 billion, including guarantees and amendments to existing facilities. In line with the IDC's mandate of increasing industrial development, most funding was for start-ups and expansions. Transactions of R907 million were approved for SMEs and R1.934 million for black industrialist initiatives, which together will create 5 165 jobs.

Committee members and meeting attendance are as follows:

- Unpacked the IDC's collection process for the year ended 31 March 2022.
- Reviewed the performance of the collateral management project set up to address issues identified during the previous year's audit.
- Considered and provided inputs on the status of the portfolio transformation project.
- Reviewed and commented on a report on the steel portfolio across the value chains, immediate tactical approach to its challenges and the Corporation's steel portfolio.
- Reviewed the balanced approach to development and financial sustainability that the IDC seeks to drive through a pipeline of new investment opportunities.
- Commented on the impact of the current economic environment on the IDC's mandate of job creation, noting the increase in unemployment across the country.
- Reviewed and commented on revisions to the IDC's delegation matrix, which guides the Corporation's operations.
- Received regular updates on deal pipeline management compared to liquidity.

Members	Number of meetings: 24
Dr SM Magwentshu-Rensburg (Chairperson)	23/24
BA Mabuza	23/24
NP Mnexasana	18/24
PM Mthethwa	22/24
Adv ND Orleyn	14/24
Dr NE Zalk	23/24

* Co-opted member of the committee

Activities and focuses

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

- Reviewed and provided guidance on the credit dashboard, the IDC portfolio and the top 20 non-performing loans.
- Provided input into the IDC's strategic response to the risk to the Corporation's long-term financial sustainability, exacerbated by the Covid-19 pandemic, the economic lockdown and volatility of listed equities.

Conclusion

BIC is satisfied that it fulfilled its responsibilities against its terms of reference for the reporting period.

Dr SM Magwentshu-Rensburg
Board Investment Committee
Chairperson
30 August 2022

Board Risk and Sustainability Committee

Committee terms of reference

The Board Risk and Sustainability Committee (BRSC) provides risk governance and independent oversight for the Corporation on delegation from the Board. BRSC assists the Board in carrying out its risk responsibilities to ensure that the Corporation has implemented effective policies and plans for risk management that will enhance its ability to achieve strategic objectives and that the disclosure on risk is comprehensive, timely and relevant. The committee oversees the development of the Corporation's risk appetite framework and ensures that its risk profile is within risk appetite parameters. Additional responsibilities include oversight of the quality of the book, oversight of compliance with

risk policies, and ensuring that the risk profile is acceptable and the capital adequacy ratio is satisfactory.

The committee is also responsible for policies and appetite levels on ESG matters and tables these before the Board for final approval.

Composition and attendance

The committee comprises five non-executive directors, including the BAC Chairperson. The CEO and Chief Risk Officer are permanent invitees to meetings. Other Board members, executives or IDC employees may be invited to attend and contribute to meetings. During the year under review, the committee held eight meetings.

The BRSC members and attendance in 2021/22 were as follows:

Members	Number of meetings: 8
LI Bethlehem (Chairperson)	8/8
BA Dames	8/8
A Kriel	8/8
PM Mthethwa	7/8
NP Mnexasana	6/8

During the year, BRSC:

- Considered strategic risks and their impact on the achievement of the Corporation's strategic goals, and assessed the adequacy of strategies and action plans to mitigate identified risks and of combined assurance.
- Reviewed and commented on a report on the steel portfolio across the value chain and the immediate tactical approach to its challenges and the Corporation's steel portfolio.
- Approved revisions to the funding guidelines to address the deterioration in the quality of the book over time
- Reviewed the status and adequacy of the Corporation's information technology.
- Supported the IDC's continued involvement in the media/content production sectors, established its approach to investments in content production and informed the strategy on investments in this subsector.
- Considered and provided input to the green hydrogen strategic initiative.
- Reviewed the effectiveness of the IDC's transformation funding.
- Reviewed the Africa portfolio and regional limits in line with the IDC-approved approach to investments on the continent.
- Approved the Contingency Funding Plan.
- Approved amendments to the risk appetite framework.

- Approved amendments to the Corporation's anti-money-laundering and sanctions policy framework, comprising the Anti-money-laundering and Sanctions Policy, the Risk Management and Compliance Programme Policy and the Prominent Influential Persons Policy in line with the promulgated changes to Johannesburg Stock Exchange rules.
- Noted the IDC's work on pricing and rating tools and methodologies deployed in the Corporation's risk management framework.
- Considered updates on progress made in the IDC inter-bank lending rate transition project.
- Considered an asset management diversification strategy to manage volatility and concentration risk, especially for cash management and the IDC's share portfolio.
- Oversaw progress in resolving non-performing loans and investments.

Future focus

The Board remains concerned about the Corporation's financial sustainability and about finding a balance between risk taking and risk compensation that aligns with the mandate of the Corporation. The identified key risk indicators will be monitored quarterly as indicated in the 2022/23 annual plan. Key focuses will be enhancing sustainability and reporting frameworks and improving alignment with stakeholder expectations and demands.

Conclusion

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

LI Bethlehem

Board Risk and Sustainability Committee Chairperson
30 August 2022

Board Social and Ethics Committee

Committee terms of reference

The Board Social and Ethics Committee (BSEC) is a statutory committee constituted in terms of Section 72 of the Companies Act, read together with Regulation 43. It assists the Board in its duties for oversight of organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships and the management of significant reputational risks to the organisation.

Composition and attendance

The committee has four members, all non-executive directors. The Chief Executive Officer, Chief Operations Officer, Chief Risk Officer, Divisional Executive: Strategy and Corporate Affairs and General Counsel are permanent invitees to meetings. Other executives and senior management are invited when required.

During the review period, the committee had four quarterly meetings and one special meeting. The members and their attendance are as follows:

Members	Number of meetings: 5
Adv ND Orleyn (Chairperson)	5/5
A Kriel	4/5
PM Mthethwa	5/5
Dr NE Zalk	5/5

Activities and focuses

During the year, BSEC oversaw initiatives to intensify an ethical culture, protect the IDC's reputation, and monitor the Corporation's standing as a good corporate citizen and its stakeholder relations. BSEC's key activities and outcomes for the year under review included:

Ethical culture

- Received reports on forensic investigations, noting a drop in the number of incidents from 13 in the previous period to nine.
- Noted that while employees continue to report matters promptly, the number of employee misconduct cases was concerning, as it rose to five against the previous year's three.
- Advised management to collaborate with law enforcement to secure convictions in criminal cases and mitigate the significant delays in

concluding cases.

