Integrated Report 2021

IDC
Industrial Development Corporation
Your partner in development finance

45%

VALUE OF FUNDING COMMITTED

R5.6 billion

46%

TOTAL FUNDING DISBURSED

R6.3 billion

68%

NUMBER OF JOBS EXPECTED TO BE CREATED AND SAVED THROUGH COMMITTED FUNDS (CREATED: 1 305; SAVED: 976)

2 281

40%

COMMITTED TO BLACK INDUSTRIALISTS

R3.0 billion

48%

COMMITTED TO BLACK-EMPOWERED COMPANIES

R3.9 billion

41%

COMMITTED TO BUSINESSES WITH WOMEN OWNERSHIP OF MORE THAN 25%

R2.0 billion

84%

COMMITTED TO BUSINESSES WITH YOUTH OWNERSHIP OF MORE THAN 25%

R0.1 billion

99%

LOSS FOR THE YEAR

R33 million

31%

TOTAL ASSETS

R143.7 billion

ADDITIONAL ONLINE INFORMATION

Group Structure
Board Directorships
Carbon Footprint
Social Investment
Human Capital
Procurement
Special Funding Schemes
Memberships
King IV Checklist
GRI Table

NAVIGATING THIS REPORT

Financial Capital

Social Capital

Human Capital

Intellectual Capital

Manufactured Capital

Natural Capital

Icons denoting assurance

LA Denotes Limited Assurance

RA Denotes Reasonable Assurance

Icons denoting availability of additional information

Additional information available at www.idc.co.za

Additional information available elsewhere in this report

Definitions

- **Commitments:** Funding approvals where conditions have been cleared
- **New approvals:** Value of funding approved during the year under review
- **Net approvals/approvals:** Value of funding approved during the year minus value of funding approved in previous years that has been cancelled.

ABOUT THIS REPORT

The IDC introduces the 2021 Integrated Report with the undertaking to provide its stakeholders with a balanced view on its value creation activities. In March 2020, South Africa entered the lockdown in an already fragile economic state. Most of the sectors in which the IDC is involved in are dominated by the negative effects of the Covid-19 pandemic, bringing about the IDC's response to Covid-19 as a central theme in this report.

The content and disclosures in this report are based on the principles of materiality. The Board, in consultation with management, confirmed the issues that significantly impact the IDC's ability to create value for its stakeholders. The report is structured around eight material issues, a detailed discussion of which can be found on page 25 to 26.

The guiding principles of the International <IR> Framework of the International Integrated Reporting Council (IIRC) have been applied in the preparation of this report. We used this framework to describe our strategy development process. The report structure and presentation of information are aligned with internationally recognised standards and frameworks and discussions about value creation are built on the six capitals as identified by the IIRC.

Our financial reporting complies with the International Reporting Framework Standards (IFRS), the South African Companies Act and the Public Finance Management Act (PFMA). The IDC subscribes to the principles of good governance as described in King IV and we apply the Greenhouse Gas (GHG) Protocol to categorise and calculate our CO^2e (carbon dioxide equivalent emissions). Our activities contribute to the achievement of the Sustainable Development Goals (SDGs) and are included in our materiality discussion on pages 24 to 26. We also refer to certain Global Reporting Initiatives (GRI) standards and are conscious of the United Nations Environment Programme (UNEP) Finance Initiative (UNEP FI) Principles for Responsible Banking.

The Integrated Report has been reviewed by the IDC Board and was approved on 29 July 2021. The IDC's external auditors, SNG Grant Thornton (Jhb) and Nexia SAB&T, supported by the IDC Internal Audit Department, have provided assurance on the Group Audited Financial Statements and issued an unqualified audit opinion. In line with the IDC's combined assurance framework, selected performance information was assured at a limited assurance level, according to the International Standards for Assurance Engagements (ISAE3000). Throughout the document, information that was assured using this standard are marked with an LA icon. Additional performance information was assured through the Audit of the Annual Performance Report as required by the Public Audit Act of South Africa, 2004 (PAA) and the general notice issued in terms thereof. The audited performance information is included in the Independent Auditors' Report. The audit of performance information is conducted as a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000(R) and is marked with an RA icon.

Scope and boundary

This Integrated Report covers our strategy and performance for the period 1 April 2020 to 31 March 2021. No significant changes occurred to the scope, boundary or measurement methods applied in this report compared to the previous financial year and no restatements made, unless otherwise indicated in the relevant section.

The report reviews our financial and non-financial performance, strategies, activities, outcomes and risks. Our reporting includes key stakeholders with a significant influence on or considerable interest in the IDC's ability to achieve its mandate. We strive to increasingly include a broader set of stakeholders in our decision-making and endeavour to maintain and enrich our credibility through transparent reporting practices.

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.

Governing principles and standards

The report is grounded in the following legislation and standards:

- PFMA — The Public Finance Management Act, 1 of 1999, as amended
- Companies Act — The Companies Act, 71 of 2008, as amended
- IFRS — The International Financial Reporting Standards
- IDC Act — The Industrial Development Corporation Act, 22 of 1940, as amended
- Internally developed guidelines and policies

Forward-looking information

This report contains forward-looking statements about the position and performance of the IDC. Aligned with PFMA requirements, our annual Corporate Plan includes a three-year forward perspective. Projections were based on the views of the directors and assumptions about local and global economic and political conditions. Therefore, these forward-looking statements are subject to risk and uncertainty and have not been reviewed or audited by our external auditors.

Forward-looking statements were informed by the divisional business plans and the IDC Corporate Plan in February 2021. Covid-19 continues to be an unpredictable variable and business plans should be interpreted in the context of this uncertainty.

Kindly submit your feedback, queries and comments to service@idc.co.za

BOARD APPROVAL

The IDC Board, with the support of the various Board sub-committees, acknowledges responsibility for overseeing 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 and complete and prepared in accordance with the International <IR> Framework. This report was approved by the IDC Board on 29 July 2021.

BA Mabuza
Board Chairperson
29 July 2021

TP Nchocho
Chief Executive Officer
29 July 2021

Minister's Foreword

The IDC Integrated Report 2021 sets out the Corporation's business activities during a challenging period globally and in the domestic market. Economies and firms were deeply affected by both the Covid-19 pandemic and the measures to address the spread of infections; digital innovations reshaped sectors and businesses; global geo-political developments affected trade and market sentiment and South Africa's efforts to build both local industrial capacity and wider markets through the African Continental Free Trade Area (AfCFTA) focused the efforts of policy-makers.

At the start of the previous financial year (2019/20), the IDC had already felt the impact of the global slow-down on its balance-sheet, with very significant impairments and write-offs (Including fair value adjustment on investments) at the Group level as reported in its 2019/20 Financial Statements.

Following that sharp drop in the valuation of the IDC, in discussion between the Ministry and the Board we agreed that the new financial period would be used to attain three objectives: to consolidate the IDC's finances, with a reduction in the targets set for investment and development for the period to enable the Corporation to recover; to ensure that the IDC plays a role in boosting investment and development even during the difficult year; and to mandate a shift in focus for the IDC from principally *providing* finance to playing a more active role in *mobilising* finance.

By the end of the new financial year (2020/21) as set out in this Report, the IDC's finances have improved materially: the value of assets increasing by 31% to R143.7 billion at Group level.

In the period under review, the IDC focused on targeting its limited resources, and I take the opportunity to highlight four of these:

First, during the year the IDC established a Fund to help SA to procure and manufacture Covid-19 industrial products, which disbursed R335 million during the period under review. It was part of a wider effort that included efforts by the dtic, Solidarity Fund, private sector and other stakeholders that as a whole helped the country to manufacture CPAP ventilators, Covid vaccines, hand sanitiser products, health-standard face masks and personal protective equipment for the domestic market and to supply countries on the African continent.

Second, to address the impact of the pandemic on firms, the IDC established a Covid-19 Distressed Fund to support businesses to deal with the cashflow constraints and for their existing clients, postponements on the periods during which loans were due to be repaid. R1.2 billion worth of relief was provided to businesses through these measures. This complemented wider government efforts to provide relief to firms affected by the pandemic.

Third, to contribute to investment in the economy, the IDC disbursed R6.3 billion to clients. While all new investment is welcome, this was significantly lower than in prior years. Stimulus measures by Government together with lifting of the stricter lockdown measures assisted the economy to partially recover. The IDC's contribution to economic recovery will need to be stepped up and the IDC will have to ensure that higher levels of funding from other sources accompany its own commitments to assist businesses.

Fourth, to support efforts at transformation, R1.4 billion in new funding was approved for Black Industrialists, women-empowered businesses and youth-empowered firms. This is not insignificant during a difficult period for the Corporation. In addition, the 2 676 jobs that will be created and saved from the full new funding approvals during the year along with the 10 414 jobs that will be sustained through funding from the Covid-19 Distressed Fund is contributing to job retention. In the period ahead, the Board will need to use the stronger balance-sheet of the Corporation to significantly improve on these metrics.

Looking forward, there are new opportunities and an improving environment for investment, in spite of the recent challenges with the unrest in parts of KwaZulu-Natal and Gauteng during one week in July 2021.

At the latest Presidential Investment Conference, held in November 2020, new commitments for investment of R110 billion were made. This brings the total commitments made at the three conferences held to date to R772.6 billion – almost 80% of the five-year target set in 2018. Rebuilding the economy will require intensifying the partnerships between the private and public sectors demonstrated through these commitments. These partnerships are being forged further through the Master Plans that are being developed to grow, increase competitiveness and address transformation in several domestic industries. Plans for the steel, sugar and furniture industries were completed, adding to those for the automotive, clothing and poultry industries that were already in place as the year started.

Developing industry requires development of markets for our locally produced goods. Our propensity to import manufactured goods is out of proportion to our developmental needs. Localisation will benefit dynamic firms' capabilities as suppliers to domestic, regional and global markets. Through a social pact at Nedlac, business and labour, together with government, have agreed to cooperate on a drive for localisation that could result in an additional R200 billion in manufacturing demand over the next five years, replacing products currently being imported.

Access to global markets has been enhanced with bilateral agreements with most of South Africa's trade partners. Preferential access to export markets has been secured through agreements and participation in regional economic communities. The AfCTFA has been signed by 54 countries and ratified by 36 and the legal agreement to enable trade is now largely in place. The remaining work is principally in finalising the rules of origin. South Africa is well positioned to benefit from the agreement in a manner that supports the further industrialisation of our continent.

Over the past five years, **the dtic**-linked institutions have assisted about 800 Black Industrialist businesses across the country, with nearly 120 000 jobs reportedly created or saved. The focus is increasingly on improving the 'wrap-around' support given to enable such businesses to do better commercially; and promoting a wider group of beneficiaries, particularly through worker ownership in businesses as well as more meaningful worker representation in the management of these businesses. We released the results of a register containing details of worker ownership schemes with 230 000 beneficiaries. The IDC has been using worker and community trusts as a vehicle for empowerment for a number of years. To date, the IDC has invested R1.6 billion to support employee share ownership plans, their related Worker Trusts and Community Trusts.

New opportunities – and threats if we do not change the climate-change trajectory – are emerging in the green economy. A just transition to a low carbon, climate-resilient, green economy forms an integral part of South Africa's global commitments, the Integrated Resource Plan 2019 and the Economic Reconstruction and Recovery Plan (ERRP). SA plans to add an additional 21 000MW of renewable energy generation capacity to the already thriving industry in South Africa. The opportunity exists to build industrial capacity on the back of the rollout of renewable infrastructure. Green hydrogen is emerging as a promising clean alternative to fossil fuels. South Africa, with its renewable energy generation potential, can become a global player in this sector. Development of this industry can also have positive impacts on other industries such as platinum, with the production of hydrogen fuel cells one of the ways in which SA can beneficiate this mineral. I have designated the IDC to lead the commercialisation of the hydrogen economy in South Africa. Other areas that are showing potential to boost industrialisation on the back of the development of the green economy are battery storage solutions and electric and hybrid vehicles.

This Report sets out progress in a difficult year, in which the IDC emerged with greater financial health.

The IDC's new Corporate Plan sets out the investment and jobs targets for the current 2021/22 financial year. While it contains higher overall targets than for the year under review, it also marks a greater focus on integrating the efforts of the IDC investment book with the ERRP, with a focus on seven key areas:

- The deeper industrialisation of the SA economy (localisation of products worth R200 billion over the next five years)
- Expansion of exports to the rest of Africa through the AfCFTA and to other parts of the world
- The investment drive of the country, to secure the targeted R1.2 trillion aggregate SA new investment target
- Efforts at local and district development through enabling investment in value-chains and job-creating commercial activities
- Steps to support transformation in the economy, which include wider ownership in the economy and promoting Small, Medium and Micro Enterprises (SMMEs)
- Strengthening the green economy (which includes efforts to build electric vehicles and develop the green hydrogen economy) and responding to the pressures of climate change; and
- Efforts to build a more agile public sector capability, including improving the procedures and cutting red-tape within the IDC itself and strengthening its capacity to build a deep pipeline of viable projects and improve its approval process. The IDC will also need to improve its management of third-party funds, demonstrating that it is able to do so more effectively and with higher impact than competing institutions.

Economic development requires well-executed strategies. The Board continues to play a key role, ensuring a governance culture to achieve the outcomes that society relies on the IDC to achieve. I want to thank Busisiwe Mabuza and the IDC Board for their guidance of the Corporation through these unchartered waters. I also wish to thank TP Nchocho and his management team and the IDC's staff for their work over the last year.

Ebrahim Patel
Minister of Trade, Industry and Competition

BK STEEL

Supporting localisation

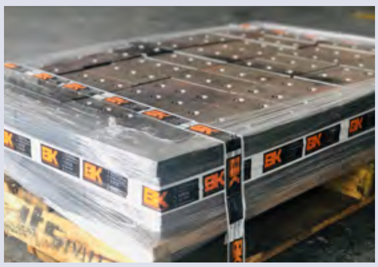
A key mandate of the IDC is to expand industrial development while facilitating creation of employment opportunities. The disruption in both the global and local supply chain emanating from the Covid-19 lockdowns, has largely impacted medium to small businesses.

In addition, the resulting drop in consumer confidence has impacted the revenue momentum of small businesses. One of the affected businesses is BK Steel – which is a 100% black youth-owned firm. Based in Gqeberha in the Eastern Cape – a region battling high unemployment – the company is a steel cutter specialising in the production of flat steel plate. This is offered in uncut steel plate but customised to client's specific order.

Established in 1995, the company has over two decades of experience in supplying various construction material, including engineering consumables and other steel products. Prior to the pandemic, BK Steel was considered a significant player in this niche market with nearly 24% market share of the almost 500 ton-a-year flame-cutting market in Gqeberha. Due to the Covid pandemic, BK Steel began to experience a decline in production activities, resulting in a decline in revenue and a drain on the business's working capital.

This development posed a major threat to the viability of the business, placing several jobs in jeopardy. In a bid to save the company and save jobs, BK Steel approached the IDC for funding, which the IDC approved and has since disbursed. Funding from the IDC Small Business Distress fund, will now be utilised for a working capital facility to acquire stock, fund debtors, and settle an amount related to capital equipment owed to the equipment provider. Crucially, the company is looking to save on production costs through acquisition of modern equipment.

IDC funding will not only help save jobs but halt deindustrialisation in a region battling high unemployment. BK is a critical player in ensuring the success of government's localisation programme in that it procures some of its raw products from local companies including MacSteel.



"The IDC continued to play its countercyclical role and focus on sustaining industrial capacity, preserving jobs, and stimulating economic activity."

Chairperson's Statement

The unprecedented disruption to society and business operations caused by Covid-19 required agility and adaptation to uncertain times during the year under review. This added more challenges to an economy that was already battling severe growth constraints.

The destructive combination of the pandemic and the economic slump adversely impacted business performance, affected employment prospects for many South Africans and increased social vulnerabilities. Notwithstanding this difficult period, the IDC stayed the course and focused on delivering on its mandate of advancing sustainable industrial development and contributing to an inclusive economy. As we emerge from the pandemic the IDC is actively supporting growth through funding and development activities.

Economic environment

The global economy's recovery momentum has surpassed expectations. Accordingly, the International Monetary Fund (IMF) has had to revise its forecast for global growth, now projected at 6.0% for 2021 (from 5.5% and 5.2% projected last January and October 2020). Key contributing factors were the rollout of Covid-19 vaccinations programmes, and adoption of massive policy stimuli, especially in the larger, advanced economies.

The strong rebound in the global economy's growth performance during 2021 should be reflected in improving demand conditions, increased trade flows and higher fixed investment activity. An improving economic environment in key external markets for South Africa's exports should ultimately translate into increased global sales for local companies, whether exporters of mining and mineral products, manufactured goods, or agricultural products.

On the downside, sub-Saharan Africa experienced its worst economic contraction on record (-1.9%) in 2020. A rebound in

4%

Expected economic expansion in sub-Saharan Africa in 2022

13 354

jobs will be created and saved through funding approved from the Covid-19 Distressed Fund

growth to 3.4% is projected for 2021. The IMF forecasts this to be the slowest rate of expansion among the world's regions., However, economic expansion in the region is expected to gain momentum, accelerating to 4% in 2022. The challenge remains though that the extremely slow delivery of Covid-19 vaccines to African countries, challenges in rolling out of vaccination programmes, as well as limited space for additional fiscal support, constrained the economic rebound, particularly in the year under review.

It is encouraging that the implementation of the AfCFTA agreement, which symbolically started in January 2021, could provide much-needed stimulus to the recovery and future expansion of the continent's economies, and enhance their resilience to shocks and risks. The AfCFTA is expected to contribute to the expansion and diversification of production bases across the continent on the back of enhanced investment activity aiming to capture a share of growing intra-regional trade, in the process enhancing regional competitiveness and increased participation in global supply chains.

The South African economy

South Africa was not spared from the evolving Covid-19 pandemic and measures taken to contain its spread had a highly negative impact on production, trade, finance and investment during the review period. The economy recorded a 7.6% decline in gross domestic product (GDP) in real terms over the 12 months to March 2021 – the worst performance in a century.

The impact of the virus and lockdown restrictions imposed in April and May 2020 brought segments of the economy to a virtual halt. In addition, intermittent power supply stoppages further complicated the business environment throughout the year, while the slow rollout of Covid-19 vaccinations towards year-end added to the uncertainty.

A 3.7% rebound in South Africa's real GDP is forecast for 2021, taking it to a level that is slightly higher than that recorded in 2014 in real terms. A major downside risk pertains to the ongoing Covid-19 pandemic, for the third and possibly more aggressive wave of infections would put a damper on the economy's recovery process. The slow pace of Covid-19 vaccinations in South Africa and renewed energy supply disruptions are particularly disconcerting, not only because of their impact on society at large and economic activity, but also on overall business confidence.

During the year under review, South Africa's total fixed investment activity levels declined by 17.5% in real terms, a drop of R105.4 billion to its lowest level in 14 years. Low business confidence levels, recessionary conditions and worsening public sector finances variously weighed on total fixed investment spending. Notwithstanding these challenges, the IDC continued to play its countercyclical role and focus on sustaining industrial capacity, preserving jobs and stimulating economic activity. The primary levers for this were the provision of financial support to distressed clients in key productive sectors of the economy and funding.

Our post Covid-19 response

As Covid-19 vaccinations continue to register considerable progress across the globe, we are encouraged that our own national vaccination programme is gathering momentum. Government's vaccine acquisition programme to date has been robust. Most essential and frontline workers across the country have not only been prioritised, but a considerable segment of the most vulnerable age group have been vaccinated.

The extension of the vaccination campaign to younger age groups bodes well for our national profile, realising progress in implementing the Economic Reconstruction and Recovery Plan as well as removing inbound travel restrictions that have severely impacted the tourism sector.

Delivering on our mandate

The Corporation's financing activity for this financial year reflects lower demand for funding in a period of high uncertainty and challenging operating conditions. New funding of R6.5 billion was approved, with R6.3 billion disbursed to clients. This activity demonstrates our standing commitment to preserving industrial capacity.

In addition, financial assistance was provided in the form of payment deferments (capital and interest) and restructuring of existing facilities as well as through distressed funding for our clients afflicted by the pandemic-induced crisis. New funding approved during the year is expected to create and save 2 940 jobs. In addition, 13 354 jobs will be created and saved through funding approved from the Covid-19 Distressed Fund.

The IDC remains the leading provider of transformative funding in South Africa. The critical need for an inclusive economy was not dampened by the tough economic conditions. Our strategies and initiatives aimed at enhancing economic inclusion and transformation of the economy remained in place, with funding approved for Black Industrialists and black-empowered companies, as well as for women and youth entrepreneurs, albeit lower in the year under review. The Corporation approved R1.4 billion for Black Industrialists, R599 million for women-empowered businesses and R92 million for youth-empowered/youth-owned businesses.

Financial sustainability

As we continue to deliver on our mandate, financial sustainability remains one of the key pillars and strategic priority imperatives in the Corporation's strategic framework, which is premised on sustainable industrial development and economic inclusion.

Faced with an unprecedented crisis, which not only affected the performance of our existing portfolio, but raised risks associated with new funding applications, we worked to ensure that the Corporation continues to meet its financial obligations by focusing on liquidity management and investment prioritisation to reduce pressure on our cash position. Strict cash preservation and monitoring, improved collection strategies and management of IDC's risk profile exposure through implementing funding standards were further used to mitigate the adverse impact of the pandemic on our balance sheet.

The Board, together with IDC's management, continues to monitor and manage robustly trends in key financial indicators, including impairments on both our debt and equity portfolios, with necessary pre-emptive actions undertaken. The performance and liquidity of our business partners and material subsidiaries also remain crucial, and we continue to monitor any material developments affecting these closely, providing oversight where necessary through relevant IDC Board sub-committees.

Governance

As the Board of the IDC, we remain fully committed to ensuring that the IDC conducts its business according to the highest ethical standards and principles of good governance. We continue to ensure that sound governance practices that promote accountability, transparency, ethical conduct, fairness, responsibility and social development are entrenched throughout the business. This is done to support the Corporation's strategic objectives and its delivery of stakeholder value.

In the year under review, the Board continued to strengthen governance structures and frameworks across the IDC, its subsidiaries and investee companies to improve its oversight role. To this end, a revised and updated Corporate Governance Framework for IDC subsidiaries and Investee Companies was approved and implemented. In addition, training on the Protection of Personal Information Act (POPIA) was conducted throughout the organisation to ensure that all IDC staff understand best practice for processing personal information and protecting people's right to privacy. In line with our policy of disclosing the business partners of IDC-funded transactions, the list continues to be updated on the IDC website.

Acknowledgement

On behalf of the Board, I thank the CEO, TP Nchocho, his executive team, as well as the management and staff of the IDC, for their continued commitment to the fulfilment of our developmental mandate during these challenging times. We welcome the new members of the executive management team and look forward to their contribution to strengthen the Corporation.

My sincere gratitude goes to my colleagues on the Board for their dedication, wisdom and counsel. To all our stakeholders – thank you for your unwavering support.

Our gratitude is also extended to the Trade, Industry and Competition Minister, Ebrahim Patel, and his colleagues at the dtic for their consistent support and guidance, and to the honourable members of the Portfolio Committee on Trade, Industry, and Competition for their continuing oversight, guidance, and support.

BA Mabuza
Board Chairperson
29 July 2021

EQUAL ELM

Funding women-owned business

Transformation and empowerment of women-owned enterprises are key to the IDC's mandate. Post-1994, the IDC has been a trailblazer in the women economic empowerment landscape, helping to fund and establish several successful women-owned enterprises.

One such recent beneficiary of IDC funding is Equal ELM – a black youth female-owned business. This business, based in Brakpan East of Johannesburg is 100% owned by Lozien Jarvis. Jarvis's perseverance and knack to spot a business opportunity, is what led to the establishment of Equal ELM. In June 2018, Power Protect (Pty) Ltd, a then-leading engine protection manufacturer, which supplied protection and fleet management systems to the transport and mining industries officially stopped trading.

Power Protect's demise suddenly created a gap in the market, prompting Jarvis to establish Equal ELM. This development not only helped retain jobs but preserve a combined 67 years of knowledge and experience. It's this experience that has helped the company to maintain a competitive edge in a cutthroat business dominated by industry heavyweights. IDC funding from the inception of Equal ELM to a recent Covid-distress facility has been critical to helping grow the company.

Equal ELM's products are compatible with numerous well-known truck brands such as FAW, Scania, MAN as well as 'yellow' mining equipment such as BELL, CAT and Komatsu. Even more encouraging, all of Equal ELM's electronic equipment and mechanical components are designed and manufactured in South Africa and assembly of the components into final product follows a strict quality assurance process.

COMPANY OVERVIEW

WHAT IS THE IDC?

The IDC was established in 1940 by the Industrial Development Corporation Act, 22 of 1940 and is fully owned by the South African government. IDC priorities are aligned with the national policy direction set out in the National Development Plan (NDP) and industry masterplans. The IDC mandate is to maximise 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 and worker ownership schemes. In doing so, the IDC 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 development finance.

PURPOSE

- Grow sustainable industries
- Support entrepreneurs
- Improve lives

VISION

Create globally competitive industries realising Africa's potential

VALUES

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

- Passion
- Partnership
- Professionalism

OUR FUNDING MODEL

The IDC is funded through:

- Divestment of mature investments
- Internal profits
- Borrowing in domestic and international markets

We use this capital to provide funding to businesses in the form of loans and equity investments

LOAN FUNDING

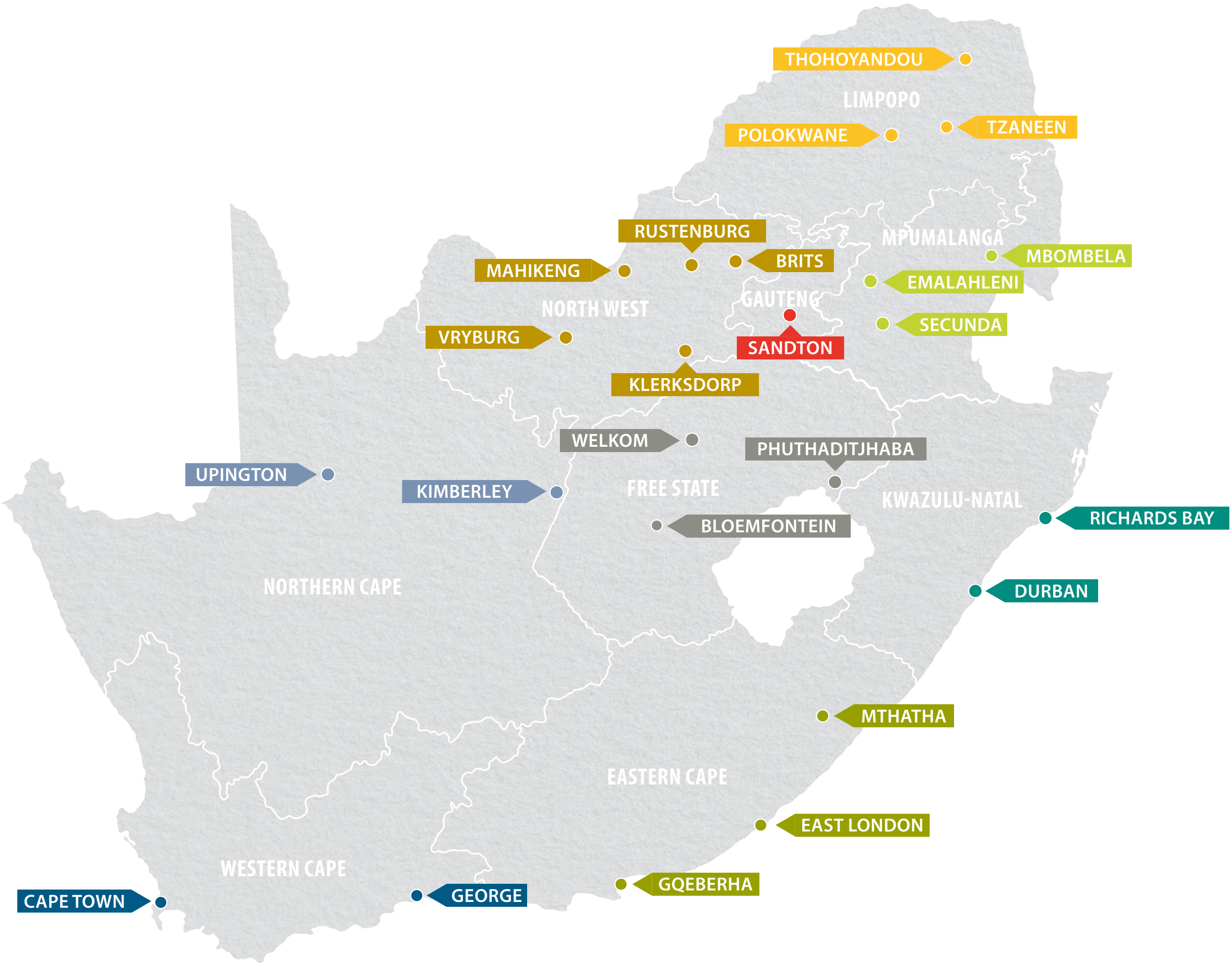
- Interest payments
- Capital repayments

EQUITY FUNDING

- Dividend receipts
- Capital growth and realisation

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

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

BUSINESS MODEL

INPUTS

FINANCIAL CAPITAL

- R147 billion in assets
- Dividends and capital profits from equity investments
- Interest and capital repayments from loans provided
- Borrowings
- Funds leveraged from other funders.

SOCIAL CAPITAL

- 16 transactions for clients in the social and solidarity economy
- Network of entrepreneurs, clients and project partners
- Strong government ties
- Other funders and development partners
- Social enterprise and special intervention programmes.

NATURAL CAPITAL

- The IDC provides funding to businesses that potentially have a large environmental impact. To mitigate this risk, it upholds strict environmental standards
- Renewable energy portfolio and investment in energy-efficiency technologies.

HUMAN CAPITAL

- 804 employees (2019/20: 838)
- Development-focused approach
- Diverse workforce of competent and skilled professionals.

INTELLECTUAL CAPITAL

- High level of industry knowledge and experience
- Project development and deal-making experience
- Macroeconomic and industry-specific research.

MANUFACTURED CAPITAL

- 13 regional and nine satellite offices across the country
- Information technology (IT) infrastructure and systems.

ACTIVITIES

PROVIDING FUNDING FOR INDUSTRIAL DEVELOPMENT

- Assessing the viability of business plans
- Providing funding to potentially viable businesses
- Developing and funding industrial projects
- Sourcing partners for industrial projects.

SUPPORTING FUNDING ACTIVITIES

- Investing in, attracting, developing and retaining, and rewarding employees
- Providing a safe work environment conducive to constructive contributions
- Instilling a culture of responsible leadership
- Transforming the workplace through employment equity.

CORPORATE SUPPORT ACTIVITIES

- Maintaining and investing in managing finances
- IT systems and data
- Continuous improvement of processes
- Maintaining good governance
- Complying with laws and regulations
- Managing risks and marketing the business.

SUPPORTING INDUSTRY DEVELOPMENT

- Providing non-financial support to entrepreneurs
- Developing and managing specialised funding products to address specific development outcomes
- Undertaking industry and economic research
- Participating in government, private sector industry and economic development initiatives.

SUPPORTING HUMAN CAPITAL

- Sourcing and managing loans and other funds at the lowest possible cost to pass the benefits onto clients
- Managing the portfolio of loans and investments to ensure that payments, interest and dividends are collected and mature investments exited.

MANAGING ENVIRONMENTAL IMPACT

- Assessing the potential impact of businesses funded and mitigating risks
- Monitoring the carbon emissions and environmental policies of subsidiaries and major investment beneficiaries
- Promoting investments in the green economy and providing funding that reduces companies' environmental impact
- Reducing environmental impact through recycling and reducing energy and water efficiency.

KEY RISKS

- Impact of Covid-19 on IDC business
- Macroeconomic conditions and developments
- Job creation
- Electricity supply
- Funding risk
- Sector concentration and listed share portfolio volatility
- Developmental finance support to fellow state-owned companies
- Performance of significant investments
- Credit and investment risk
- Winning organisational culture
- Expectations of the IDC's impact not aligned to its available resources
- Climate risk.

OUTPUTS

FUNDING PROVIDED

R5.6 billion committed (2019/20: R10.2 billion)

R6.3 billion disbursed (2019/20: R12.4 billion)

R42 million approved for Corporate Social Investment (CSI) – (2019/20: R46.6 million) and

R74 million for funding social enterprises, special interventions and trusts (2019/20: R62.1 million)

OTHER DEVELOPMENT ACTIVITIES

- Industrial research (digital media landscape; pumps and valves industry; regional rice value chain; clothing, textiles, footwear and leather sector performance; integration of services in South African manufacturing; boatbuilding industry; agricultural machinery and equipment value chain; big data landscape; additive manufacturing landscape)
- Participation in industry masterplans
- Support to the South African Investment Conference
- Management of special funding schemes
- Green Paper on Social Enterprises
- Hosting of specialised units to support policy implementation – Infrastructure South Africa Technical Task Team and the Department of Trade, Industry and Competition (the dtic) Special Economic Zone Project Management Unit.

OUTCOMES

COMMUNITY DEVELOPMENT

647 direct jobs direct jobs created

5 389 individuals benefitting from social enterprise and special intervention programmes (2019/20: 2 850).

EMPLOYEES

85 employees benefitting from staff bursary programme (2019/20: 153)

88% black employees (2019/20: 87%)

55.5% female employees (2019/20: 54.8%)

R1.0 billion for staff salaries and benefits (2019/20: R1 billion).

ENVIRONMENTAL FOOTPRINT

Scope 1 and 2 emissions intensity per employee for IDC at **6.1 tCO^2e** (2019/20: 7.7 tCO^2e).

TRANSFORMATION

R1.3 billion funding committed for black-owned companies (2020: R4.8 billion) with R3.0 billion for Black Industrialists (2019/20: R5.1 billion)

An additional **R2.6 billion** for black-empowered companies (2019/20: R 2.8 billion)

R599 million of funding committed for women-empowered companies (2019/20: R3.3 billion)

R92 million funding committed for youth-empowered companies (2019/20: R768 million)

Level 1 Broad-Based Black Economic Empowerment (B-BBEE) rating for IDC (2019/20: Level 2).

JOB CREATION

Funding committed expected to create and save **13 354** jobs (2019/20: 20 152).

TRADE-OFFS

Funding for capital-intensive vs labour-intensive industries

Leveraging more funding from the private sector vs increasing the IDC's share of funding for projects

Prioritising high levels of funding approvals and disbursements vs partnering for growth and sustainable development

Focusing on project development vs transactions with short-term outcomes

Supporting transactions that create new jobs vs assisting companies in distress and saving jobs

Taking more risk vs reducing impairments

Maximising short-term impact vs ensuring long-term financial sustainability

Increasing industrial development vs negative environmental impacts

GOVERNANCE

Good corporate governance is integral to a sustainable business. The IDC has always endeavoured to implement sound governance practices aligned with best practices. This is also a requirement for funded companies.

The IDC's corporate governance structures are designed to ensure that the Board and executive management exercise their fiduciary duties effectively and efficiently in a fair and transparent manner.

KEY STAKEHOLDERS

This Integrated Report shows how the IDC, as a partner for growth, creates stakeholder value. Stakeholders are persons, groups or organisations with an interest or concern in, or influence over, the IDC and who can affect or be affected by its objectives, policies and actions.