- Reviewed revisions to the IDC Code of Ethics and the Conflict of Interest Policy and recommended them to the Board for approval.

Reputational risk management

- Approved the list of IDC-funded business partners for publishing on the Corporation's website. The list details domestic prominent influential persons and foreign prominent public officials associated with each transaction subject to compliance with the requirements of the Protection of Personal Information Act (POPI Act).
- Approved reputational risk mitigants for 14 transactions that may have reputational risks for the IDC.
- Advised on transacting with former employees to mitigate the risk of undue influence.

Broad-based black economic empowerment

- Received a report on the audited B-BBEE score for 2020/21 and noted that the IDC had been rated a B-BBEE level 2 contributor, which is a level lower than in the previous year.
- Noted and supported new strategies for continuous improvement to ensure certainty, consistency and sustainability of the organisation's B-BBEE rating and compliance in the future.
- Provided guidance on closely tracking implementation progress against strategy and demonstrating the transformative impact delivered through B-BBEE activities.

Social development

- Received a report on corporate social investment activities for the review period.
- Noted that the IDC supported 43 initiatives reaching more than 50 000 people. The key focus areas were education and skills development, entrepreneurship development and a special initiative to provide humanitarian assistance in KwaZulu-Natal and Gauteng following the civil unrest in July 2021.
- Noted and supported the IDC's role in the implementation of the SEF to support social employment in communities, as a contribution to the Presidential Employment Stimulus.
- Noted that the SEF had been given about R800 million and was expected to create 50 000 part-time employment opportunities in the social and solidarity economy.

Sustainable development

- Approved a report on 2021/22 carbon footprint data for the IDC and subsidiaries for inclusion in the integrated report, and for voluntary disclosure to the Carbon Disclosure Project global public reporting platform.

- Supported the IDC's participation in the development of a green hydrogen economy in South Africa.
- Highlighted the need for the deployment of capital into renewable energy projects such as solar and wind projects that could deepen the localisation of component manufacturing.
- Emphasised the need for the organisation to balance its support to the fossil fuel industry with proactive decarbonisation of its investments to ensure environmental and financial sustainability.
- Recommended the development of a strategic execution plan to allow the organisation to play a proactive role in driving the country's just transition towards building low-carbon and cost-effective industrial capacity while ensuring the security of livelihoods of workers and their communities through skills development.

Employee relations

- Considered a report highlighting key amendments to the Employee Relations Policy, and the approach to managing grievances and misconduct.

- Noted a decline in the number of staff grievances, from nine cases in 2020/21 to two. Misconduct cases dropped from nine to five cases.
- Emphasised a zero-tolerance approach to workplace bullying and harassment, and recommended an organisation-wide training initiative.
- Noted and supported a holistic approach to employee wellness and mental health awareness.

Stakeholder relationship management

- Received progress reports on client experience management and stakeholder engagement activities in line with the stakeholder engagement plan.
- Noted a sustained improving trend in the resolution of commonly cited complaints on product pricing, bureaucracy, rigid systems, processes and communication.
- Noted and supported initiatives to optimise complaints management and improve the end-to-end deal development process through digital solutions that support continuous gathering of data and insights.

- Guided the creation of a definitive customer value proposition for the organisation and its effective communication.

Compliance

- Noted no material areas of non-compliance with legislation and regulations nor non-adherence to codes of best practice relevant to the committee's mandate.

Conclusion

BSEC is satisfied that it fulfilled its responsibilities against its terms of reference for the reporting period.

Adv ND Orleyn

Social and Ethics Committee
Chairperson
30 August 2022

Board Human Capital and Nominations Committee

Committee terms of reference

The Board Human Capital and Nominations Committee supports the Board by ensuring alignment between the IDC's business and people strategies. Its activities during the year included:

- Reviewing performance against targets in the 2021/22 and 2022/23 corporate plans.
- Reviewing the performance of the CEO and executives, ensuring alignment of their performance contracts with the short-and long-term goals and strategies of the Corporation.
- Providing guidance to leadership on remuneration policies, including benchmarking trends and best practices.
- Exercising oversight on human capital matters ensuring the Corporation adopts a robust and people-focused strategy.
- Ensuring appropriate leadership capability and capacity including that a plan exists to continuously develop current leaders. The objective is to ensure that there are potential successors that are ready to assume leadership and other critical roles Corporation when they arise for continuity and stability.
- Guiding and advising leadership on human capital policies while ensuring that IDC policies enable the attraction, development, motivation, and retention of talent.

In the year under review, the committee comprised five non-executive directors, including the Board Chairperson as its member. The CEO and Divisional Executive for Human Capital are permanent invitees to committee meetings. It held four scheduled and three unscheduled meetings during the reporting period.

Composition and attendance

Members	Number of meetings: 7
BA Dames (Chairperson)	7/7
RM Godsell	7/7
BA Mabuza	7/7
A Kriel	7/7
Adv ND Orleyn	6/7

Activities and focuses in scheduled meetings

The committee approved the corporate plan to ensure that the IDC:

- Maintains its business activity in line with its developmental mandate.
- Preserves its balance sheet by managing and directing cash flow.
- Provides certainty on its operations.
- Assists government in its response to the impact of the pandemic on the economy and contribute to facilitating economic as well as industrial recovery.

The committee continuously reviewed the IDC's crisis management plans ensuring that the Hybrid Working Model (HWM) adopted in the wake of the Covid-19 pandemic had little impact on business activity and performance. Accordingly, the committee was satisfied that employees' health and wellness were appropriately managed during this period.

It also reviewed the talent and succession plans, particularly for the CEO, the executive, heads of departments and other critical roles. The Divisional Executive: Manufacturing and Divisional Executive: Industry Planning and Project Development positions were filled during the reporting period. The committee also reviewed the executive employment model and decided to retain the current executive contracting period of five years.

In addition, the committee considered and approved the employee recognition framework to provide for the acknowledgment of going the extra mile. To ensure a collaborative, conducive and inclusive work environment, the committee provided input to plans to transform the Corporation's culture. It also reviewed the employment equity plan which has since been submitted to the Department of Employment and Labour. This plan prioritizes the appointment, development, and promotion of women into senior management and leadership roles and seeks to increase the number of employees with disabilities in the Corporation.

Most importantly, improvements were noted in employee relations, particularly between management and the Public Servants' Association, and in the training of line managers enabling them to effectively manage discipline, poor performance, and staff grievances. In line with the Board's mandate to ensure good governance, the committee also considered, recommended, and endorsed the appointment of directors to the boards of key subsidiaries and investee companies. It also approved the Directors' Nomination Policy and nominated non-executive directors to the boards of Kumba, Exxaro, the National Empowerment Fund and Sedibelo.