IDC stakeholders	How the Corporation engages	Stakeholder needs and expectations	IDC expectations	How the Corporation creates value
Clients and business partners	• Regional roadshows • Business support • Customised products and services • Client events • Government-sponsored events • One-on-one engagements • Surveys.	• Transparent and efficient application process • Business support • Affordable and appropriate pricing.	• Innovative business plans that address South Africa's developmental needs • Honour financial and other undertakings.	• Providing funding to grow industries • Funding for Black Industrialists, women, youth and other entrepreneurs • Strengthening businesses through business support • Interest and repayment rates linked to development impact.
Shareholder	• Annual general meetings • Board strategy sessions • Presentations and reports to Portfolio Committee on Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour • Integrated Report.	• Transparency and good governance • Risk management and compliance • Operational efficiency • Thought leadership • Lead sustainable industrial development.	• An enabling policy environment • Policy certainty • Strategic leadership.	• Investment in government priority areas • Socio-economic development to fulfil mandate.
Employees and prospective employees	• One-on-one engagements with staff • Team and divisional engagements • Internal and external communication platforms • Chief Executive Officer (CEO) feedback sessions • Human capital initiatives (e.g. Employment Equity Forum) • Staff engagements and culture surveys • Involvement in strategic initiatives • Management-union structures.	• Job security • Reward and recognition • Employee development programmes and personal growth • Good work environment • Ability to make a valuable contribution to South Africa's development ambitions.	• Motivated and empowered employees • Living the IDC's values • To be brand ambassadors • Further the IDC's development agenda • Enthusiasm, commitment and skills • Service delivery mindset • Awareness of the IDC's funding activities and developmental impact.	• Transformation • Personal development • Remuneration linked to performance and value created • Staff awareness of how their work contributes to the IDC's value proposition.
Regulators, rating agencies and funders	• Credit ratings • Investor roadshows • Integrated Report • Results announcements • Stock Exchange News Service (SENS) announcements • UNEPFI community participation.	• Transparent and effective corporate governance • Financial sustainability.	• Low lending rates • Consultation • Understanding the IDC's operating context.	• Funding schemes • Input for policy development • Leveraging funding to benefit South Africa • Industry and economic development.
Communities	• Regional offices • Social enterprise and special initiatives • Community trusts linked to the IDC's investments • CSI initiatives • Due diligence on environmental and social impact of investments.	• Job creation • Supporting climate-resilient industries • Wide dissemination of benefits • Business opportunities and inclusive growth • Compliance with environmental and social legal requirements.	• Support for IDC-linked projects • Participation in IDC initiatives • Sustainable water resources • Productive land.	• Funding projects that create jobs • Community and worker shareholding in IDC-funded projects • Social and community projects • Benefitting from poverty reduction • Sustainable industrial development • Using natural resources to create value for current and future stakeholders.
Other partners	• Engagements with academics, industry bodies and experts, development finance institutions (DFIs), state-owned enterprises (SOEs), research institutions and organisations.	• Funding and participation in pilot initiatives • Influencing policy development.	• Entrepreneurship and innovative solutions • Mutual partnership.	• Knowledge networks that support sustainable industrial development and address the needs of society.

IDC stakeholder engagement is governed by its stakeholder engagement strategy and plan. External stakeholders are prioritised as below:

The stakeholder's influence over the IDC	The IDC's impact on the stakeholder: Low	The IDC's impact on the stakeholder: Medium	The IDC's impact on the stakeholder: High
High	• Rating agencies • Public Servants Association of South Africa.	• Regulators • Government departments not mentioned elsewhere in the table with an interest in IDC-funded sectors • National Treasury • Mature listed investments in which the IDC has a low shareholding • Department of Small Business Development (Small Enterprise Finance Agency – sefa).	• 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 • the dtic • IDC subsidiaries.
Medium	• Media.	• The unemployed • Organised labour • Banks and other financial services providers • Government departments not mentioned elsewhere in the table • Governments of African countries other than South Africa • Business associations • SOEs.	• Communities around IDC- funded projects • Provincial governments.
Low	• Former employees • Potential employees • Higher education institutions • Activist bodies.		• Suppliers.

The IDC's impact on the stakeholder

The IDC values client feedback, and conducts client satisfaction surveys quarterly and annually to monitor sentiments. The annual survey is aimed at existing clients, i.e. those whose funding has been approved and, thus, would have gone through the IDC application process, including Post Investment. The satisfaction rating for 2021 financial year was 7.6 (2019/20: 7.6) on a scale from 1 to 10.

Respondents to the survey in 2021 cited issues such as slow turnaround times, insufficient feedback and a need to be more solutions driven. These aspects are addressed in the IDC's new strategy, in which client-centricity is a key focus area.

Internal stakeholders are discussed in the human capital section of this report.

MAKING TRADE-OFFS

Competing needs from multiple stakeholders in a capital-scarce environment require certain trade-offs. This requires proactively tough, yet balanced, decisions to direct resources effectively towards strategic focuses that will create the best long-term value while balancing the short-term needs of stakeholders.

Description	Affected capitals
Funding for capital-intensive vs labour-intensive industries The IDC targets job creation to alleviate unemployment. Investment is balanced in more capital-intensive industries that do not create many direct jobs but potentially unlock downstream economic activity and increase competitiveness with investment in more labour-intensive downstream businesses that create jobs, often at a lower cost but without a catalytic impact on industrial or value chain development.	
Leveraging more funding from the private sector vs increasing the IDC's share of project funding The IDC prefers other funders, including project promoters, to participate in project funding to avoid crowding out investment and allow allocation of its 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. These projects require an increase in IDC funding, especially where the potential impact is considerable.	
Prioritising high levels of funding approvals and disbursements vs partnering for growth and sustainable development Given its countercyclical role, the IDC has over the past few years 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 sustainable. This negates the expected development impact and depletes 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.	
Focus on project development vs transactions with short-term outcomes The IDC aims to develop industries proactively, specifically those essential to the prioritised value chains. Resource allocation is optimised between achieving short-term goals and investing in activities with long-term impact.	
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. It also funds businesses experiencing difficult trading/operating conditions to build their strengths and improve their competitiveness. Countercyclical assistance to distressed companies with long-term sustainability potential avoids negative deindustrialisation costs.	
Taking more risk vs rebalancing the 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. Increased funding/decreased impairment conflicts are managed by continuously strengthening Post Investment processes and monitoring high-risk clients. This includes proactive assistance to clients before they become financially stressed. Decisions that reduce the IDC's financial risk, such as not continuing support for an unsustainable business, may result in negative social impacts such as job losses. These considerations are taken into account before such decisions are made.	
Maximising short-term impact vs ensuring long-term financial sustainability High short- and medium-term funding levels can deplete the IDC's longer-term funding capacity, which is exacerbated if funding does not deliver short-term returns. The IDC will continue to monitor economic conditions and assess its capacity to increase funding levels by considering the performance of its mature portfolio and new investments.	
Increased industrial development vs negative environmental impacts The IDC funds economic growth. Economic activity, especially industrial development, can negatively affect the environment and communities. Degrading environmental resources, such as poor soil quality or polluted water resources, and insecure access to natural resources such as water, can stunt long-term economic growth. Before investing, the IDC assesses the potential negative environmental and social impacts of projects through robust due diligence.	

SELECTED PERFORMANCE INDICATORS

Performance targets are agreed with the shareholder on an annual basis. The complete list of indicators, targets and performance against these is included in the separate Annual Financial Statements publication. Below is an excerpt with the most important indicators. Indicators and targets for the year under review were adjusted to take into account the exceptional operating environment.

Indicator	2021		2020	2019
Development impact	**Target**	**Actual**	**Actual**	**Actual**
Value of IDC own funding disbursed (R'bn)[1]	8.4	6.3	12.1	11.4
Value of funding disbursed from managed programmes, third party funds and guarantees issued (R'bn)[2]	1.1	1.1	N/A	N/A
Aggregate support for Covid-19 for emergency support and distressed funds[2]	3.0	1.4	N/A	N/A
Funding to targeted groups (Black Industrialists, women-entrepreneurs and youth-entrepreneurs) (R'bn)[2,3]	1.8	1.6	N/A	N/A
Funding to Black Industrialists (R'bn)[4]	1.5	1.4	2.7	4.7
Expected direct jobs created and saved (number)[5]	8 500	13 354	10 205	17 887
Financial and efficiency indicators				
Impairments as a percentage of the portfolio at cost (%)	<5 percentage point increase in ratio	1.1 percentage point increase in ratio	36.8	28.4
Minimum end-of-quarter liquidity coverage ratio (%)[2]	100%	102%	N/A	N/A

[1] For 2020, new financial guarantees that have been issued are included.
[2] New indicator included for 2020/21.
[3] New funding approved before cancellations
[4] 2020/21: New funding approved before cancellations; 2018/19-2019/20: Value of deals signed, net after cancellations
[5] 20/2021: Number of jobs for new transactions approved before cancellations. Includes jobs sustained for funding approved for Covid-19 distressed funds; 2018/19-2019/20: Jobs for transactions signed, net after cancellations

STRATEGIC BUSINESS RISKS

The Corporation's annual risk assessment identified the following high- and medium-ranking strategic risks that could have a material impact on the achievement of objectives.

Strategic pillar	Risk name and description	Risk mitigation	Final risk rating
Increased industrial development	**Macro-economic conditions and developments** Adverse macro-economic conditions (domestically and/or globally) and/or sovereign credit downgrades impacting the IDC's business and its ability to achieve strategic targets	External environment: 1. Monitoring of quarterly targets 2. Scenario analysis and impact on IDC contingency plans 3. Research and Information (R&I) analysis of economic, political, industrial and other events Internal controls: 4. Quarterly budgeting forecasts 5. Impairment interventions 6. Post Investment and Asset and Liability Committee (ALCO) activities 7. Scenario analysis.	High
	Development impact for targeted groups (Black Industrialists, women and youth) and localisation Inability to achieve the desired developmental impact through transformation and economic growth within targeted groups and localisation initiatives	1. Preferential pricing given to Black Industrialists 2. Special schemes for youth and women 3. Corporate and Strategic Business Unit (SBU) targets set for funding to Black Industrialists, women and youth and localisation 4. Black Industrialist Framework in place 5. IDC participation in DTI Incentive Forums for Black Industrialists.	Medium
	Capitalising on Africa opportunities Inability to capitalise on Africa (continental coverage) opportunities resulting in non-achievement of Africa targets	1. Continental coverage unit in place 2. Country risk rating model utilised 3. Business planning process assesses value chain strategies 4. Key performance indicator for continental coverage investment included in Corporate and team targets.	Medium
	Job creation Inadequate contribution to job creation	1. Incentivise job creation in transactions through concessionary rates 2. Greater emphasis on activities in sectors that create more jobs and support for transactions in upstream industries and infrastructure that will unlock job-creating activities 3. Prioritise projects with a potential high impact on job creation.	High
	Building new industries and investment in Fourth Industrial Revolution (4IR) Inability to capitalise on new industries and 4IR opportunities and make a significant impact in this space	1. SBUs have industry development managers to identify emerging trends and technologies 2. R&I is consulted for research on trends 3. 4IR mandate for all SBUs 4. Internal awareness campaigns 5. Strategy on external impact of 4IR 6. Strategy on internal impact of 4IR 7. Partnerships with other industries on 4IR.	Medium
	Electricity supply The risk presented to the IDC's investments due to unreliable electricity supply	1. Alternative power generation such as renewable energy 2. Invest in co-generation at highly affected business partners and subsidiaries 3. Maintain own-generation capacity at the IDC's offices in the event of electricity failures.	High

Strategic pillar	Risk name and description	Risk mitigation	Final risk rating
Maintain financial stability	**Sector concentration (volatility in share portfolio)** Concentration in the IDC's portfolio resulting in fluctuations in the value of investments impacting on dividend income and the strength of the balance sheet	1. Analysis and monitoring of investments 2. Recommendations are presented to Exco and Board 3. IDC Board seats in some significant investments 4. Financial scenario analysis by Financial Management 5. Tracking and forecasting of the portfolio against set targets.	**High**
	Performance of significant investments Financial viability of significant investments and their ability to deliver effectively	1. Representation on key subsidiary boards 2. Monitor performance of subsidiaries and significant investments continuously 3. Dedicated department, Subsidiaries and Significant Investments Department (SSID), in the IDC to monitor and support these investments.	**High**
	Credit and investment risk Risk resulting from non-payment by the IDC's business partners and non-recoverability of investments	1. Post Investment Management Department (PMID) and SSID housed in a dedicated CSG division to monitor client performance and collections 2. Manage risk through quarterly Investment Monitoring Committee (IMC) meetings to ensure that appropriate intervention strategies are in place to address risk 3. Well-defined Credit and Investment Policy and approved Delegation of Authority Policy in place to authorise transactions 4. Business support given to Business Partners to address specific deficiencies 5. Implementation and monitoring of impairment interventions by Exco and Board Risk and Sustainability Committee (BRSC) 6. Impairment Reduction Strategy developed and implemented 7. Workout and Restructuring Department assists with the turnaround of clients in financial distress 8. Formation of Distressed Deferment Forum (DDF) and Portfolio Monitoring Technical Committee (PMTC).	**High**
	Unrealistic disbursement targets Unrealistic disbursement targets drive the focus on achieving short-term goals only and this may not be sustainable in the long term and could result in the erosion of the IDC's balance sheet	1. Board responsibility for the IDC's strategy and continuous engagement with the shareholder representative about the IDC's priorities 2. Strategy planning sessions incorporate the Board and management.	**High**
	Funding risk Inability to raise the desired amount of capital to fund transactions and investments	1. Funding plan rigorously managed across different areas 2. Strong and enhanced relationship with funders/sources of capital 3. Imminent risks flagged with shareholder 4. Continue to pursue high-risk appetite funders 5. Off balance sheet funding through new unit, Financial Services Partnerships.	**High**

STRATEGIC BUSINESS RISKS CONTINUED

Strategic pillar	Risk name and description	Risk mitigation	Final risk rating
	Impact of Covid-19 on the IDC Business The threat of Covid-19 on the IDC's Business Continuity, Liquidity position and IDC's ability to deliver on the countercyclical mandate	1. Crisis management committee set up to ensure minimal disruption to the IDC business 2. Business Continuity plans invoked 3. Health and Wellness function 4. Liquidity cash preservation processes and weekly meetings 5. Co-funding arrangement with other financial institutions 6. Sound and solid relationships with different funders 7. Prioritisation and close monitoring of disbursements and collections 8. More proactive stakeholder and reputational risk management approach (with funders and clients) 9. IDC Covid-19 special funding offered 10. IDC Covid-19 Essential Supplies Facility offered 11. IDC Covid-19 Distressed Funding Facility offered 12. IDC Covid-19 Capital and/or Interest Deferments.	Medium
Human, social, natural and manufactured capital	**High-performance culture** Inability to maintain a high-performance culture due to insufficient capacity and skill to deliver on the IDC mandate	1. Culture Transformation Plan and Change Management Plans approved and in progress 2. Continue with the rollout of the Corporation's leadership journey and focus on mentorship programmes 3. Employee engagement programmes 4. Organisational realignment 4.1. Implement a revised organisational design to support the new operating model 4.2. Continue with the rollout of change management, supportive of the new organisational design 5. Effective Performance and Consequence Management 6. Leadership capacitation to support culture transformation 7. Knowledge management programme to retain 'Corporate memory' 8. Workplace skills plan and individual development plans.	Medium
	Change management and implementation of the Long-Term Sustainability Plan (LTSP) Inadequate/inefficient change management processes to support the implementation of the LTSP	1. Revised organisational structure to support and guide the new operating model 2. Change management framework and plan 3. Communication and engagement with staff on change management initiatives 4. Communication and engagement with union on change management initiatives 5. Leadership and Culture Transformation Journeys.	High
	Governance, ethical conduct and behaviour The risk of internal/external financial crime including unethical business practices and behavior due to failure in governance processes	1. Delinquent Register 2. IDC policies (Financial Crime Prevention Policy, Politically Exposed Person (PEP)/Prominent Influential Person (PIP) policies, Anti-Money Laundering (AML) Policy, Director Nomination Policy 3. Audit, Risk and Social and Ethics Committees 4. Whistleblowing Policy and "Tip-offs Anonymous" process 5. Code of Business Ethics and Conduct 6. Systems and Procedures Committee 7. Application of funding reviews 8. Publication of all approvals 9. Annual Conflict of Interest Review 10. Corporate Governance Framework 11. Delegation of Authority 12. Conflict of Interest Policy (for Board Directors) 13. Training for Directors 14. Annual Board effectiveness review 15. Pre-and post-governance reviews for investee/subsidiaries.	Medium

Strategic pillar	Risk name and description	Risk mitigation	Final risk rating
Human, social, natural and manufactured capital	**Legal and Regulatory Compliance** Risk of IDC and business partners not meeting their legal/ contractual and regulatory requirements	1. Legal due diligence performed on all clients 2. Compliance training to all staff on key legislation 3. PIMD and SSID monitoring of funding agreements and reporting on breaches 4. In-house specialised legal services 5. Compliance policy and annual plan 6. Regulatory Universe 7. Delegation of Authority Matrix 8. Collections Monitoring Forum 9. Standardised legal documentation 10. Process on signing off Conditions Precident (CP) 11. AML and Sanctions Policy (FICA) 12. PEP/PIP Policy.	**Medium**
	IT Security and Cyber-risk Risk of unauthorised access to electronic information could lead to information being compromised	1. Firewall 2. Intrusion detection layer 3. IT Security awareness and training. 4. Antivirus software 5. Daily monitoring by IT Governance and Network teams 6. Penetration testing.	**Medium**
	Climate Risk IDC's investments are exposed to physical and transition risks from climate change. Physical risks reported by IDC subsidiaries and investee clients in the past year included drought and resultant water- and food-insecurity, severe storm damage and changes in the viability of crops. Transition risks included the introduction of South Africa's carbon tax. Companies expecting transition risks in access to green finance and changes in border carbon adjustments for exports to have a negative impact in the medium- to longer term	In 2021/22, the Corporation will undertake a climate risk scenario analysis of its most carbon- and climate-sensitive investment portfolios, guided by the Taskforce on Climate-related Financial Disclosure In 2020/21, the IDC engaged subsidiaries to determine the impact of carbon tax, which became payable for the first time in June 2020, and to identify where carbon-offsets should be prioritised.	**High**
	Customer service Ensuring superior customer service without compromising the quality of transactions	1. Service charter 2. Complaints management policy 3. Performance management system 4. Corporate score index (5% of corporate score). 5. Acknowledgement of service stars (punting the service culture) 6. IDC values (partnership, professionalism and passion) 7. Recognition of superior service (star awards for customer service) 8. Training of staff on customer service 9. Service champions.	**Medium**

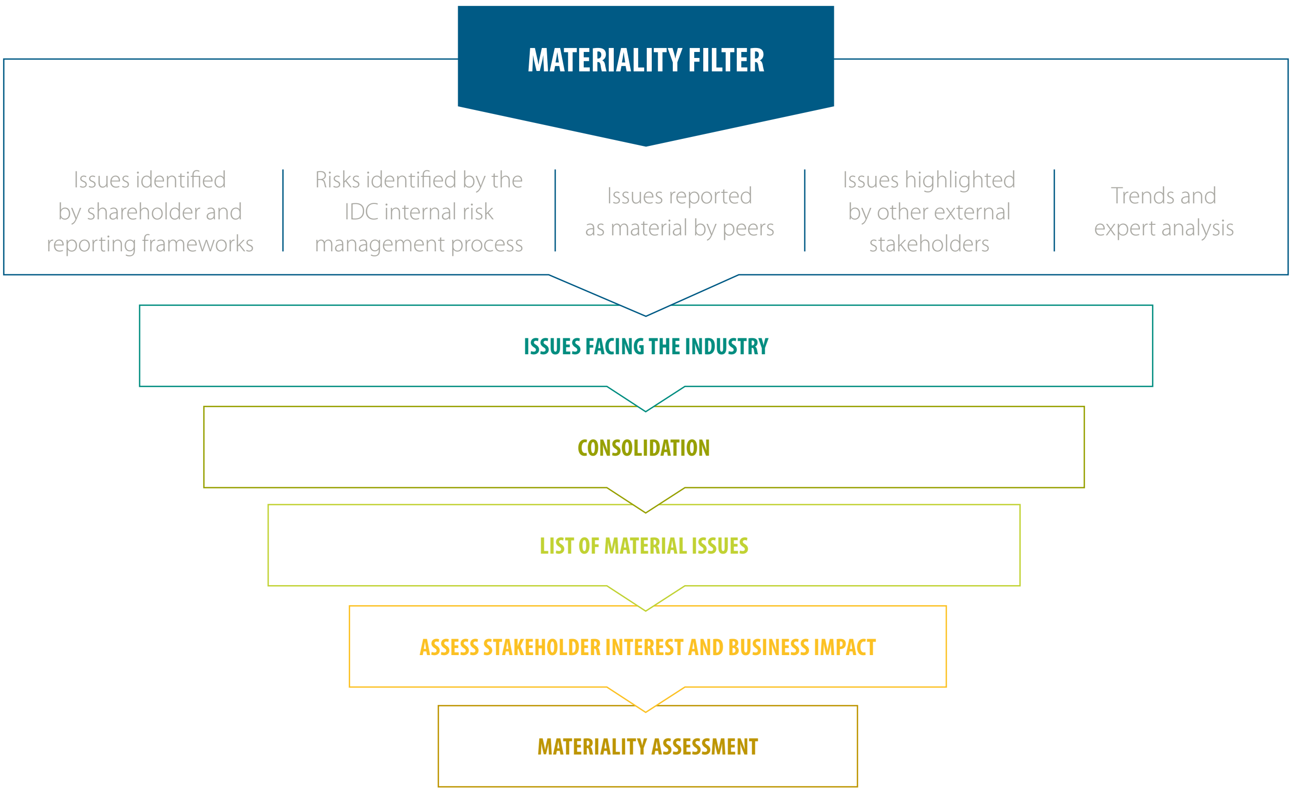
MATERIALITY

The materiality discussion points out information that could potentially impact the decisions of stakeholders. It involves the IDC's strategy, governance, performance and prospects, and shows how the Corporation creates value over time by taking into account risks, opportunities and anticipated outcomes. Performance is measured against the basic expectations of international financial instruments, standards and best practices. Annual audited results reflect the IDC's efforts in terms of the external environment and enable it to refine planning and processes.

A materiality determination process is embedded in IDC processes and it continues to build up the integrated thinking capabilities advocated by the guiding principles of the <IR> Framework.

During every reporting cycle, the Corporation revisits previously identified material matters and considers financial and non-financial information gathered from boardroom discussions and stakeholder groups. Issues are prioritised based on significance and probability of occurrence. This year, Covid-19 was added to the list. The long-term implications of the pandemic are yet to be seen, but undoubtedly it has permanently changed how the world works and conducts business.

The diagram below illustrates the methodology used to arrive at the list of priority issues.



1 COVID-19

A global economic crisis arose when the world responded to the threat of Covid-19. Many economic activities were shut for several weeks, leading to massive job losses, especially affecting vulnerable groups. The volatility of the environment prevented the implementation of the IDC's approved Corporate Plan and a short-term transitional plan was developed. Day-to-day business operations were adjusted and a multipronged action plan was announced. Specific Covid-19 funding interventions were developed, including financing for emergency supplies and a Covid-19 scheme to support distressed companies. as the IDC extended lifelines to its clients in deferments, moratoria and restructurings, liquidity management and short-term disbursements.

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

2 INDUSTRIAL DEVELOPMENT

The IDC supports government imperatives through pursuing its main purpose of industrial development. While the impact of the Covid-19 pandemic on our operations compelled us to reprioritize our investments during the year under review, the IDC is key to the implementation of industrial policy as expressed in various industry Master Plans and in supporting government's Economic Reconstruction and Recovery Plan. This includes small industrial finance for which a dedicated channel was established. This year also witnessed the enhancement of important capabilities in the organisation. These include increased capabilities for stakeholder management, project development, fund management and dedicated market coverage competencies.

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

3 SOCIO-ECONOMIC DEVELOPMENT

The IDC's development outcomes are aligned with international frameworks and protocols and with the SDGs. It supports global initiatives such as the Global Compact and is a member of many platforms and organisations that further the universal sustainability agenda. The Corporation seeks out sustainable projects and looks to strengthen commercial interactions while pursuing opportunities to generate employment, develop infrastructure and reduce inequalities.

1 NO POVERTY
2 ZERO HUNGER
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

4 CLIENT EXPECTATIONS

Operations functions are consolidated in the office and division of the Chief Operations Officer to maintain a seamless operations value chain. Client experience and complaints management is now centralised within our front office operations and a dedicated team consolidates, analyses and reports on client insights. A technical services team provides deal support throughout the transaction lifecycle. This structure delivers a consistent experience at every client touchpoint, promoting a culture of accountability and continuous improvement. Ongoing automation of financial management promotes higher efficiency and improved turnaround times. New technology and digitisation will provide clients with performance and compliance improvements.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

5 HUMAN CAPITAL

The IDC strives to attract, develop, retain and reward the best talent. Employees adapted to and embraced the new way of work and they are enabled and encouraged to engage on numerous issues. The Corporation measures cultural entropy and invests significant time and resources in its most important asset.

4 QUALITY EDUCATION

MATERIALITY CONTINUED

6 PARTNERS

The IDC is committed to collaborating with other DFIs and with policymakers on industry initiatives such as masterplans and a team was established to leverage third party funds to scale developmental outcomes and economic impact. The Partnership Programmes unit aims to create partnership excellence to crowd in public and private sector partners to share risk and provide funding to optimise developmental outcomes. Earlier integration of local economic development initiatives is sought, strategic outcomes and partners identified, partnerships and programmes managed and outcomes measured and reported.

7 GOVERNANCE, RISK, AND COMPLIANCE

The IDC promotes good corporate governance practices in the companies it funds. A Schedule 2 entity as per the PFMA, it incorporates King IV Code of Good Governance Principles in its processes. The IDC guards its untainted reputation and proactively develops and implements policies to deter corruption and bribery. Board evaluations are conducted and practices are in place to reveal conflicts of interest and politically exposed persons. Remote working conditions highlighted the importance of safeguarding data and business information and systems, processes and software programmes are continuously improved.

8 FINANCIAL SUSTAINABILITY

Preservation of the IDC balance sheet by managing and directing cash flow was a key objective in the review year. The transitional plan included focus on liquidity management and investment prioritisation to reduce pressure on cash position. At the same time, economic recovery interventions were introduced, including accelerated capital raising to co-fund and project development initiatives.

Economic environment

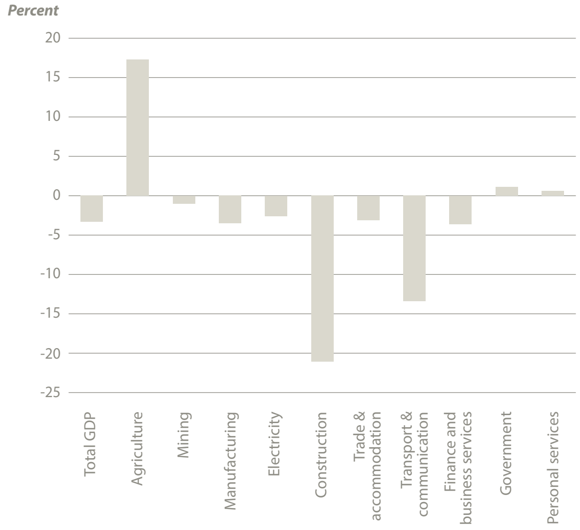
The evolving Covid-19 pandemic and measures taken worldwide to contain its spread had a highly detrimental impact on global production, trade, finance and investment during the review period. South Africa was not spared, as reflected by the 7.6% decline in its GDP in real terms over the 12 months to the quarter ending in March 2021 – the economy's worst performance in 100 years.

South Africa experienced relatively harsh lockdown restrictions during April and May 2020, which brought certain segments of the economy to a virtual halt. Intermittent power supply stoppages further complicated the business environment throughout the year, while the slow rollout of Covid-19 vaccinations towards year-end did not alleviate the prevailing uncertainty.

Despite a gradual easing of such restrictions, spending and economic activity levels were adversely affected almost across the board, as illustrated by indicators of manufacturing and mining production volumes and use of production capacity, tourism and hospitality sector activity, household consumption expenditure, retail and wholesale trade sales, motor trade, fixed-investment spending, building and construction activity, and external trade. The socio-economic impacts were devastating, with massive employment losses resulting in a steep rise in the unemployment rate to a record high of 32.6% by end-March 2021. With the substantial drop in household incomes, such developments increased poverty and inequality.

Even though activity levels recovered as restrictions were eased, output in several sectors remained substantially lower than pre-crisis levels. By end-March 2021, South Africa's real GDP was still 3.3% lower compared to that of 2019, with real value added in the manufacturing sector having decreased by 3.5%. In sharp contrast, agricultural output was 17.3% larger than in 2019.

SOUTH AFRICA GDP ACCORDING TO BROAD SECTOR IN THE QUARTER ENDING IN MARCH 2021 (PERCENTAGE CHANGE FROM 2019 LEVELS)



Source: IDC, compiled using Stats SA data

The agricultural sector expanded robustly as its activities were generally not affected by the restrictions. The sector also benefitted from favourable climatic conditions, which contributed to the second largest maize crop on record and a strong export performance, especially of citrus fruits.

The tourism industry, on the other hand, has been the most affected by Covid-19 and global and domestic measures to contain its spread. It may take years for this important labour-intensive industry to fully recover.

Business, investor and consumer sentiment fell markedly in a very difficult and uncertain economic and operating environment. Although business confidence has since recovered to some extent from the all-time lows of the first quarter of the financial year, it remained relatively weak by year-end, indicating the challenging conditions faced by private enterprises.

Fixed investment declined markedly over the financial year by 19.6%, in real terms, to its lowest level in 14 years. The private sector postponed or reconsidered several investment projects due to the difficult and highly uncertain environment, while financial constraints forced the public sector to reduce its expenditure on infrastructure development. Consequently, private sector fixed investment decreased by 21.8% over the 12-month period to March 2021 (year-on-year). The domestic investment environment was aggravated by a steep decline in foreign direct investment flows into South Africa. Weak investment activity negatively affected local companies reliant on the investment cycle as a market for their goods and/or services.

The sharp drop in global demand and lockdown-related supply chain disruptions in numerous countries were mirrored by the steep decline in South Africa's exports from March to June 2020. However, as world demand subsequently recovered and commodity prices surged, exports (especially of mining and mineral products) rebounded over the ensuing nine months. Nonetheless, in real terms, exports of goods and services during the quarter ending March 2021 were still 3.7% lower than in the same period in 2020.

The adverse economic developments that characterised the past year dented demand for IDC funding as many local companies held back on expansion projects, while new project plans were either postponed or reconsidered. Several existing clients also experienced significant financial hardship, prompting the IDC to introduce support packages to soften the impact of the economic downturn.

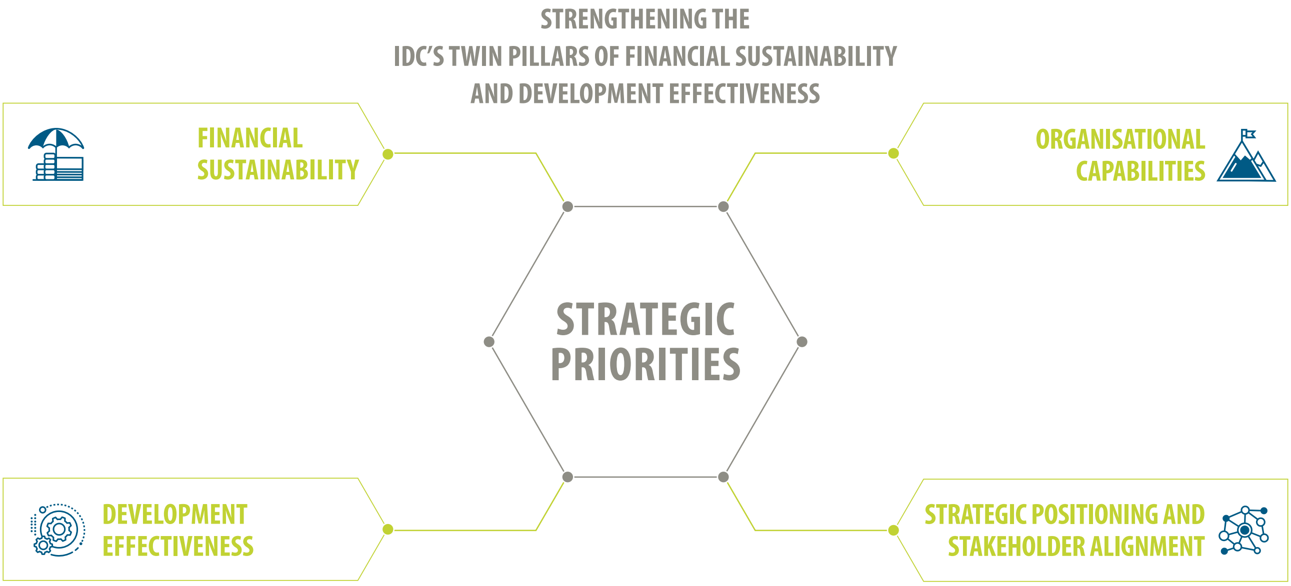
South Africa's economy is expected to rebound quite strongly over the next 12 months, following the deep recession of the past year. Fixed investment activity may remain subdued in coming months but a solid rebound is anticipated in 2022 and 2023 as demand conditions and the operating environment improve. As the growth performances of key external markets for South Africa's exports continue to recover, global sales should increase for local exporters in mining, manufacturing and agriculture. The pace of economic expansion is expected to moderate in the subsequent years, but a relatively swift and effective implementation of the Economic Reconstruction and Recovery Plan could propel the economy's growth trajectory substantially higher.

OUR STRATEGY

The IDC's Long-Term Sustainability Plan

The Corporation adopted a new strategic framework, the LTSP, in February 2020, to enhance mandate implementation. Following Covid-19 disruptions and the need to deal with the external and internal impact of the pandemic, the IDC recommitted itself to this plan.

The LTSP is premised on the 'sustainable industrial development and economic inclusion' articulated in the Corporation's vision and purpose statements. It aims to position the Corporation for enhanced development effectiveness and sustainable impact, while safeguarding its long-term financial sustainability and strengthening proactive partnership. Key elements are superior client experience and a motivated, high-performance workforce.



Investment philosophy

The IDC is a self-financing DFI contributing to economic growth, industrial development and economic empowerment through its financing activities. It operates generally as a traditional DFI, providing development finance, encouraging private sector development and, at times, providing financial products not readily available in the market, thereby taking higher risk than other financiers. DFIs play this catalytic role while achieving both developmental outcomes and financial returns through their funding activities.

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

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

- Ensuring high-quality deal origination, as no development impact is achieved if supported businesses succumb to risks that were inherent and not mitigated. This entails a sustainability-driven approach to deal with structuring and risk management of transactions
- A development finance programme can be sustainable only on the back of a progressively strengthening balance sheet
- Deal origination and business underwriting will align to a revised investment risk strategy, contributing to the progressive strengthening of the balance sheet
- High-quality deal origination must go hand-in-hand with a Post Investment approach that manages risk to create value for clients and the IDC by building sustainable businesses
- Financing partnerships/deal syndication must be prominent strategies for risk sharing and distribution
- Investment/financing activities have to be objectively planned on capital adequacy and sustainable long-term funding plans.

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

Strategic priorities

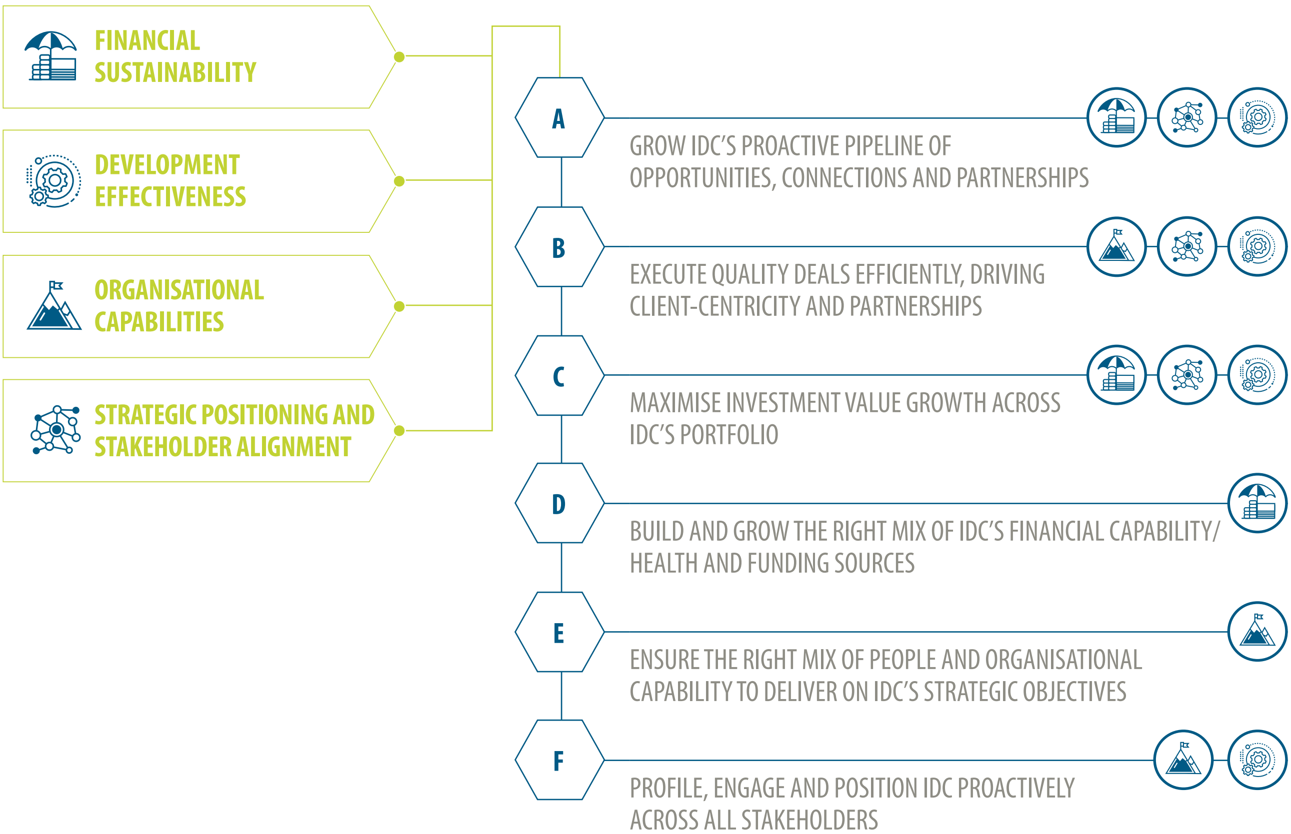
The IDC's strategic priorities have been strengthened to navigate the current realities and build resilience into the long-term strategy.