Future focus

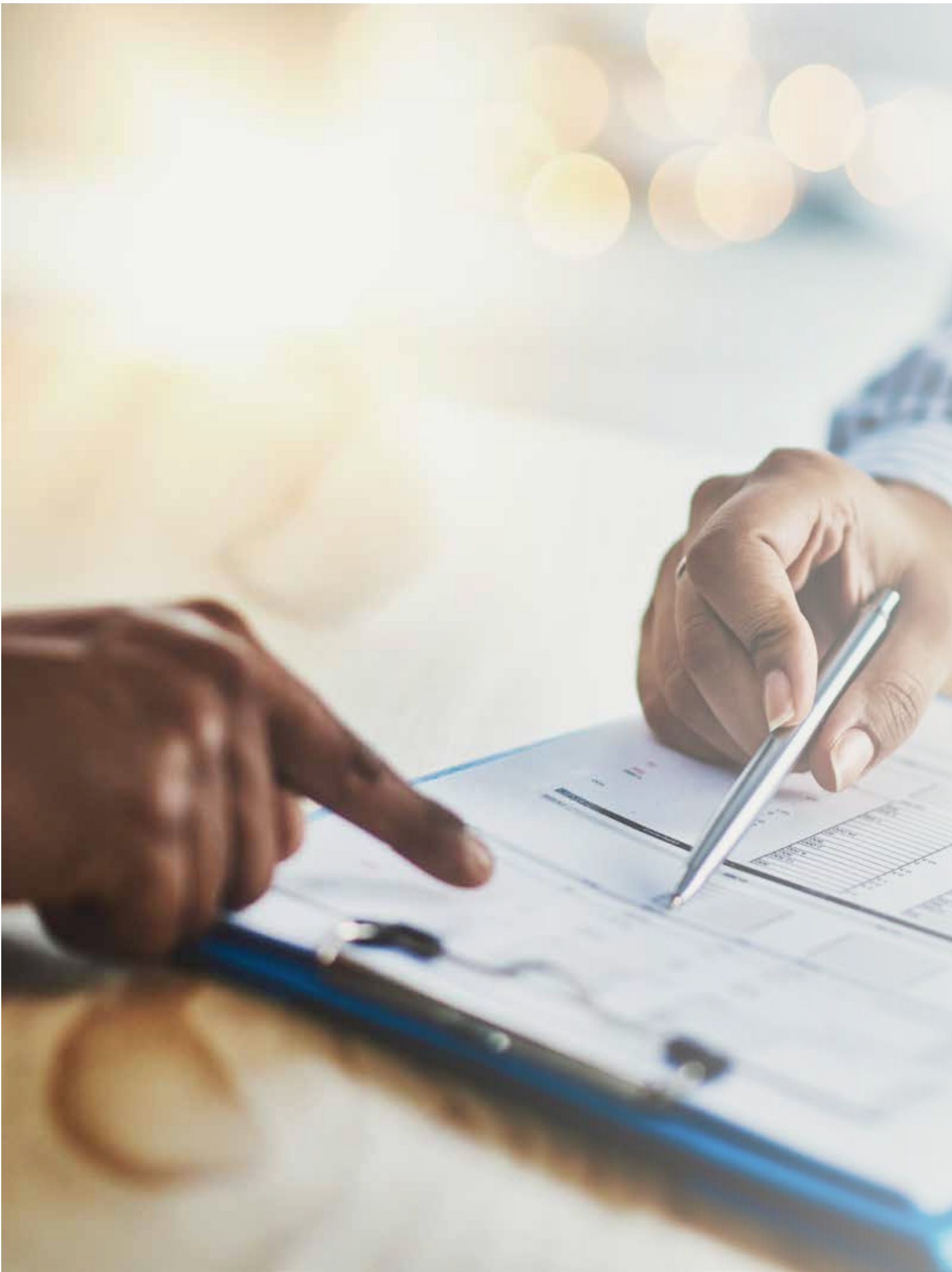
A comprehensive review and implementation of the performance management policy, practice and process will continue. Training, development, and exposure of key talent are also a priority. The Corporation will also review its employee value proposition to ensure that the IDC remains a great place to work, grow, and thrive.

Conclusion

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

BA Dames

Board Human Capital and Nominations
Committee Chairperson
30 August 2022



Chief Financial Officer's report

The IDC is ready to play the crucial countercyclical role it is mandated to play in tougher economic conditions and during times of economic uncertainty.

ISAAC MALEVU
CHIEF FINANCIAL OFFICER



Keen focus will be maintained on balancing resources

The IDC's performance in 2021/22 reflects the resilience and determination of its people in difficult trading conditions to strengthen its financial sustainability and turnaround from a group loss of R33 million in 2020/21 to R6.3 billion in the current year, generating a R2.7 billion profit at company level.

The exceptional results were moderated by lower-than-expected disbursement and sticky non-performing loans. We had targeted R10 billion in disbursements for the year, but with R7.2 billion invested, we fell short by R2.8 billion in achieving the planned disbursements. Also affecting this figure is the reluctance of clients to take on more debt in uncertain times. The country is hoarding cash currently. As part of our development mandate we invest in high-risk projects and therefore, we have from, time to time, non-performing loans, which are currently at about thirty one cents in every rand of projects funded. This will be impaired and we will not be repaid.

Macro economic factors impacting performance

The global economic landscape recovered strongly in 2021/22 following a steep Covid-19-related economic downturn in 2020/21. Despite this, GDP in South Africa remained below pre-pandemic levels, whereas globally, including emerging markets, it rose above pre-crisis levels. The conflict in Ukraine since February 2022 has brought uncertainty and affected global trade. South Africa, with the rest of the world, has experienced increased input costs across many sectors, altering trade dynamics. The IDC is ready to play the crucial countercyclical role it is mandated to play in tougher economic conditions and during times of economic uncertainty.

Resilient financial performance

Following a commendable performance compared to 2020/21, we closed the 2021/22 year in a strong liquidity position with cash balance at R7.4 billion and an operating profit of R3.9 billion. This was accompanied by improvements in the debt/equity ratio at 34.5% compared to 51.4% in the previous year and outperforming pre-Covid-19 levels of 77.2%. We also improved our cost-to-income ratio to 20% from 25%, showing a slight improvement compared to the 21% of pre-Covid-19 levels.