- Expansion of development programmes complemented by funding to make a meaningful contribution to industrial development
- An enhanced economic inclusion financing and support programme for sustainability
- Refined financial sustainability strategic priority imperatives to elevate balance sheet optimisation and an improved funding model, and a strategy to both preserve value of listed holdings and enhance capital
- Vulnerability of and fast-paced changes in the operating environment necessitate a focus on organisational capabilities to build an agile organisation able to withstand and adapt to shocks in the environment
- Elevated stakeholder alignment in recognition of the necessity of stakeholder engagement and partnerships in strategy implementation.

Implementing the strategy

For the IDC to achieve its vision, it needs to ensure effective strategy implementation. The Corporation's four strategic priorities are covered by six implementation themes, each addressing one aspect or more of the strategic priorities with defined, measurable, organisational improvement and transformation initiatives.

STRATEGIC PRIORITIES



DEVELOPMENT OUTCOMES AND THEIR CONTRIBUTION TO SDGS AND THE NDP

As an entity of the South African state, the IDC is an implementing agent of government policy. Given our mandate, the Corporation has a focus on implementing industrial policy. The South African government's priorities and the mandate of the IDC as a purpose driven organisation dedicated to economic development and inclusivity have significant alignment with the SDGs. IDC recognises that its actions have bearing on all 17 SDGs, either through its core or its ancillary activities. The interrelated and interconnective nature of the SDGs requires a holistic approach that enables the integration of multiple dimensions of social, economic and environmental development. We make an effort to exploit positive synergies across development, pursuing win-win situations and mutual benefits while avoiding or minimising negative side effects and impacts.

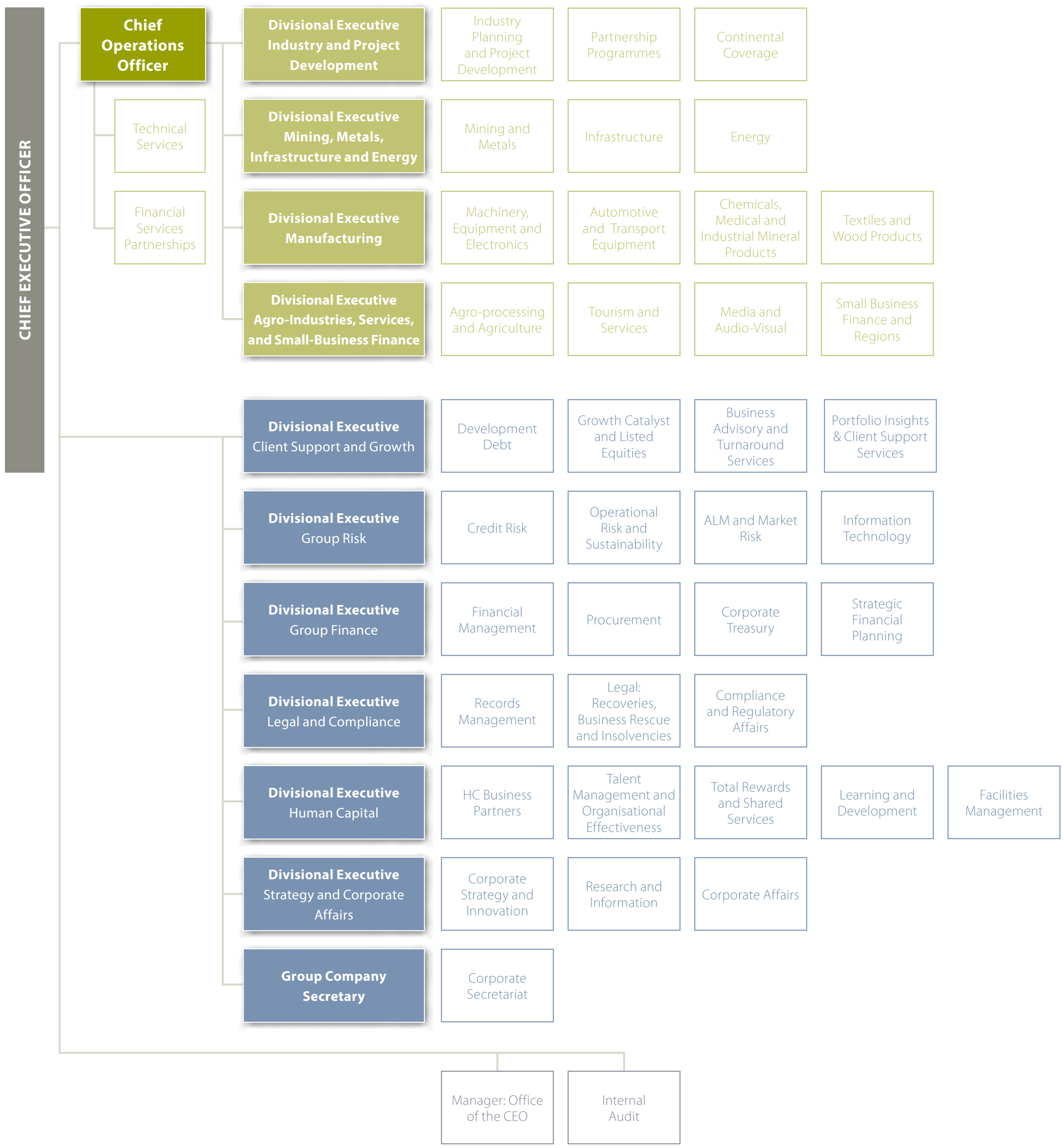
IDC activities support the implementation of the NDP, and its immediate priorities are determined in conjunction with the Minister of Trade, Industry and Competition as its shareholder representative, and captured in KPIs that are captured in its annual Corporate Plan, tabled in Parliament. In 2021, the dtic developed a set of joint indicators. These indicators were developed as a lever to ensure alignment between the priority policy objectives being pursued and those of the entities reporting to it. The table below shows how these indicators are aligned to the SDGs.

Alignment of IDC developmental outcomes to SDGs, NDP and dtic

SDG	NDP Chapter	IDC Developmental Outcome	dtic Joint Indicator
1 NO POVERTY	(11) – Social Protection	IDC provides funding and small and medium enterprise (SME) financing, and invests in infrastructure that creates employment and increases income. This improves social services and reduces poverty. Resources are mobilised for lending through partners and syndications.	
2 ZERO HUNGER	(5) – Environmental Sustainability and Resilience (6) – Inclusive Rural Economy (11) – Social Protection	IDC investments are furthering the enhancement of agricultural productivity and food security. It aims to strengthen value chains and to support small producers.	
3 GOOD HEALTH AND WELL-BEING	(10) – Healthcare for All	Chemicals, medical and industrial mineral products. The IDC directs funding to manufacturers of medicines and hygiene products. Covid-19 specific support includes financing for emergency supplies, a support scheme for companies in distress, and deferments or restructurings for existing clients.	
4 QUALITY EDUCATION	(9) – Improving Education, Training and Innovation	Educational assistance and bursary schemes are offered to staff and external beneficiaries. The greater part of our CSI funding is directed to schools, skills training programmes and education facilities.	
5 GENDER EQUALITY	(11) – Social Protection (12) – Building Safer Communities	IDC has a focus on transformation and offers financial products and business support dedicated to priority groups. The IDC Corporate scorecard includes a KPI for funds committed and facilitated for women entrepreneurs.	(5) Actions to promote transformation
6 CLEAN WATER AND SANITATION	(4) – Economic Infrastructure (5) – Environmental Sustainability and Resilience	Funding is directed to initiatives around water supply, sanitation and measures for modern waste management systems that prevent contamination of water resources.	(6) The green economy and greening the economy
7 AFFORDABLE AND CLEAN ENERGY	(4) – Economic Infrastructure (5) – Environmental Sustainability and Resilience	Investing in energy infrastructure, with a targeted focus on renewable energy.	(6) The green economy and greening the economy

SDG	NDP Chapter	IDC Developmental Outcome	dtic Joint Indicator
8 DECENT WORK AND ECONOMIC GROWTH	(3) – Economy and Employment	Decent work and economic growth is central to IDC's mandate and carries a significant weight in the IDC Corporate scorecard. IDC's contributions to this SDG are extensive and far reaching.	(4) Development model and spatial equity (3) Investment facilitation and growth (2) Contribution to the development of an AfCFTA action plan (1) Integrated support to drive industrialisation
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	(4) – Economic Infrastructure	IDC funding for water and energy initiatives as well as ICT projects, sustainable manufacturing and other infrastructure creates growth and employment. SMEs are integrated in value chains. Key activities include investment facilitated for Master Plan Sectors, localisation and project development.	(1) Integrated support to drive industrialisation
10 REDUCED INEQUALITIES	(3) – Economy and Employment (11) – Social Protection (15) – Nation Building and Social Cohesion	IDC's transformation objectives and funding support for localisation and small businesses contribute to this SDG. We participate in funding for projects in the SADC region and across the continent, we crowd in external capital and financing partners. The IDC adopted KPIs for funds committed and facilitated for Black Industrialists, Black-owned businesses and broad-based ownership, women entrepreneurs and youth entrepreneurs.	(5) Actions to promote transformation (4) Development model and spatial equity
11 SUSTAINABLE CITIES AND COMMUNITIES	(4) – Economic Infrastructure (5) – Environmental Sustainability and Resilience (8) – Transforming Human Settlements	IDC promotes integrative public spaces (green spaces) and the reduction of environmental pollution through sustainable transport systems. We support small businesses and businesses in spatial priorities, including Special Economic Zones (SEZ) and Industrial Zones. The IDC commits and facilitates funds for localisation, including public procurement and import replacement.	
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	(5) – Environmental Sustainability and Resilience	We have policies in place to ensure our investments in productive sectors cause minimal environmental damage and mitigate potential harmful impact.	
13 CLIMATE ACTION	(5) – Environmental Sustainability and Resilience	IDC is making funds available for climate change mitigation and adaptation. Priority areas are renewables, energy efficiency and forest protection/reforestation.	(6) The green economy and greening the economy
14 LIFE BELOW WATER	(5) – Environmental Sustainability and Resilience	IDC supports blue tourism initiatives and sustainable practices in the blue ocean and maritime industries.	(6) The green economy and greening the economy
15 LIFE ON LAND	(5) – Environmental Sustainability and Resilience	IDC participates in green economy stakeholder consultations, invests in eco-tourism ventures and supports sustainable practices in the energy, agriculture and tourism industries.	(6) The green economy and greening the economy
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	(13) – Building a Capable and Developmental State (14) – Fighting Corruption	IDC is committed to good governance, ethics, anti-corruption and fraud prevention. Policies to this effect have been adopted and a zero tolerance of transgressions is enforced. The IDC complies with all applicable laws and sets high standards of business ethics.	(7) Strengthening and building a capable state
17 PARTNERSHIPS FOR THE GOALS	(7) – South Africa in the Region and the World	Partnerships with DFIs and memberships and participation in national and international organisations and institutions. IDC support the development of intra-regional trade and invests in projects across the continent.	(2) Contribution to the development of an AfCFTA action plan

OPERATIONAL STRUCTURE



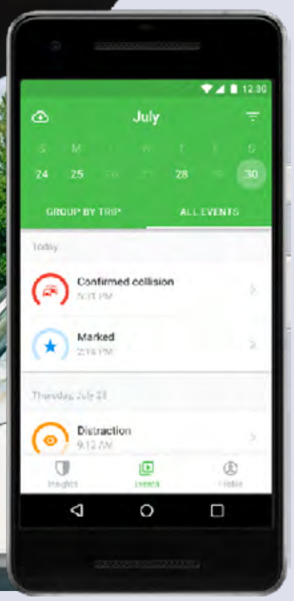
FLEETKOR HOLDINGS

Supporting development of 4IR

Fleetkor provides end-to-end risk management services in fleet and driver risk management and safety using telematic devices, software and focused driver training intervention.

Fleetkor's business objective is ultimately to minimise the number of road incidents and fatalities as well as reduce vehicle wear and tear. Apart from analytic services it offers, Fleetkor had noted an increase demand for its services from multinational clients for advanced fleet management analytics.

To meet demand, the company approached the IDC for support. IDC support was utilised to further develop the Fleetkor Management Analytics Solution for adding features to transform Fleetkor's solution into a self service AI driven enterprise product.



BOARD OF DIRECTORS

BA MABUZA (57)

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

COMMITTEES:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Investment Committee

TP NCHOCHO (53)

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 (53)

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

COMMITTEES:
- Chairperson of the Board Risk and Sustainability Committee

BA DAMES (55)

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

Appointed to the Board on 25 November 2011

COMMITTEES:
- Chairperson of the Board Human Capital and Nominations Committee
- Member of the Board Risk and Sustainability Committee

RM GODSELL (68)

MA Liberal Ethics (University of Cape Town), Postgraduate studies in sociology and philosophy (Leiden University, Netherlands), BA Sociology and Philosophy (University of KwaZulu-Natal)

Appointed to the Board on 25 November 2011

COMMITTEES:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Audit Committee

A KRIEL (58)

BSoc Sci (University of Cape Town)

Appointed to the Board on 1 April 2016

COMMITTEES:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Risk and Sustainability Committee
- Member of the Board Social and Ethics Committee

NON-EXECUTIVE DIRECTOR   EXECUTIVE DIRECTOR

DR SM MAGWENTSHU-RENSBURG (61)

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

COMMITTEES:
- Chairperson of the Board Investment Committee
- Member of the Board Audit Committee

NP MNXASANA (64)

CA(SA), BCompt Hons (Unisa)

Appointed to the Board on 29 January 2015

COMMITTEES:
- Chairperson of the Board Audit Committee
- Member of the Board Risk and Sustainability Committee
- Member of the Board Investment Committee

PM MTHETHWA (57)

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

COMMITTEES:
- Member of the Board Investment Committee
- Member of the Board Risk and Sustainability Committee

ADV ND ORLEYN (65)

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

COMMITTEES:
- Chairperson of the Board Social and Ethics Committee
- Member of the Board Investment Committee
- Member of the Board Human Capital and Nominations Committee

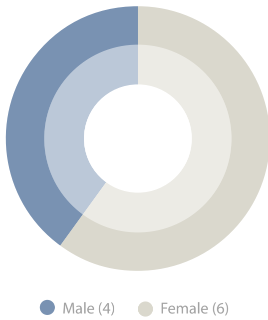
DR NE ZALK (52)

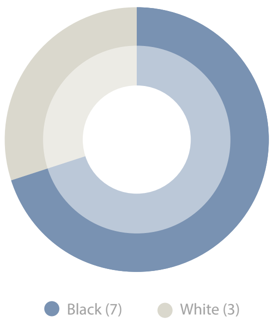
PhD Economics, MSc Economics (with merit), Postgraduate Diploma in Economics – Development (School of Oriental and African Studies, London University), BA English and Private Law (Unisa)

Appointed to the Board on 25 November 2009

COMMITTEES:
- Member of the Board Investment Committee
- Member of the Board Social and Ethics Committee

*Board Demographics**





** Non-executive directors only*

“The impact of the lockdown on our business partners was telling and the IDC provided cashflow relief in deferments to the value of R778 million to 75 business partners."

Chief Executive Officer’s Statement

2020 Reflection

2020 will be recorded in history as unique year, not just for the IDC but for companies the world over. The Covid-19 outbreak meant unprecedented challenges for businesses and communities. As governments responded with speed and rigour to curb the spread of the virus, the impact on business was indelible. As economies moved into lockdown, economic activities such as trading, supply chains, risk appetite, investment and working patterns were disrupted.

The key macroeconomic indicators provide a telling story. In South Africa, the economy shrank 7%, unemployment rose to an all-time high of 32.6% in the first quarter of 2021, while the government provided R500 billion in stimulus support. The IDC’s business partners were not spared. Most exporters could not ship their products into major global markets such as Europe, Asia and America, and importers experienced limitations in bringing in key raw materials. Projects with an import element were abruptly disrupted and forecasted budgets were not achieved as trading was severely impacted.

The tourism sector, in which the IDC has significant exposure, was severely impacted by the global Covid-19 pandemic and measures adopted to contain its spread, especially those related to travel restrictions, thus putting our (IDC's) tourism portfolio under immense pressure.

Operational synopsis

As with many other corporate leaders, IDC management moved as swiftly as possible to cushion the Corporation from the impact of the pandemic. Our response was four pronged, namely (i) employee wellness, (ii) liquidity and financial sustainability, (iii) client sustainability and (iv) societal support.

39%

of new approvals rated as low- to medium risk

R950m

approved for the Covid Essential Supplies and Distress Fund

Employee wellness

The Corporation implemented remote working two weeks before the national lockdown was announced. Employees were given the tools to work from home. The Minister of Trade, Industry and Competition designated the IDC an essential service provider given the role that the Corporation was to play in ensuring sufficient supply of personal protective equipment and other products essential to preventing the spread of Covid-19. For business continuity, we activated our crisis management team to establish new ways of working protocols. Our employee health and wellness programme was ramped up to provide physical, social, psychological and financial support.

Sadly, we lost six of our colleagues in the last financial year to Covid-19 and other illnesses. This has been a difficult period for IDCians and their families. We will remember our team members and cherish their commitment to the IDC and South Africa. In their honour, we dedicate this Integrated Report to:

- Pinky Maoto
- Sheila Mokgale
- Hugo Swift
- George Maliyavusa
- Sipho Spencer
- Paulus Makwane

I thank them and their families for their service to the IDC.

Economic response

As it became evident that Covid-19 would reach our shores, the Corporation, working together with the dtic, put in place a programme to ensure security of supply for essential products such as masks and sanitisers. An R800 million Covid Essential Suppliers Fund was set up to provide cashflow to manufacturers and importers of essential supplies. Furthermore, we developed a simple and quick process for evaluating and approving applications under the scheme.

As the Corporation better understood the impact of the pandemic, it set up a R2.5 billion Covid Distress Fund to provide cashflow and general financial support to its clients and to businesses impacted negatively by Covid-19.