This positive performance is attributable to, among other factors, a sterling dividend income from strategic investments, reduced borrowing costs,

well-managed operating costs and a focus on improving the non-performing loan ratio. We also contributed meaningfully to assisting businesses affected by the unrest during July 2021, with R338 million invested in this initiative.

This encouraging performance enables us to continue to pursue our robust targets, developmental mandate and countercyclical role as a DFI. This is complemented by healthy strategic equity investments, a better-performing loan book, a strong liquidity position and a highly experienced and knowledgeable management team. Keen focus will be maintained on balancing resources to protect the sustainability and health of the loan book with the imperative to inject funds into the economy to boost activity.



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

Figures in rand million

	2022	2021	2020	2019	2018
Statement of financial position					
Cash and cash equivalents	14 842	12 637	7 043	9 233	5 726
Loans and advances	21 982	24 520	28 199	29 094	28 564
Investments	134 201	108 801	75 603	116 706	105 959
Property, plant and equipment	280	318	53	58	54
Other assets	6 115	1 153	1 612	363	1 671
Total assets	177 420	147 429	112 510	155 454	141 974
Capital and reserves	109 770	82 990	53 851	93 097	87 785
Borrowings	52 052	56 910	56 038	54 125	46 723
Other liabilities	15 598	7 529	2 621	8 232	7 466
Total equity and liabilities	177 420	147 429	112 510	155 454	141 974
Statement of comprehensive income					
Operating profit/(loss) before finance costs	6 434	6 851	(1 858)	1 749	4 384
Finance costs	(2 580)	(3 272)	(2 563)	(2 573)	(2 492)
Profit/(Loss) before taxation	3 854	3 579	(4 421)	(824)	1 892
Taxation	(1 190)	(282)	1 305	354	201
Profit/(Loss) for the year	2 664	3 297	(3 116)	(470)	2 093

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

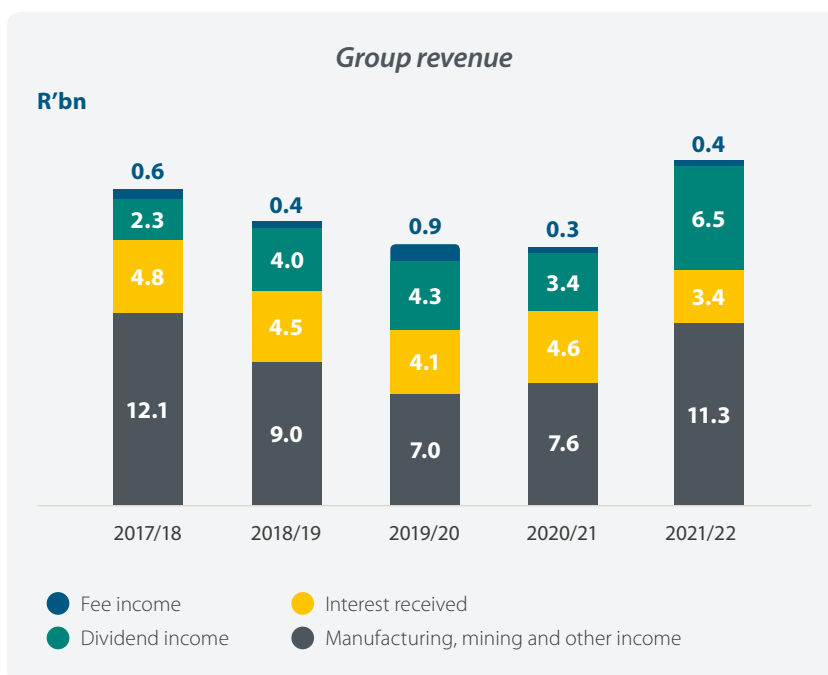
Figures in rand million

	2022	2021	2020	2019	2018
Statement of financial position					
Cash and cash equivalents	18 354	16 037	8 776	9 809	6 156
Loans and advances	24 304	25 505	29 099	27 162	30 660
Investments	112 775	88 715	57 956	93 801	81 488
Property, plant and equipment	5 404	6 122	7 084	7 343	8 148
Other assets	13 265	7 333	6 716	6 492	10 506
Total assets	174 102	143 712	109 631	144 607	136 958
Capital and reserves	115 464	86 808	60 704	95 602	92 023
Non-controlling interest	(898)	(791)	(514)	(299)	84
Borrowings	37 541	42 682	41 236	39 486	33 217
Other liabilities	21 995	15 013	8 205	9 818	11 634
Total equity and liabilities	174 102	143 712	109 631	144 607	136 958
Statement of comprehensive income					
Operating profit/(loss) before finance costs	5 770	3 182	(3 764)	2 327	4 857
Finance costs	(2 742)	(3 288)	(2 747)	(2 825)	(2 433)
Income from equity accounted investments	4 434	1 200	1 005	644	419
Profit/(Loss) before taxation	7 462	1 094	(5 506)	146	2 843
Taxation	(1 171)	(1 127)	1 717	574	381
Profit/(Loss) for the year	6 291	(33)	(3 789)	720	3 224

Growing our revenue

Group revenue rebounded by 34.8%, from R16 billion during 2020/21 to R21.7 billion for 2021/22. This increase is more than the current inflation of 5.9% and is due mostly to the significant increase in revenue from sale of goods and the increase in dividend income. The latter was driven by the IDC's strategic investments in the resources sector, which is currently in a supercycle. Turnaround plans at subsidiaries are also starting to yield the desired results.

Foskor's revenue increased by 56.8% during the period due to increased sales volumes, commodity prices and an overall improved operating environment. The same is true for Grinding Media, whose revenue grew by 39.3% also due to stronger commodity prices.



Considerable improvement in subsidiary performance

sefa reported a profit of R98 million, an improvement of 118% from the previous year's operating loss of R552 million. This was due mainly to higher grant income of R315 million (2020/21: R121.7 million) and lower other operating expenses of R47 million (2020/21: R107.8 million). Grinding Media operating profits increased to R39.4 million (2020/21: R28.1 million) due to significantly improved gross profit margin off the back of increased sales activity and increased selling prices. Foskor's operating losses improved by 78% to R476 million (2020/21: R2.2 billion) through cost efficiencies and a significant recovery of impairments on financial assets from 2020/21.

However, on 29 January 2022, one of the group's major subsidiaries – Cast Products South Africa – was voluntarily placed in business rescue, a subsidiary loss that resulted in a deconsolidation loss of R569 million on Group profit.

Certain subsidiaries are still making losses, but these are beginning to narrow compared to 2020/21.

Improved financial performance at group level

The Group reported a consolidated operating profit after tax of R6.3 billion during 2021/22, driven primarily by profits from equity-accounted investments, which increased from R1.2 billion in 20/2021 to R4.4 billion. This increase in value was driven, again, by the Group's investments in the resources sector, which are taking significant profits owing to the supercycle, including increased commodity prices. Furthermore, there is a significant improvement in Group profits from subsidiaries compared to the prior year, most of which have shown either significantly reduced operating losses or marginal operating profits.

A focus on managing the loan book, internally called 'clean and fix', led to a once-off bulk write-off of R2.5 billion at Group level, but this was offset by a significant unwinding of the expected credit losses provision.

The IDC used its excess liquidity to prepay onerous debt. This, combined with a less volatile exchange rate* in the current year, decreased group finance costs by 17%.

Our key assets (loans, advances and investments)

The notable growth in assets from R144 billion to R174 billion is attributable to improvements in the share prices of listed equities that increased the value of investments by R13.5 billion to R65.5 billion at year-end (2020/21: R52 billion). The Group has significant exposure to the resources sector and has initiatives underway to diversify its portfolio and reduce volatility from share prices.

Moreover, disbursements for the year amounted to R7.2 billion compared to the R6.3 billion of the previous year. This indicates increased efforts to stimulate economic activity and improved economic conditions since the height of Covid-19 pandemic.

*(FY21 ZAR/USD: 17.84 to 14.77 vs FY22 ZAR/USD: 14.77 to 14.60).

Borrowing sustainably

Group borrowings decreased by R5.1 billion in the review year as a result of repayments on foreign borrowings, public bonds and local borrowings. This was offset by an increase in funds held on behalf of others (off-balance-sheet funds) of R2.1 billion.

Debt prepayments of R2.4 billion were strategically made to reduce cost of debt. The debt/equity ratio improved significantly, from 51.4% in 2020/21 to 35.5%, driven by growth in reserves and repayments on borrowings.

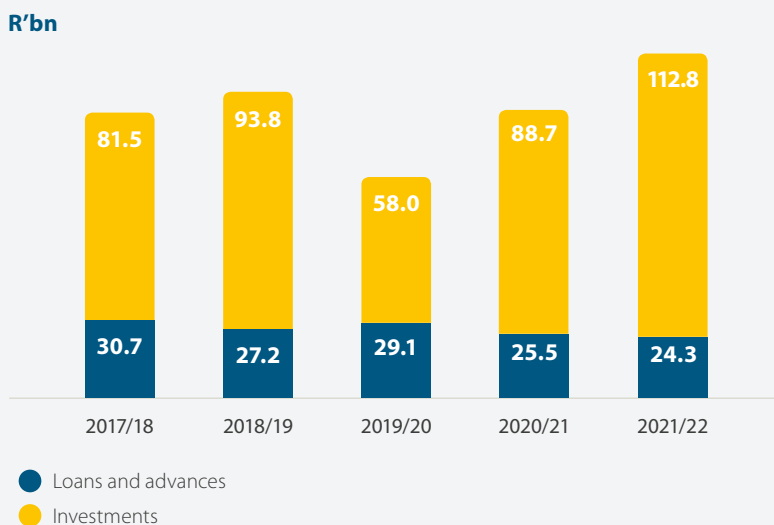
Due to a strong liquidity position, only R619 million was raised in the review year. Internally generated cash resources were sufficient to cover disbursement and operational requirements.

Multinational DFIs continue to be a good source of funding, providing much-needed long-tenor borrowings. These include Kreditanstalt für Wiederaufbau, African Development Bank (AfDB), Agence Française de Développement/Proparco, European Investment Bank, China Development Bank and China Construction Bank. The other sources include funding from the PIC on behalf of the UIF and the Government Employee Pension Fund.

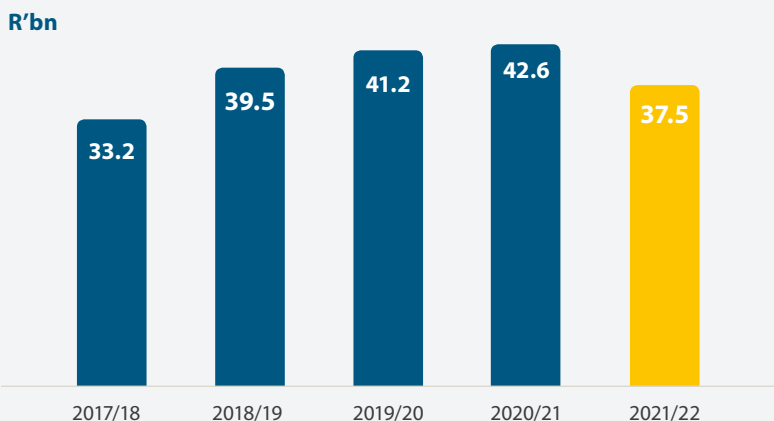
Our growing asset base

The asset base grew by 21% to R174 billion (2020/21: R144 billion) due largely to the improvement in both listed and unlisted investments and increased cash resources. The cumulative values on Sasol, BHP Billiton and Kumba were R7.6 billion, R3.3 billion and R1.9 billion respectively.

Group loans, advances and investments



Group borrowing



Managing our impairments (IDC Company)

An expected credit loss of R796 million was reported in the current year (2020/21: R263 million loss) on financial assets, which include loans and advances, financial guarantees, cash and cash equivalents and trade receivables.

The impairment ratio to cost improved from 37.9% to 36.1%. This is complemented by the non-performing loans ratio improving from 40.3% to 31.2% by year-end. Initiatives by management to increase collections are starting to bear fruit, reflected in repayments of R8.8 billion (2020/21: R5.3 billion) – 43% above the budgeted R6 billion.

The developmental nature of our loan book means it continues to support distressed industries such as tourism. We are well positioned to increase our developmental impact by injecting funds in the economy through loans and grants in the various sectors we serve. Rapid relief grant programmes were instituted for the sectors set back by the July 2021 unrest and the April 2022 floods.

Irregular expenditure

During 2021/22, our irregular expenditure rose to R14 billion, an increase of R4.9 billion year on year. From October 2020, subsidiaries had to comply fully with the PPPFA, where previously they were exempt, as we assume that responsibility for any company in which we take a controlling Interest. The trading conditions of most subsidiaries pose challenges for these entities to comply with the PPPFA and remain competitive in their respective markets.