Operational performance

Business activity was muted due largely to the economic lockdown. The Corporation's priority, therefore, was to provide support for essential supplies and preserving industrial capacity. The Corporation facilitated R7.4 billion in funding in 2020/21 made up of R6.3 billion (Budgeted: R8.4 billion) of on-balance sheet funding including guarantees and R1.1 billion off-balance sheet funds.

A total of R949 million was approved for the Covid Essential Supplies and Distress Funds. The impact of the lockdown on our business partners was telling and the IDC provided cashflow relief in deferments to the value of R778 million to 75 business partners.

Despite these challenges, our strategy to progressively improve portfolio quality has started to yield results, with R1.5 billion (39%) of new approvals rated as low- to medium risk. Some distressed legacy investments continue to skew this picture, but management efforts to turn them around are starting to bear fruit.

We continued to deliver on our development outcomes even under difficult trading conditions. A total of 13 354 jobs (Budgeted: 8 500) were created, saved and sustained through new approvals over the period. The Covid funding schemes were instrumental in creating and saving jobs.

Transformation remains at the centre of the IDC's strategy. To that end, R1.6 billion was approved towards targeted groups during the year, with R1.4 billion (Budgeted: R1.5 billion) approved for black industrialists. New approvals for women-empowered businesses were R599 million and for youth-empowered businesses were R92 million. Transactions where conditions precedent were cleared during the year and that are ready for disbursement for women- and youth-empowered businesses were R2.0 billion and R123 million respectively.

Financial synopsis

The themes for the review year were hope, courage and resilience. The year started with key financial matrices of the Corporation being under downward pressure. A drop in the value of the IDC's listed share portfolio, exacerbated by challenges at Sasol's Lake Charles project, was devastating. Consequently, the debt-to-equity ratio breached the Board-set prudential limit of 60%. Downgrades to our sovereign credit rating further resulted in reduced borrowing capacity and increased cost of borrowings. The asset devaluation also resulted in breaches of risk limits in some sectors, resulting in a lower prudential appetite for funding in those areas.

Liquidity management

We responded swiftly to the challenges that confronted our finances. The starting point was to put in place a liquidity management framework to optimise allocation of available cash. The results were immediate, as throughout the period, we maintained cash reserves above our prudential limits and we met all obligations as they fell due, except those we rolled over.

Our efforts to ramp up collections were hugely successful and provided capacity to invest in development projects.

Asset valuation

The recovery in the listed portfolio brought the much-needed relief. Assets grew to R134 billion (2019/20: R97 billion) while the debt-to-equity ratio recovered to 51.4% from 77.2% in the previous year. Reserves have recovered from R52.9 billion in 2019/20 to R82.1 billion in the review year.

Financial performance

The need was clear to tackle impairments and manage expenditure to return the Corporation to profitability. Efforts to turn around large investments in distress and register collateral have paid off. The reduced impairment charge of R1.1 billion (2019/20: R9.6 billion), contributed to IDC Company achieving (mini group) net profit of R3.2 billion (2019/20: loss R3.1 billion). The strengthening of the rand against the dollar clawed into earnings as the Corporation incurred high finance changes due largely to forward exchange cover losses of R508 million.

The performance of some subsidiaries and associates continues to be a drag on group performance, regardless of the green shoots emerging. The group performance improved to a loss of R33 million (2019/20: R3.8 billion loss) as a result of the turnaround efforts across these investments.

Looking ahead

As this report was being finalised, large-scale social unrest erupted in parts of the country. This resulted in loss of lives, infrastructure destroyed and disruptions in business operations. Our initial assessment indicates that some clients were directly impacted by damages and looting to their properties. Several more were indirectly affected through business disruptions. We are providing immediate support to both our employees and clients to help them rebuild their lives and livelihoods. In addition, we are assessing the financial and social needs of the affected clients and, in line with our investment processes, will assist them to increase their chances of rebuilding or continuing operations. The long-term implications of the unrest, including the possible negative impact on investors' confidence, will become clearer only over the next couple of months. As a Corporation, we will strive to fulfil our mandate and continue to support the industrial capacity of our country.

We remain steadfast in deploying the IDC balance sheet while facilitating off-balance sheet investment into the economy. We will pay deliberate attention to renewable energy, agro-industries and infrastructure investments as we seek to support the Economic Reconstruction and Recovery Plan announced by the President. In addition, I am excited by the new opportunities in green hydrogen, storage solutions and new energy vehicle that we are exploring with other partners.

Our commitment to localisation and import replacement, job creation and transformation remains a fundamental component of our DNA.

Our stance is now to increase our role beyond financing activities. We will amplify our efforts to drive spatial integration through our SME-Connect programme, leveraging the AfCTFA to facilitate export opportunities, and supporting special economic zones and industrial parks.

We will build on our gains and continue our portfolio value improvement strategy, which will see us reducing impairments, improve collections and asset valuations.

Acknowledgement

Thank you to the Board and the Minister of Trade, Industry and Competition for their unwavering support, guidance and leadership during the period under review. I am humbled by the commitment and inspiration that the management team and employees demonstrated even in the face of personal fears and uncertainties. I am convinced and confident that the IDC is in safe hands and whatever lies ahead, we will deliver on our mandate.

TP Nchocho
Chief Executive Officer
09 August 2021

KHULONG MINING

Supporting Black Industrialists

Khulong was established in 2012 and is 100% owned by a Black Industrialist, Philemon Magane.

Khulong was established in 2012 and had an unreliable order book on inception. The business owes its growth path to Magane's resilience. In 2013 the community of Ya-Hwashi village in Steelpoort, which owns the land on which the Modikwa mine is based, approached the mine to request economic participation in mining engineering opportunities.

As part of the host community settlement agreement, the mine agreed. The legal entity called Tjatjapa (Pty) Ltd was formed by the community for that purpose. Due to lack of capacity at Tjatjapa, a Khulong-Tjatjapa incorporated joint venture was established and a five-year contract was then issued to the joint venture by Modikwa Mine.

Upon expiry of the contract term (July 2019), the joint venture was disbanded as Tjatjapa had developed adequate skills and capacity to manage its own business. Modikwa mine subsequently extended the contract for another five years and Khulong, was allocated 30% and Tjatjapa 70% of the original contract.

Magane recently established Sekhukhune Mining (Pty) Ltd in partnership with G&R – a turnkey engineering firm to focus on providing hydraulic cylinder services to mining companies. With IDC funding, Khulong is expected to grow its product offering – creating sustainable mining jobs in Bojanala district.

EXECUTIVE MANAGEMENT

TP NCHOCHO (53)

CHIEF EXECUTIVE OFFICER

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

IN MALEVU (47)

CHIEF FINANCIAL OFFICER

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

Joined the IDC on 1 October 2020

J BATE (51)

CHIEF OPERATIONS OFFICER

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

MJ TSELE (52)

CHIEF RISK OFFICER

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

Joined the IDC on 1 July 2020

R DEMANA (47)

DIVISIONAL EXECUTIVE: MINING, METALS, INFRASTRUCTURE AND ENERGY

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

Joined the IDC on 1 May 2021

T LEGODI (47)

DIVISIONAL EXECUTIVE: LEGAL AND COMPLIANCE

BA LLB (University of Natal); Masters in Law (LLM – Tax) (University of Johannesburg)

Appointed to Executive Management on 1 June 2021

T SANGWENI (48)

DIVISIONAL EXECUTIVE: AGRO-INDUSTRIES, SERVICES AND SMALL BUSINESS FINANCE

BCom Business Management (University of South Africa), Diploma in Marketing, Banking and Financial Support Services (The Institute of Bankers in South Africa), Leadership and Organisational Development Programme (Gordon Institute of Business Science)

Resigned: 31 August 2021

SAU MEER (59)

DIVISIONAL EXECUTIVE: MANUFACTURING

MBL (Unisa), BSc Mechanical Engineering (University of KwaZulu-Natal), Advanced Management Programme (INSEAD, France), Executive Development Programme (Gordon Institute of Business Science)

Retired: 30 April 2021

DA JARVIS (51)

DIVISIONAL EXECUTIVE: STRATEGY AND CORPORATE AFFAIRS

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

TL KHUMALO (41)

DIVISIONAL EXECUTIVE: CLIENT SUPPORT AND GROWTH

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

TP MUSHUNGWA (50)

DIVISIONAL EXECUTIVE: HUMAN CAPITAL

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

N RAPOO (58)

GROUP COMPANY SECRETARY

BCom (Law) (University of the North), UED (University of the North), LLB (University of Natal), Admitted Attorney of the High Court, Certificate in Corporate Governance (University of Johannesburg)

Joined the IDC on 15 February 2021

WH SMITH (60)

DIVISIONAL EXECUTIVE: AGRO-INDUSTRIES, SERVICES AND SMALL BUSINESS FINANCE

Pr Eng, Graduate Diploma in Civil Engineering (University of the Witwatersrand), B Eng Civil (Stellenbosch University)

Retired: 30 April 2021

PT ARRAN (54)

DIVISIONAL EXECUTIVE: MINING, METALS, INFRASTRUCTURE AND ENERGY

BSc Geology; BSc (Hons) Economic Geology, Advanced Management Programme (Gordon Institute of Business Science/University of Pretoria), Certificate in International Capital Markets (UK Securities Institute), Diploma in Project Management (School of Project Management)

Resigned: on 4 December 2020

N DLAMINI (48)

CHIEF FINANCIAL OFFICER

CA(SA), BCom (Accounting) (University of the Witwatersrand), Postgraduate Diploma in Accounting (University of KwaZulu-Natal)

Resigned: on 31 July 2020

P MAKWANE (54)

DIVISIONAL EXECUTIVE: LEGAL AND COMPLIANCE

LLB, BJuris (University of Western Cape)

Deceased: 24 January 2021

DEVELOPING INDUSTRIAL CAPACITY

Levels of funding activity

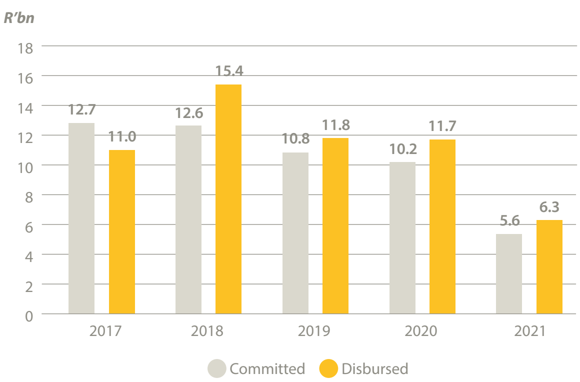
The Covid-19 pandemic and its impact on the economy had a significant effect on the IDC's industrial development activities during 2020/21. New funding activity was impacted by subdued economic conditions that:

- resulted in excess capacity in many areas of the economy lowering the demand for funding for new projects
- delayed implementation of new capacity underway
- placed existing business partners under stress, requiring support to be provided by IDC
- changed the risk profile of planned new capacity and their potential financial viability.

These factors reduced the number of new funding approvals, delayed disbursements of committed funds and cancelled funding for projects previously approved. Intensive activity was also undertaken to stabilise the IDC's existing portfolio in businesses that were challenged by the poor operating environment. The need for the IDC to protect its liquidity exacerbated these factors as new applications and disbursements were monitored and reviewed more stringently to ensure that the Corporation could meet its financial obligations. In addition, the IDC focused funding activities in response to Covid-19.

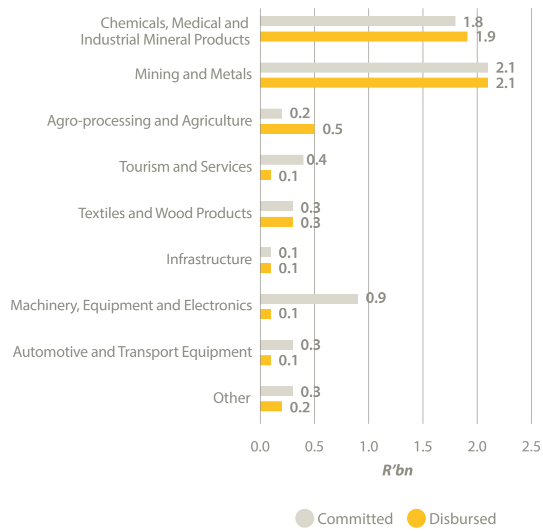
The result was that R6.5 billion in new funding was approved for the year (2019/20: R15.1 billion). In 2020/21, R5.0 billion was committed (2019/20: R12.4 billion). This is the amount of funding ready for disbursement, i.e. agreements have been signed and conditions precedent have been met. Disbursements, actual funding paid out to clients, of R6.3 billion was recorded (2019/20: R11.7 billion).

Value of funding committed and disbursed



Given the economic conditions, the 35 new funding approvals were encouraging (2019/20: 132). Not reflected in these numbers is increased assistance provided to pandemic-affected clients through restructuring of existing facilities and payment deferments. More information on these appears below.

Value of funding committed and disbursed by SBU



The Chemicals, Medical and Industrial Mineral Products and Mining and Metals SBUs saw the largest levels of commitments and disbursements for the year. These commitments and disbursements included ongoing support for business partners such as Foskor, Kalagadi Manganese and Cast Products. Other commitments in the Chemicals, Medical and Industrial Mineral Products SBU included support for a company that will manufacture electrolyte for vanadium redox flow batteries, and several businesses that supplied essential products in the fight against Covid-19.

Projects supported during the year are highlighted in case studies throughout this report.

Cancellations of transactions amounted to R9.2 billion (2019/20: R3.3 billion). Cancellation levels are unprecedented. As mentioned, cancellations resulted from an intentional review of undrawn commitments as a result of changed macro-economic conditions and IDC liquidity. The key principles leading to this significant level of cancellations include:

[1] To enhance transparency, the IDC will report funding committed rather than funding approved.

- Covid-19 represented a material adverse event and all commitments prior to its onset were reassessed for economic viability
- Changes in market conditions for some projects
- Clients unable to meet the IDC's conditions
- Enforcement of a validity period on approvals, requiring a reassessment of a client's credit worthiness if funding is not committed and disbursed in line with budgeted timelines.

Alleviating the impact of the pandemic

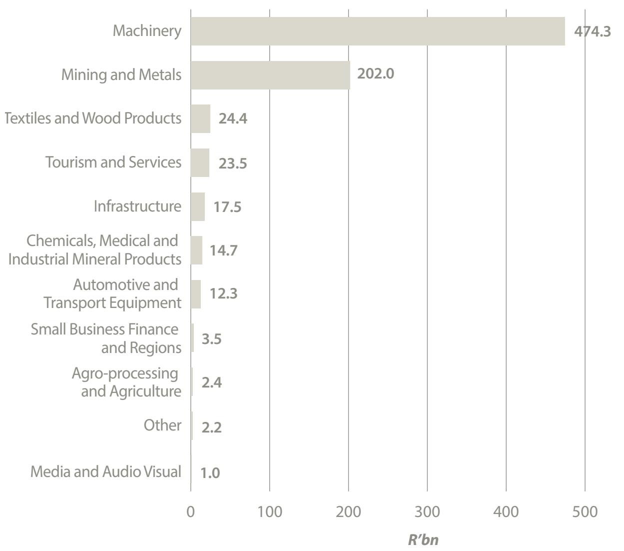
With the onset of the pandemic, the IDC prioritised:

- assistance in combating the spread of the virus
- alleviating the pressure on businesses impacted by lockdowns.

The Corporation launched the R800 million Covid-19 Essential Supplies Fund. The fund, which included R300 million from the dtic's Manufacturing Competitiveness Enhancement Programme, provided funding to companies that could acquire or manufacture products needed to treat, curtail or combat the spread of the pandemic. A total of R536 million was approved for 14 businesses that supplied goods including masks, sanitisers, protective clothing and pharmaceuticals.

The lockdown halted business operations, which had dire consequences on businesses' cashflows. To alleviate the pressure, the IDC deferred R778 million of capital and interest payments for 75 clients.

Value of approved deferments by business unit



To assist a broader range of businesses, the IDC also launched the Covid-19 Distressed Fund and the Covid-19 Small Industrial Finance Distressed Fund. Initial uptake was slow as distressed businesses were reluctant to raise further debt given the economic uncertainties, they were encouraged to consider alternative measures such as payment deferrals or did not meet funding criteria. In addition, commercial banks supported by National Treasury's Covid-19 Loan Guarantee Scheme were providing relief. A criteria review and increased marketing resulted in greater uptake, with R414 million approved during the year. Support continues for businesses needing assistance, while the programme is being customised to specific economic segments, such as tourism, wine, and clothing and textiles.

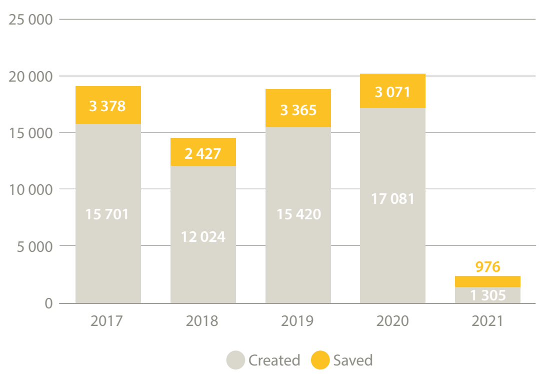
Development outcomes

Job creation

Job creation remains a key development outcome of IDC funding. The pandemic had a devastating impact on unemployment, with the unemployment rate increasing from 30.1% in March 2020 to 32.6% in March 2021 – 172 000 more unemployed people. In addition, the number of discouraged work seekers increased by 201 000.

The IDC's lower funding activity also dented its impact on job creation. This was further intensified by a large portion of funding for existing clients where jobs are not counted. This funding, although expected to sustain the businesses we support, does not necessarily create new jobs but will result in jobs being preserved. In addition, no large labour-intensive projects were supported during the year. The total number of jobs expected to be created and saved through client funding and Distress Funding disbursements was 13 354, compared to 17 245 in 2019/20. A total of 10 414 jobs, not included in these numbers, were sustained through Covid-19 Distressed Funds that were approved.

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



One supported venture creating new jobs is an expansion at a steel mini-mill in Gauteng. This company, one of the most cost-effective steel producers in the country, also supports township development through its entrepreneur development programme.

Other contributors to job creation included a towelling manufacturer, KwaZulu-Natal producer of high-pressure valves, and a producer of meat products in Western Cape.

Transformation

The IDC is a key government institution driving the empowerment agenda. As in other areas, transformation was impacted by the overall lower levels of funding, with all aspects recording less funding committed than in previous years.

Funding of R3.0 billion (2019/20: R8.6 billion), 61% of the total (2019/20: 70%), was committed to black-empowered companies. Of this, R2.0 billion went to black-owned companies (2019/20: R5.8 billion).