Foskor, Grinding Media and Cast applied for an exemption from certain sections of the PPPFA and Foskor was granted a partial exemption on international purchases. The other subsidiaries are still awaiting a response from National Treasury.

Outlook

The country's economy remains on a challenging recovery path, facing a modest growth outlook. GDP growth of 2% is projected for 2022, decelerating to 1.8% in 2023 as the impact of a weaker world economic growth, rising inflation and higher interest rates, as well as increased uncertainty globally, take a toll on South Africa's export performance, domestic consumption spending and fixed investment activity.

As part of our new strategy incorporating climate finance, we are expanding our role in reducing South Africa's carbon intensity through the implementation of an IDC sustainability framework 2050, which is in development.

The healthy financial position and considerably improved gearing ratio place the IDC well to carry out its developmental mandate as it can borrow from capital markets. Internally generated cash has allowed us to plough in to the Post-unrest Business Recovery Fund (R338 million) and KwaZulu-Natal Flood Relief Fund (R500 million), helping to restore businesses, communities and livelihoods.

We are well prepared to leverage our balance sheet to boost our contribution to the economy, hence our ambition to disburse R20 billion, which we're confident we will be able to achieve given that our lenders and bankers are willing and able to continue supporting us, our people are highly skilled and knowledgeable and management continues to drive and refine strategic initiatives.

However, with sustainability top of mind, we will continue to strategically balance our countercyclical role as a DFI with the need to protect our asset base while we ensure optimal capital injection into the economy to drive economic activity that leads to sustainable job creation and preservation.

Isaac Malevu
Chief Financial Officer

“

An expected credit loss of R796 million was reported in the current year (2020/21: R263 million loss) on financial assets, which include loans and advances, financial guarantees, cash and cash equivalents and trade receivables.”



Independent auditors' sustainability assurance report

*Industrial Development Corporation
of South Africa Limited*

August 2022

Report on selected key performance indicators

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described below, and included in the integrated report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended

31 March 2022. This engagement was conducted by a multidisciplinary team including specialists with experience in sustainability reporting.

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected KPIs,

marked with a 'LA' on the relevant pages in the report. The selected KPIs described below have been prepared in accordance with the IDC's reporting criteria and the reporting boundary is the IDC's operations.

Perspective material issues	Key performance indicator	Measurement description	Unit of measure
Lending, investment and fund management	Total investment flows facilitated/unlocked (R'm) (a1+a2+a3) (J-KPI 1,3,6)	Total investment flows unlocked is the sum of the IDCs on-balance sheet funding disbursed, off-balance sheet funding disbursed, as well as other funding facilitated.	Rand value (R'm)
	Value of on-balance sheet funding disbursed (R'm)	On-balance-sheet funding disbursed is funding paid out to clients from IDC's own resources.	Rand value (R'm)
	Value of off-balance-sheet funding disbursed (R'm)	Off-balance-sheet funding disbursed is funding paid out to clients from funds being managed by the IDC on behalf of other entities.	Rand value (R'm)
	Value of other disbursements to be facilitated by the IDC (R'm)	Other disbursements facilitated includes guarantees that were issued during the year as well as the amount of funding leveraged from other financiers in projects to which the IDC disbursed funding. This excludes contributions by other funders where the IDC is a participant in syndicated funding or similar 'tag-along' situations (except where the IDC is a lead arranger, or its funding plays a major part in unlocking the project).	Rand value (R'm)
Industrial planning, projects development and development effectiveness	Value of funds committed and facilitated for businesses that support IDC priority sectors and master plans (R'm) *	Funds facilitated is the total value of funding being mobilised for the project and includes the IDC's on-balance-sheet funding, funding from funds managed by the IDC (off-balance-sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements). Funding is committed when a transaction has been approved, legal agreements concluded, and any conditions that prevent a client from drawing down on the facility have been met.	Rand value (R'm)
	Investment value of projects that graduated from preparation to the investment phase (R'm) *	The total value of a project for projects where feasibility studies have been concluded and fundraising for the project has commenced.	Rand value (R'm)
	Number of jobs expected to be created/saved from committed funds (number)	The number of jobs that are expected to be created or saved for transactions where funds have been committed.	Number (#)
	Percentage change in the number of people employed in RSA companies in the IDC's portfolio (% change year on year) *	Percentage change in the number of people employed in RSA companies in IDC's portfolio (% change y-o-y)	Percentage (%)
	Funds committed and facilitated for priority groups of entrepreneurs (R'm):	Funds committed and facilitated for priority groups of entrepreneurs	Rand value (R'm)
	Black industrialists (R'm)	Value of funds committed and facilitated for businesses that support Black industrialists.	Rand value (R'm)
	Black-owned businesses and broad-based ownership (R'm)	Value of funds committed and facilitated for businesses that support black-owned and broad-based owned businesses.	Rand value (R'm)
	Women entrepreneurs (R'm)	Value of funds committed and facilitated for women entrepreneurs.	Rand value (R'm)
	Youth entrepreneurs (R'm)	Value of funds committed and facilitated for youth entrepreneurs.	Rand value (R'm)

Perspective material issues	Key performance indicator	Measurement description	Unit of measure
Technical assistance programmes and policy support	Value of funding approved with agreements signed for businesses in spatial priorities including special economic and industrial zones (R'm) *	Value of funding approved where agreements were signed for businesses in special economic zones	Rand value (R'm)
	Number of businesses supported through the IDC's small industrial finance channel (number approved) *	The number of businesses for which funding was approved by the Small Business Finance Unit.	Number (3)
	Number of jobs created per R1 million approved by the IDC for businesses supported through IDC's small industrial finance channel*	The number of jobs expected to be created for every R1 million approved by the Small Business Finance Unit.	Number (#)
	Funds committed and facilitated for localisation (both public procurement and effective import replacement) (R'm) *	Transactions that increase or contribute to the capacity of businesses that manufacture domestic goods for infrastructure development, designated products, other government procurement or components for motor vehicles. Other transactions where it can be demonstrated that the project will replace imports are also included.	Rand value (R'm)
	Value of funding approved with agreements signed for transactions that will lead to increased intra-regional exports (R'm) *	Total value of investment flows facilitated/unlocked in regional development initiatives.	Rand value (R'm)
Financial sustainability	Risk profile of the portfolio (predominantly medium risk portfolio)	The exposures (at cost) for the mini-group portfolio rated as medium and low risk as a percentage of the total portfolio.	Percentage (%)
	Percentage non-performing loans *	The share of exposures for non-performing loans in the mini-group portfolio as a percentage of the total loan exposure.	Percentage (%)
	Impairment ratio (total book) (%)	The total impairments raised for the mini-group portfolio as a percentage of the total portfolio (at cost).	Percentage (%)
	Introduce i) new SEP at Foskor and ii) reduce the IDC's shareholding in Cast Products SA and Grinding Media SA*	Finalisation of the SEP process (preferred bidder selected) at Foskor and obtain PFMA approval for request for the transaction. Reduce IDC shareholding in Cast products SA and Grinding Media SA.	Text claim
	Percentage appreciation in fair value of unlisted investments (excluding listed assets) (J-KPI 1) *	The increase in the carrying value of the unlisted portfolio since the start of the financial year. The unlisted portfolio consists of facilities to business partners in which the IDC holds ordinary or preference shares where the shares are not listed. It includes all facilities to Group business partners linked to these business partners. These include equity and any other facilities (including loans, shareholder loans, etc).	Percentage (%)
	Growth in the value of reserves (year on year; %) *	The growth in total equity for the mini group. Actual year-to-date figures captured in the latest quarterly mini-group financial statements. Detailed information is updated more regularly.	Percentage (%)
Organisational effectiveness	Employee net promoter score *	The percentage of employees who rate the IDC 'passive' or better.	Number (#)
	Customer satisfaction index (scale of 1 to 10)	Level of satisfaction of clients as measured independently through a customer satisfaction survey.	Number (#)
Profile and positioning among other stakeholders	Reputation survey score (scale of 1 to 100) *	To provide an assessment of the external environment's view on the efficiency and effectiveness of the IDC. The participants will be aligned to the stakeholder categorisation strategy.	Number (#)
Socio-economic development	Number and value of social and solidarity economy enterprises and initiatives funded	Number and value of social and solidarity economy enterprises and initiatives funded.	Number (#) and Rand value (R'm)
	Number of workers' and community trusts	Number and value of workers' and community trusts.	Number (#) and Rand value (R'm)
Socio-economic development	GHG determination in accordance with the GHG protocol	GHG determination in accordance with the GHG protocol.	Text claim

Perspective material issues	Key performance indicator	Measurement description	Unit of measure
Socio-economic development	IDC's Covid-19 response compliance with the Covid-19 Occupational Health and Safety Measures in Workplaces Government Regulations under the Disaster Management Act, 2002	IDC's Covid-19 response compliance with the Covid-19 Occupational Health and Safety Measures in Workplaces Government Regulations under the Disaster Management Act, 2002.	Text claim
Human capital	Talent retention (voluntary turnover rate of individuals in critical roles)	Talent retention (voluntary turnover rate of individuals in critical roles).	Percentage (%)
	Leadership index (360 leadership survey)	Leadership index (360 leadership survey).	Number (#)
Partners	IDC stakeholder engagement process	IDC memberships.	Number (#)
Governance, risk and compliance	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Number (#) and percentage (%)
	Communication and training on anti-corruption policies and procedures	Communication and training on anti-corruption policies and procedures.	Text claim

*KPIs not assured in prior year.

Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the accompanying IDC reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error. The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to the report users.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement

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

In particular, where the information relies on factors derived by independent third parties, our assurance work has not included an examination of the derivation of those factors and other third-party information.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firms apply the International Standard on Quality Control 1, and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibilities

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) involves assessing the suitability in the circumstances of the IDC's use of its reporting criteria as the basis of preparation for the

selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgment and included enquires, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report on the selected KPIs;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed

analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;

- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at the IDC.

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the IDC's selected KPIs have been prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained and subject to the inherent limitations outlined in this report, nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph above for the year ended 31 March 2022 are not prepared, in

all material respects, in accordance with the accompanying IDC reporting criteria.

Other matters

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

The KPIs have been presented in a tabular format for ease of reference on page 128. Comparatives have not been presented as the definitions for some of the KPIs previously audited have been amended.

The maintenance and integrity of the IDC's website (www.idc.co.za) is the responsibility of IDC directors. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the report or our independent limited assurance report that may have occurred since the initial date of its presentation on the IDC website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the directors of the IDC in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the IDC, for our work, for this report, or for the conclusion we have reached.

Nexia SAB&T
Ayisha Ramasike CA (SA)
Director
Registered Auditor
29 July 2022
119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0157

SizweNtsalubaGobodo Grant Thornton Inc.
Omar Kadwa CA (SA)
Director
Registered Auditor
29 July 2022
20 Morris Street East
Woodmead
2191

Independent Auditors' Sustainability Assurance Report

Industrial Development Corporation of South Africa Limited
August 2022

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

KPI	Audited value
Total investment flows facilitated/unlocked	R15 740 million
Value of on-balance-sheet funding disbursed	R7 214 million
Value of off-balance-sheet funding disbursed	R1 213 million
Value of other disbursements to be facilitated by the IDC	R7 313 million
Value of funds committed and facilitated for businesses that support IDC priority sectors and master plans	R21 974 million
Investment value of projects that graduated from preparation to the investment phase	R2 074 million
Number of jobs expected to be created/saved from committed funds	27 130
Percentage change in the number of people employed in RSA companies in the IDC's portfolio (% change year on year)	IDC clients achieved growth of 3.0% compared to -1.1% for relevant sectors in the economy
Funds committed and facilitated for priority groups of entrepreneurs	R6 594 million
Black industrialists	R3 232 million
Black-owned businesses and broad-based ownership	R6 512 million
Women entrepreneurs	R1 084 million
Youth entrepreneurs	R394 million
Value of funding approved with agreements signed for businesses in spatial priorities, including special economic and industrial zones	R1 123 million
Number of businesses supported through the IDC's small industrial finance channel (number approved)	40
Number of jobs created per R1 million approved by the IDC for businesses supported through the IDC's small industrial finance channel	0,8
Funds committed and facilitated for localisation (both public procurement and effective import replacement)	R4 613 million
Value of funding approved with agreements signed for transactions that will lead to increased intra-regional exports	R518 million
Risk profile of the portfolio (predominantly medium-risk portfolio)	38,3%
% non-performing loans	31,2%
Impairment ratio (total book)	36,1%
Introduce i) new SEP at Foskor and ii) reduce the IDC's shareholding in Cast Products SA and Grinding Media SA	SEP process interrupted by global events
% appreciation in fair value of unlisted investments (excluding listed assets)	18,2%
Growth in the value of reserves (year on year)	32,0%
Employee net promoter score	84% rated IDC neutral or positive
Customer satisfaction index (scale of 1 to 10)	7,9
Reputation survey score (scale of 1 to 100)	72,4
Number and value of social and solidarity economy enterprises and initiatives funded	16 social and solidarity economy enterprises and initiatives funded to the value of R66 million
Number and value of workers' and community trusts	Four workers' and one community trust approved to the value of R480 000
GHG determination in accordance with the GHG protocol	IDC (scope 1 and scope 2) emission intensity of 5.21
IDC's Covid-19 response compliance with the Covid-19 Occupational Health and Safety Measures in Workplaces Government Regulations under the Disaster Management Act, 2002	Text claim
Voluntary turnover rate of individuals in critical roles	6,1%
Leadership index (360 leadership survey)	Rating of 4.0 out of 5.0
IDC stakeholder engagement process	Text claim
Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6 operations assessed for financial crime risk
Communication and training on anti-corruption policies and procedures	327 employees were trained on anti-corruption policies and procedures