Funding committed for Black Industrialists included assisting a black-owned supplier of conveyor belts to acquire capacity to establish a local manufacturing operation.

Youth- empowered businesses supported an artificial intelligence solutions provider to manufacturing companies and a healthcare company.

Value of funds committed for transformation (five years)

	2017	2018	2019	2020	2021	Total
Black industrialists	1.3	5.1	5.1	5.1	3.0	19.6
Black-empowered companies[1]	3.6	3.0	1.3	2.8	2.6	13.2
Black-owned[2] companies	2.3	3.5	5.1	4.8	1.3	17.0
Total black-empowered and black owned	6.0	6.5	6.4	7.5	3.9	30.2
Youth entrepreneurs[3]	0.7	1.2	0.7	0.8	0.1	3.4
Women entrepreneurs[4]	0.8	3.3	1.2	3.3	2.0	10.6

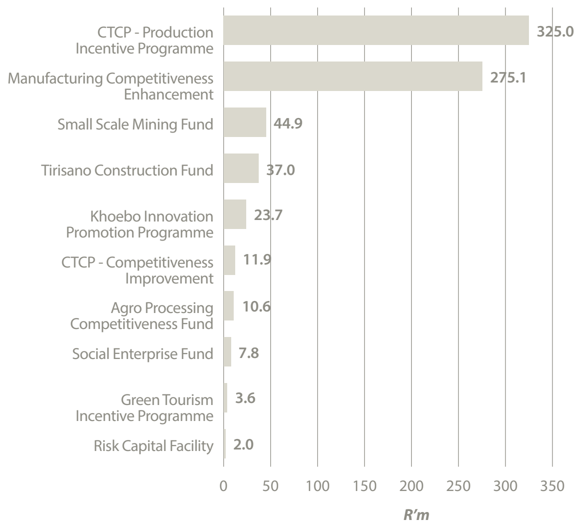
[1] Companies with more than 25% and less than or equal to 50% black shareholding.
[2] Companies with more than 50% black shareholding.
[3] Companies with more than 25% shareholding by youth (35 or younger).
[4] Companies with more than 25% shareholding by women.

Managed funds

The IDC's strategy increasingly aims to leverage funds from other sources to supplement its funding activity and scale its impact. Over the past year, R741.8 million was disbursed from funds that the IDC manages on behalf of other parties – mostly government departments.

Funding from the Clothing and Textiles Competitiveness Programme (CTCP) made up the largest portion of these funds, with R325 million disbursed from the Production Incentive Programme and R11.9 million from the Competitiveness Improvement Programme. The Manufacturing Competitiveness Enhancement Programme contributed R275 million.

Value of managed funds disbursed



Despite using these and other funds to leverage its balance sheet, fiscal constraints are restricting availability of these funds and, to unlock increased development, the IDC is actively pursuing other funding sources to complement its own. During the year, in partnership with the Department of Agriculture, Land Reform and Rural Development, the Corporation established the R1 billion Agri-Industrial Fund. This funds aims to develop a competitive industry in the food, beverage, fibre, forestry and agro-derivative industries to satisfy domestic demand and to increase export potential.

Outlook

Despite the challenging conditions experienced over the review year, the IDC is optimistic that it will contribute strongly to industrial development and economic recovery. Measures implemented during the year will allow it to increase proactive pipeline development and market coverage. These initiatives include:

- Establishment of a unit focusing specifically on project and industry strategy development. This enhances management of projects through project preparation phases and will result in projects reaching commercial funding in a shorter period of time. Focused industry development allows the IDC to be more proactive in assisting with the implementation of industrial policy as expressed through industry Master Plans
- Dedicated business development managers in SBUs are increasing the IDC's market coverage activities to produce a more robust pipeline of transactions that fits the IDC's twin-pillar approach of delivering financial sustainability and development effectiveness
- Establishment of a unit focusing on small business finance that will customise and increase funding for small businesses. This will result in increased responsiveness to the needs of smaller businesses allowing us to grow our funding base to this segment
- Restructuring of the funding divisions to better align resources and capacity to market requirements. These include establishing a separate Energy SBU, where we expect increased levels of activity, and a focused Manufacturing Division recognising the priorities of localisation and export generation
- Establishment of a Partnership Programmes SBU recognising the need for a collaborative approach to achieve regional growth and sustained development impact. This includes SME-Connect, which aims to leverage large businesses and projects to establish an environment for small businesses to thrive in.

BLEND TECH

Women-owned and youth-empowered

The company produces blended lubricants as part of the oils and chemicals industry. With the funds received from the dtic the company has been able to purchase machinery, equipment and commercial vehicles. It has also been able to focus on new business development plans.

The new investment for Blend Tech's partner company Chem Group SA has meant improved international compliance standards being introduced, which has enabled the company to compete with the best in the business globally. Blend Tech recently landed the contract for an Italian client. This has given it exposure and helped grow interest among other global clients. It also exports lubricants to SADC countries as well as to Nigeria.

The factory is fitted with environment-friendly equipment as well as energy-efficient lighting. These adjustments have helped bring down energy costs and helped reduce waste. Blend Tech is located in the Mariann Industrial Park in Pinetown, an area with a high unemployment rate. The total number of workers has increased to 84 and Blend Tech buys 100% of its raw materials locally.

IDC IMPACT ON COMMUNITIES

In line with its mandate, the IDC is firmly focused on achieving 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 1 B-BBEE contributor status for enterprise development, supplier development and socio-economic development improved ratings for enterprise and supplier development and skills development. Moreover, the Corporation improved its performance in the management control and skills development indicators by 2.6% and 9% respectively
- Approved new funding of R599 million to women entrepreneurs and R92 million to youth entrepreneurs. Funding of R2.0 billion and R123 million were committed to these groups
- 16 approvals with a value of R74.0 million to support social and solidarity economy enterprises and initiatives.

Black Industrialists and Black Economic Empowerment

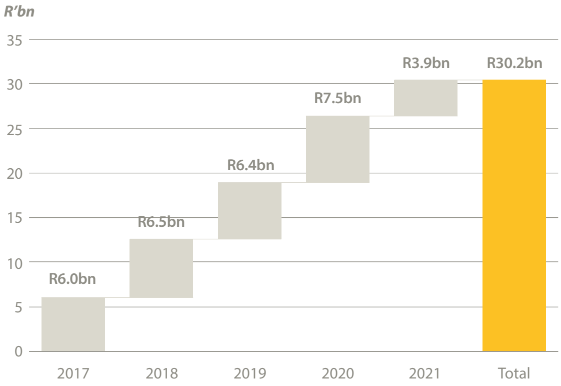
The IDC has an established history of supporting Black Industrialists through a programme, initiated in 2014, that has promoted their long-term sustainability. The programme promotes and supports black entrepreneurs as manufacturers and owners in crucial sectors to drive economic growth and inclusive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

Over the last five years, the IDC approved R21.1 billion and committed R19.6 billion to support transactions for 287 Black Industrialists. The emphasis has been 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.

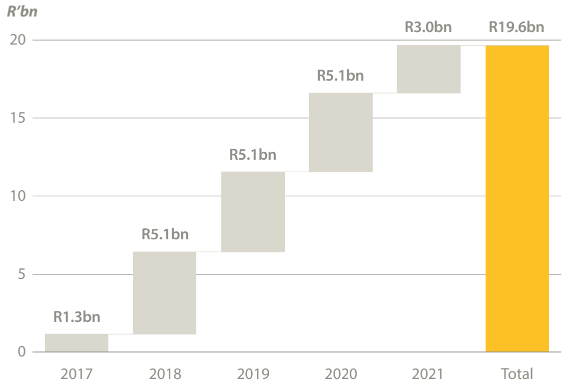
In 2020/21, the IDC approved R1.4 billion in 34 transactions for Black Industrialists, bringing the total value over the last six years to R25.8 billion, making the IDC a significant funder of transformation.

Over the last five years, R30 billion has been committed to companies with more than 25% black shareholding. This equates to 58% of all funding approved by the IDC for the period. Of this, R17 billion was for black-owned companies. In 2020/21, R2.6 billion was committed for black-empowered and R1.3 billion for black-owned businesses.

Funding committed for Black Economic Empowerment businesses with more than 25% black shareholding



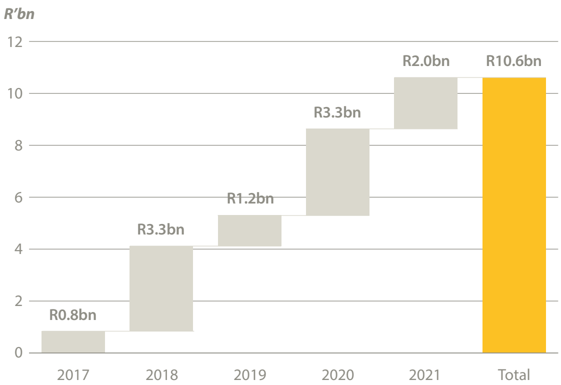
Funding committed for Black Industrialists



Women entrepreneurs

New approvals of R599 million were made during the year where women held more than 25% equity. Over the last six years, the total funding approved for women entrepreneurs reached R10.0 billion, with R10.6 billion committed

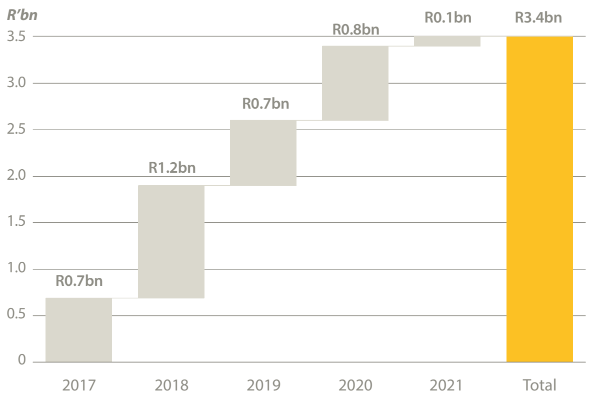
Funding committed for women-empowered businesses



Youth entrepreneurs

The IDC fosters youth entrepreneurship and accelerates youth-owned and -managed enterprises that contribute to GDP growth and increase youth self-employment and innovation. The IDC has benefitted 166 youth owned enterprises and has advanced R6 billion to youth-empowered businesses over the last six years.

Funding committed for youth-empowered businesses



Broad-Based Black Economic Empowerment

B-BBEE restructures the economy to increase participation of black people through entrepreneurial activity and in the workplace. An independent audit confirmed the IDC's current B-BBEE score as 104.11 points with the status of a level 1 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.

*2020 IDC B-BBEE scorecard and priority elements**

Criteria	Amended FSC			
	Weighting	Points achieved 2020/21	Points achieved 2019/20	Points achieved 2018/19
Ownership	N/A	N/A	N/A	N/A
Management control	20	18.27	17.80	18.02
Skills development	25	23.49	21.37	17.28
Enterprise and supplier development	50	44.76	41.43	36.55
Socio-economic development	5	7	7	7
Total	**100**	**104.11****	**87.60**	**78.20**

** Sub-minimum of 40% of the target must be achieved and adjusted to generic points (95.51/100*109)*

***Including bonus points*

Worker and community trusts

The IDC encourages funded clients to include, where possible, workers and communities as shareholders in its transactions, preferably through trusts. Trust beneficiaries are mostly black workers employed permanently in a target company, while community trust beneficiaries live close to where IDC investments are located.

The Corporation's support for employee share option plans (ESOPs) and their related worker trusts aligns with its mandate and contribution to B-BBEE. The IDC views ESOPs as relevant to:

- Reduce the high degree of ownership concentration
- Realise the objectives of the B-BBEE Act
- Ensure that more people, including employees, are able to participate in a shareholding or other economic interest in companies
- Accelerate social upliftment of employees and close income disparities/inequalities
- Promote a new model for shopfloor cooperation and democratisation by giving workers a stake in their companies.

The IDC has invested R1.6 billion to support ESOPs and their related worker trusts and community trusts. Overall, the IDC has established 110 worker and 45 community trusts. These includes 24 community trusts funded under the Renewable Energy Independent Power Producer Procurement Programme. Established trusts are supported with trustee training on corporate governance to ensure effective management.

In recent times, the weak performance of the South African economy has affected business performance and stalled the realisation of ESOP benefits. The vesting of many of these structures relies on the payment of dividends and many ESOPs are under water. The perceived and actual delay in realising the benefits of ESOPs has led to reasonable uncertainty and feelings of unmet expectations, which undermine the noble intention of ESOPs.

Early realisation of benefits scheme

Given its mandate and role to provide support during difficult economic times and achieve impact, the Corporation has enabled some worker trusts to realise short-term benefits while the long-term benefits of ESOPs are pending.

The early realisation of benefits scheme, launched in 2013, provides grant funding to enable approved workers trusts to acquire assets or machinery.

Through a contract, the asset or machinery is leased to the operating company with the asset rental fees to use the asset paid to the workers trust monthly to ensure predictable income. Trustees distribute this rental income to beneficiaries and overcome some perceptions of a lack of benefit.

At the end of the contract, the operating company can negotiate an extension with the trust.

Implementation of the scheme

The IDC provides early realisation of benefits scheme grants predominantly to small- to mid-size companies. In the last three financial years (2018 to 2021), the IDC approved R36.8 million in these grants to nine of the 25 worker trusts attached to IDC investments.

The scheme demonstrates the Corporation's standing commitment to supporting companies, ESOPs and worker trusts in tough economic times. This is achieved through interventions that respond to business partners' challenges and changes in IDC operating environment.

Tangible support goes to workers trusts in six provinces that benefit 4 613 employees.

Driving inclusion and social impact

As a significant stakeholder and role-player in the country's economic fortunes, the IDC has undertaken to leverage its position to address poverty, inequality and unemployment among the most marginalised by bringing them into the centre of the economy.

In addition to trusts, IDC support for communities and economic inclusion includes:

- Building partnerships for development with the public, private, civil society and community sectors
- Initiating new programmes such as SME-Connect and 'inclusive business' approaches that benefit the small, medium and micro enterprise sector and poor communities through the inclusion into corporate supply and value chains;
- Driving opportunities in the social and solidarity economy, including support to social enterprises and social employment
- Supporting 'just transition' initiatives and diversification of local economies affected by extractive and other industrial slowdowns and closures, climate change and environment sustainability concerns
- Undertaking strategic local and regional initiatives to unlock and harness assets and potentials
- Piloting and determination of 'proof of concept' social innovation initiatives that may not yet be proven, including new technologies and means of production or crops that show high development impact potential.

These programmes and funds support innovative and effective activities that focus strategically on resolving social market failures, exclusion and creating new opportunities to add social value systematically. They seek to maximise social impact and bring about positive, lasting (sustainable) change through promoting entrepreneurial endeavour and sustainable livelihoods to address inequality, spatially (rural, township) and human (race, gender).

The IDC has become a beacon of support for the social and solidarity economy and its ecosystem – an area generally underserviced by other financiers – providing R425 million funding to 150 projects over eight years, creating more than 7 000 direct jobs and supporting more than 60 000 beneficiaries. The IDC has also helped the dtic to craft the Green Paper on the Social and Solidarity Economy.

In the reporting year, 16 projects to the value of R74 million were funded. They are expected to create 647 jobs and benefit 5 389 individuals.

Supporting communities

The IDC's CSI efforts are motivated by the need to uplift and improve the lives of marginalised communities. Community support comprises grant funding, in-kind donations, employee volunteering and support for social causes. Contributions have evolved and are today aligned to the Corporation's broader business strategy and objectives. More recently, efforts have emphasised creating jobs through the organisations that the IDC supports and partners.

During 2020/21, more than R42 million was disbursed to support communities. Highlights include:

- **Covid-19 social relief**
  - The IDC partnered with 26 non-government and community-based organisations and allocated R11.5 million to more than 33 000 households with basic needs, mostly in rural areas
  - Contributed R1.5 million to the Solidarity Response Fund
  - Supported 12 shelters providing care for survivors of gender-based violence with R542 437.

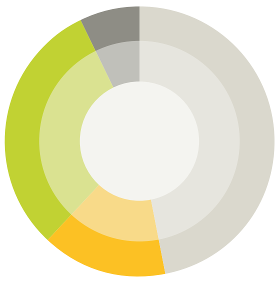
- **Entrepreneurship development**
  - Approved R8.3 million for 13 initiatives expected to create 3 903 jobs.

- **Education and skills development**
  - Approved R22.7 million for the Whole School Development Programme and completion of nine infrastructure projects in seven schools
  - Awarded R849 958 to Northern Cape Technical and Vocational Education and Training College to complete phase 2 of its information and communications technology upgrade, which benefits 6 453 students.

Development impact

The IDC supported and funded 52 initiatives nationwide benefitting more than 78 806 beneficiaries.

Resource allocation: CSI focus areas



REDSTONE – NORTHERN CAPE

Supporting regional economic growth

Construction of the 100 MW Redstone concentrated solar power project started early this year. The R11.6bn project, whose lead shareholder is ACWA – a Saudi-based desalination plant and renewable energy operator, expects commercial operations to start in the fourth quarter of 2023.

It ranks as the largest renewable energy investment in South Africa. Once operational, it is expected to provide significant economic spin-offs to the Northern Cape economy in the form of massive employment opportunities. The IDC provided funding to Pele Green energy – a black-owned energy entity that has a direct shareholding in Redstone. IDC and ACWA have co-funded the community's shareholding participation in this project.

The project will reach close to 44% local content on procurement during the construction period, create more than 2 000 construction jobs at peak, with about 400 people drawn from the local community. A further 100 permanent direct jobs will be created during the 20-year operating period.

**These pictures are renditions of the Redstone project*

PEOPLE

The year 2020/21 was unprecedented, with the world besieged by the Covid-19 pandemic. Nonetheless, IDC staff remained resilient and persevered during this period. The Corporation is privileged to be staffed mainly by experienced and highly skilled employees who continue to fulfil its mandate even in times of challenge and adversity. As with many organisations worldwide, the impact of Covid-19 required that the IDC's working practices and business approach be reviewed to ensure continued effectiveness and delivery.

Strategic positioning

The IDC is an iconic institution that has served the country through impactful, needs-driven and focused economic-growth-and-development strategies for more than 80 years. Changes in the economic and industrial landscape require review and alignment of strategy to ensure the Corporation remains relevant now and into the future. In 2020/21, a comprehensive review of the operating model and structure was undertaken to ensure the business was focused, sustainable, client-centric and well managed as a state-owned enterprise. In 2020/21, the 'fit-for-purpose' organisational and leadership structure was implemented.