Glossary

AfCTA	African Continental Free Trade Area
AI	Artificial Intelligence
B-BBEE	Broad-based black economic empowerment
BHCNC	Board Human Capital and Nominations Committee
BIC	Board Investment Committee
BRSC	Board Risk and Sustainability Committee
BSEC	Board Social and Ethics Committee
CEO	Chief Executive Officer
CO₂e	Carbon dioxide equivalent
CSI	Corporate social investment
CTFL	Clothing, textile, footwear and leather
DFI	Development finance institution
the dtic	Department of Trade, Industry and Competition
ESG	Environmental, social and governance
FICA	Financial Intelligence Centre Act
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
GDP	Gross domestic product
GHG	Greenhouse gas
GRI	Global Reporting Initiative

IDC	Industrial Development Corporation
IFRS	International Finance Reporting Standards
IT	Information Technology
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
PEP	Politically exposed person
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PIP	Prominent influential person
PPPFA	Preferential Procurement Policy Framework Act
PSA	Public Servants Association of South Africa
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SDG	Sustainable Development Goal
sefa	Small Enterprise Finance Agency
SME	Small and medium enterprise
SMMEs	Small medium and micro enterprises
SOE	State-owned enterprise
TVET	Technical vocational educational training
UIF	Unemployment Insurance Fund

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Satellite offices

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

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KwaZulu-Natal

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Administration

Directors

Executive

TP Nchocho (CEO)

Non-Executive

Busisiwe Mabuza (Chairperson)

Lael Bethlehem

Brian Dames

Bobby Godsell

André Kriel

Dr Sizeka Magwentshu-Rensburg

Nomavuso Mnxasana

Philisiwe Mthethwa

Adv Thandi Orleyn

Dr Nimrod Zalk

Auditors

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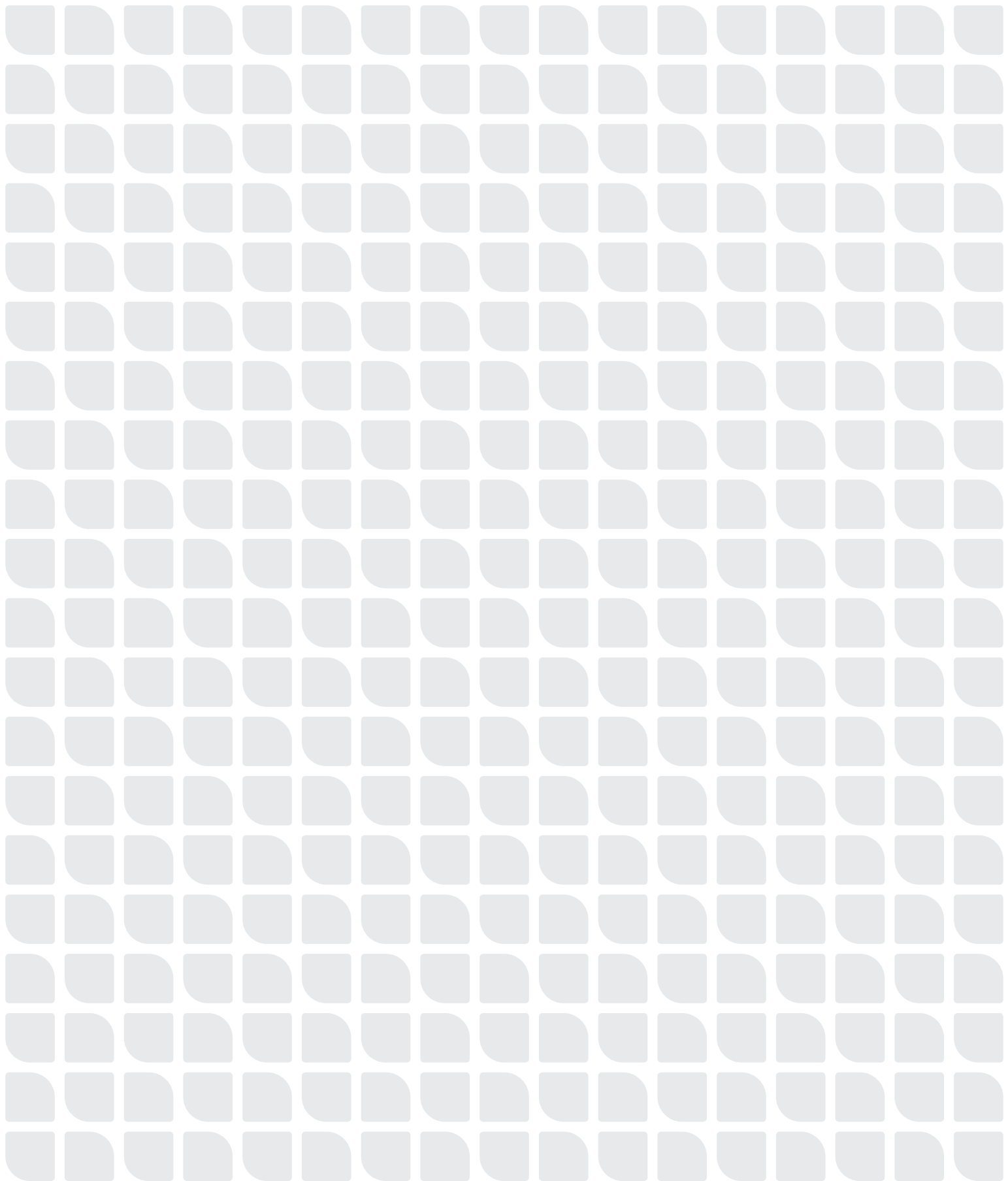
Company secretary

Maseapo Kganedi

Registration number:

1940/014201/06





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