The focus was to realign, prioritise and leverage off the existing skills and capabilities of IDC staff while realising that different capabilities may be required. A partnership was forged with the newly recognised trade union, the Public Servants Association (PSA), which supported and endorsed the realignment process. Significantly, there were no forced retrenchments and most staff members were retained. Three impacted employees opted to conclude a mutual separation from the Corporation. Where differentiated or new roles were needed, individual upskilling and capacitation plans were developed to provide these capabilities.

Employees were hesitantly optimistic about the realignment. They were asked to 'dig deep' at an uncertain time, be receptive to change, find agility and have a renewed mindset and trust in the vision and purpose of the rejuvenated business. Additional operational strain was managed against the realisation that change was needed.

This process will continue in 2021/22, as the IDC leverages off current and future capabilities and capacitates and upskills its people, particularly those in different roles. New and enhanced ways of working will produce greater efficiency, enhanced collaboration, mandate-focused and prioritised delivery and improved client-centricity. Change management continues to be embedded in all initiatives and programmes to support the reviewed strategy and macro operating model. The increased effort and commitment to continuously engage and communicate with employees amid change will be strengthened at all organisational levels.

People strategy

Human capital strategy and operational plans are focused on attracting, growing, nurturing and retaining talent. An environment is sought where people are engaged, passionate, capable and committed to prioritising overarching goals and matters material to the business.

A high-performance organisation has a culture that fosters, recognises and rewards performance excellence consistently. The IDC's people strategy is directed at creating a work environment in which employees thrive and excel.

Headcount at 31 March 2021 by race, gender and level

Indicator	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	2	-	1	2	4	-	-	1	-	-	10
Senior management	17	5	6	12	14	-	1	-	1	-	56
Professionally qualified and mid-management	73	7	18	29	55	8	14	13	5	4	226
Skilled technical	108	10	4	12	126	13	14	12	5	2	306
Semi-skilled and discretionary decision making	33	-	-	-	133	13	4	11	-	3	197
Unskilled and defined decision making	8	-	-	-	1	-	-	-	-	-	9
Total permanent staff	**241**	**22**	**29**	**55**	**333**	**34**	**33**	**37**	**11**	**9**	**804**

People first

Optimisation of a constructive business culture as a key strategic enabler is defined by leadership and employee behaviour – accountability, responsiveness, collaboration, proactivity and integrity, with the ability to embrace change and innovation and lead selflessly and by example. This is exemplified by employees who live the IDC values of professionalism, partnership and passion with a strong client orientation.

Despite the uncertainties of 2020/21, efforts progressed well to embed a 'people-first' business culture, with significant achievement against key focus areas. Key progress included:

- Reviewing and implementing the revised IDC strategy, operating model and structures
- Revising and implementing the IDC delegation matrix driving good governance and accountability
- Recognition of the PSA trade union
- Enhancing leadership connection and engagement through regular management committee sessions
- Establishing and strengthening staff networking forums such as Communities of Practice, which enable broader engagements among staff, external subject matter experts and stakeholders
- Developing and implementing a change management framework to build change agility throughout the Corporation
- Driving an agile and people-centric leadership cohort. The results and action plans of a comprehensive leadership 360 assessment survey were shared and followed up by a definitive action plan to continuously capacitate leadership to support and embed the desired culture
- The review and approval of our Secondment Policy to enhance the management, governance and definitive value creation in instances where IDC staff are seconded, for a fixed duration, to IDC subsidiaries and/or significant investments.

Culture transformation is iterative, requiring consistent focus, leadership and employee commitment. To change the IDC 'DNA', which will ensure an agile response to business requirements, the following themes will continue to be addressed:

Ongoing organisational culture shifts		
Fostering organisational realignment by addressing:	**Ongoing leadership alignment by addressing:**	**Enhance employee engagement by addressing:**
• Unblocking hierarchy and bureaucracy that creates a silo mentality, process and client-focus inefficiencies • 'Short-termism', which led to reactive approaches to achieving short-term gains at the expense of the long-term sustainability of the IDC	• Enhancing the trust relationship • Developing a consistent leadership style aligned to the envisaged leadership brand • Enhancing accountability	• Low morale and trust issues • Driving platforms for staff/management engagement • Increased consultation on matters that have high staff impact

The spotlight will also fall on process efficiencies, embedding leadership transformation imperatives through addressing trust deficit issues, and reviewing Performance Management policy, process and practices to ensure they support a high-performance culture.

Attracting and retaining talent

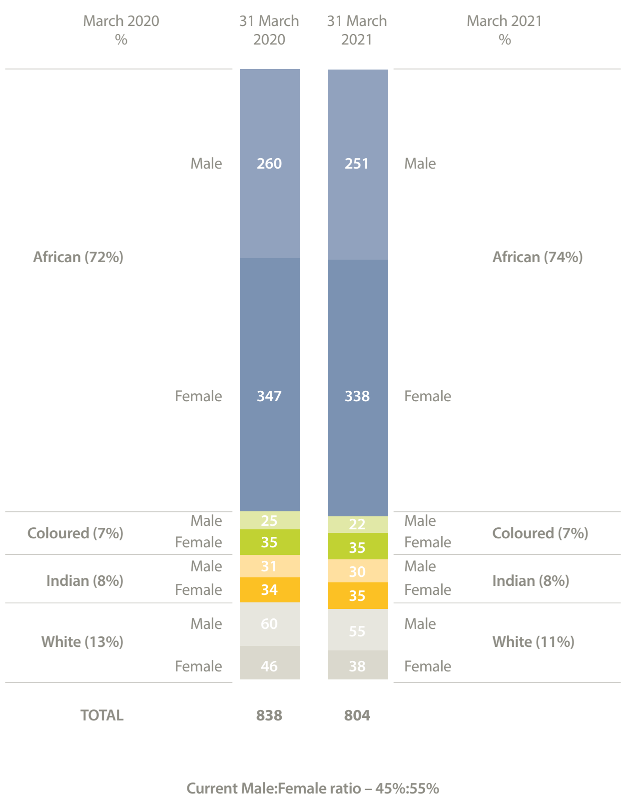
Existing and prospective employees are the IDC's ambassadors. Having employees who are committed and connected to the corporate purpose requires a dynamic, compelling and competitive employee value proposition (EVP) that attracts, grows, nurtures and retains talent.

At 31 March 2021, the Corporation employed 804 individuals (2019/20: 838), a marginal decrease of 4.2% attributable to limited recruitment during the organisational realignment and higher natural staff attrition (detailed on page 53). In the year ahead, the Corporation will strategically drive the attraction and development of talent.

The employee profile is available in the online version of this report. The number of employees directly delivering the IDC's operational objectives (client-facing and support) remained unchanged at 71%. Based on business, market, economic and operational requirements additional expertise and capacitation will be recruited for. The revised operating model also allows for regions to be capacitated with deal-making capabilities and a deal-delivery execution mandate.

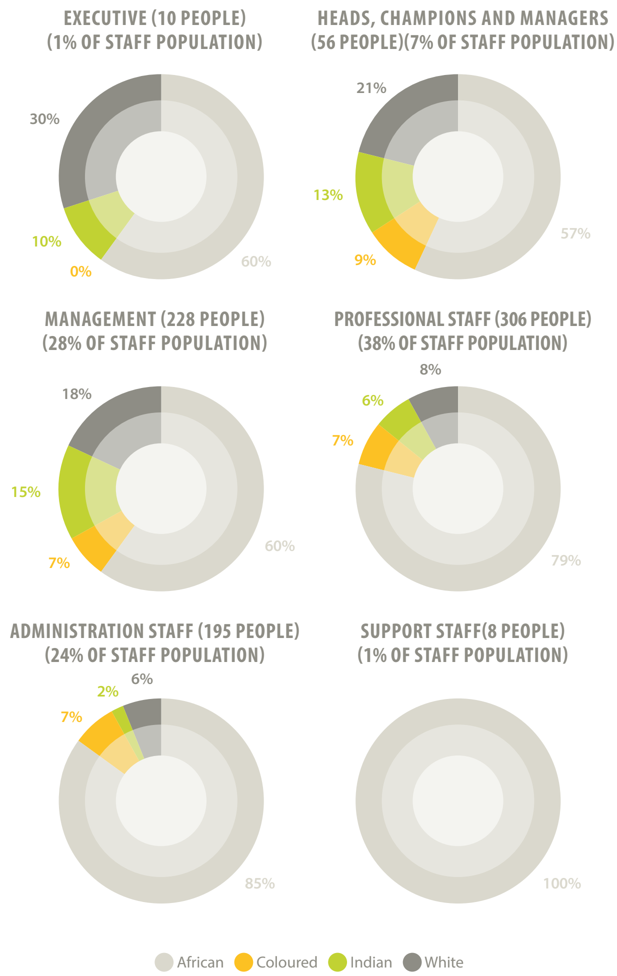
Staff demographics

STAFF DEMOGRAPHICS



Current Male:Female ratio – 45%:55%

% BREAKDOWN BY LEVEL AND RACES AS AT 31 MARCH 2021



While there was a marked decrease in overall voluntary turnover levels (4.02%) (2019/20: 5.40%), voluntary turnover of individuals in critical roles increased to 6.05% (2019/20: 5.6%). Overall staff turnover increased by 0.4%. This was because of retirements of 12 staff members and six employees who passed away during the period under review.

Turnover rate for the previous three financial years			
	2020/21	2019/20	2018/19
Overall turnover (all types)	7.79%	7.40%	7.20%
Overall turnover (voluntary)	4.02%	5.40%	5.40%
Overall turnover (voluntary – critical roles (M-Band up)	6.05%	5.60%	6.40%

Into 2021/22, the focus will be on acquiring capacity with the capabilities and skills needed for long-term sustainability.

Recognition and reward

The IDC's philosophy on remuneration and benefits is designed to attract and retain high-performing employees. The total remuneration 'basket' consists of:

- A guaranteed package based on cost-to-company with a cash portion and compulsory benefits, such as a retirement fund and medical aid
- Short-term incentives awarded when predetermined performance objectives and targets are met. A non-pensionable allowance is payable at a performance score of '3' and a performance incentive at a performance score of '3.5' and above on a five-point scoring system. All permanent employees are eligible for the short-term incentive (STI)
- A long-term, three-year incentive scheme to support employee retention in critical leadership, management and professional roles to drive the long-term sustainability aims of the Corporation. Administrative and support bands are not included.

The Corporation did not achieve its short- and long-term performance targets and consequently did not pay out incentives. This continues to impact attraction, recognition and retention, which are anchored in our EVP:

- Competitive guaranteed remuneration packages
- Rewarding high-performance, aligning recognition and reward with individual performance and contribution
- Benefit flexibility to suit individual needs
- A tailored reward and recognition scheme with a clear link between performance and reward
- Non-financial recognition mechanisms and promoting work-life balance
- Promoting and positioning the IDC as an employer of choice.

In the year ahead, the IDC will review the EVP to ensure it remains competitive, creating a conducive environment for flexible work-from-home arrangements, in line with best practice, the new world of work and the Corporation's long-term sustainability goals. A hybrid work model and policy has been crafted based on the lessons learnt during the Covid-19 pandemic but extending to a Covid-19-free working environment.

Human Capital policies and processes will require revision to incorporate the new ways of working e.g. the Leave Policy.

The Corporation manages a provident fund for all employees. Its market value at 31 March 2021 was R1 144 764 371 (2019/20: R908 million). Employees appointed before 1 March 1997 also benefit from post-retirement medical aid provided they did not opt to participate in a buy-out programme that was offered at the time. Currently, there are 136 (2019/20: 138) beneficiaries with a liability to the Corporation of R177.8 million (2019/20: R157.7 million).

Employee health and wellness

Employee health and wellbeing are the cornerstones to organisational performance. The IDC takes a holistic wellness approach covering physical, mental and emotional health.

Current initiatives include:

- Physical wellbeing: Employees aged 40 and above are encouraged to use the corporate comprehensive health assessment benefit, while those younger are advised to use their medical scheme's screening and preventive benefits
- Mental wellbeing: In partnership with our employee wellness programme service provider, Universal Health, the IDC offers to employees and their defined family members telephonic, face-to-face and virtual counselling around the clock covering issues ranging from stress, parental issues, trauma and bereavement to legal and financial matters
- Health and wellness communication: The health and wellness, and Corporate Affairs teams share information monthly on topics such as gender-based violence, virtual wellness events, and men's and women's health issues
- Covid-19 case management and support: All active cases are monitored by the IDC's internal employee wellness specialist and protocols are imposed to limit the spread of the virus
- Emotional wellbeing: Virtual managerial orientation and referrals sessions between the IDC and Universal Health provide managers with skills to better engage with and motivate their teams
- Support during change: Virtual sessions and individual engagements on building resilience and identifying coping strategies for short-term change.

Work in a Covid-19 environment

Since the outbreak of the Covid-19 pandemic, all IDC non-essential employees have worked from home, having been provided with laptop computers, mobile data cards, remote access to the IDC's internal network, voice over IP software that allows office phones to be routed to mobile phones or laptops, and virtual meeting and online collaboration tools.

As Covid level restrictions varied during the year, rosters were put in place to support and encourage a calculated and risk-controlled return to work. A multi-professional crisis management team was established to determine protocols and practices to manage the pandemic. In all common areas of the IDC's head office and regional offices, sanitisers are provided. Fogging takes place twice a month. Temperature screening applies to all employees, contractors and visitors and social distancing is enforced through markers in designated areas.

Since the Covid-19 outbreak, 51 cases were recorded up to the end of March 2021. Sadly, three employees passed away as a result of Covid-19 complications. A summary of the Covid-19 cases up to the end of March 2021 is provided below:

Period	2020 January to March	2020 April to June	2020 July to September	2020 October to December	2021 January to March
Total cases	No cases	3	15	31	51
Recoveries		3	15	31	48
Deaths		-	-	-	3
Active cases		-	12	16	20

Employee engagement and commitment

During the year, an employee engagement framework was adopted to promote frequent leadership/employee bilateral consultations and monthly division-level engagements to enhance top-down and bottom-up communication.

A comprehensive employee engagement survey is planned, as is a 'net promoter score' survey to gauge the extent to which employees would recommend the IDC as an employer.

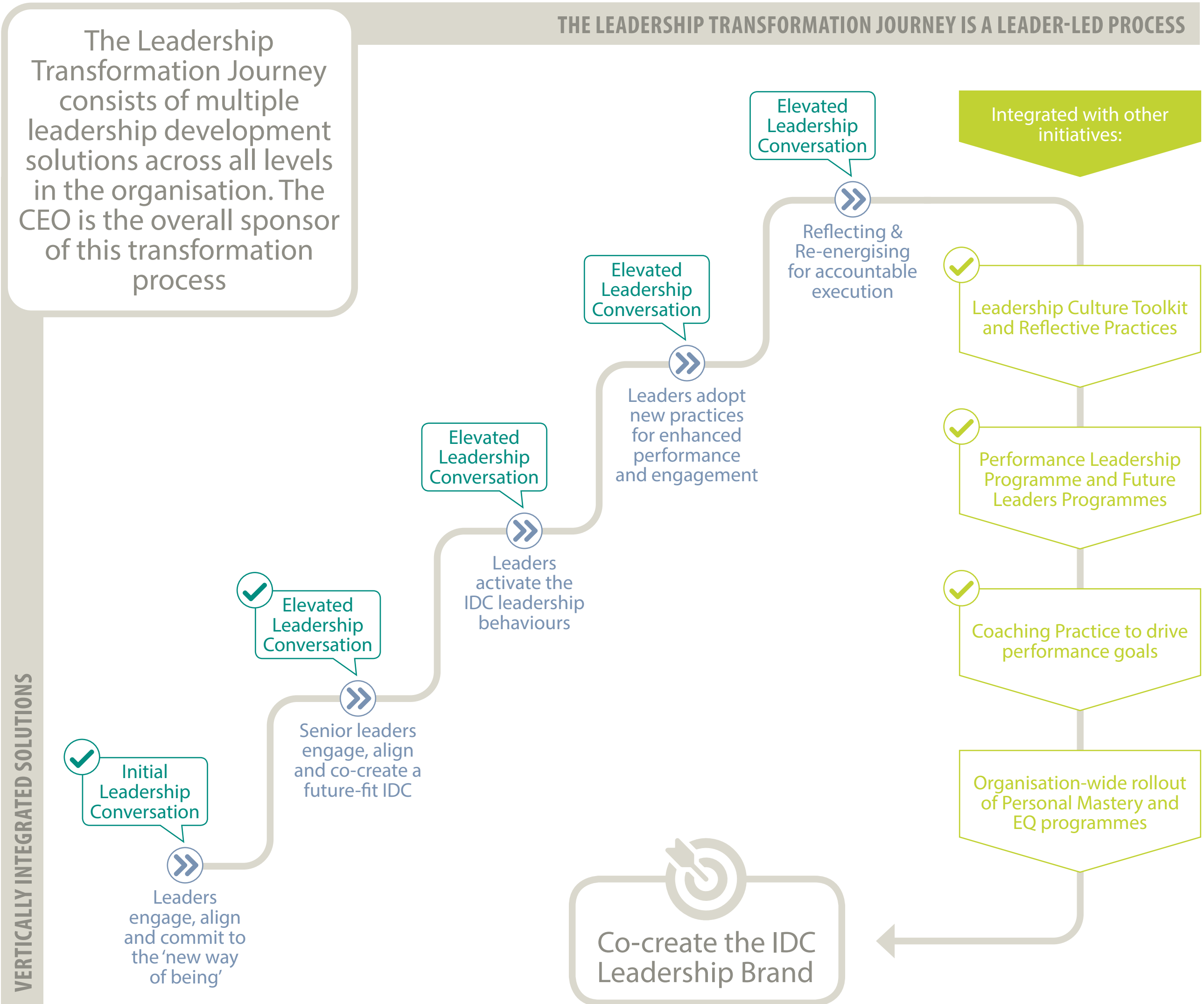
During the review year, the employer/union relationship advanced when the IDC recognised the PSA as the official trade union, thus furthering a culture of inclusion, engagement and transformation. An agreement was reached in terms of which employees fall within the category referred to as the bargaining unit. Meetings are held monthly to discuss various issues of mutual interest. On 31 March 2021, the PSA represented 63% of the IDC workforce – 528 individuals. No significant or material labour disputes arose during the reporting period.

The number of internal disciplinary matters dropped during 2020/21, with 14 issues addressed and resolved (2019/20: 18). The Employee Relations Policy was reviewed to drive a new approach to correcting behaviour instead of having a punitive approach. However, serious misconduct is treated with the seriousness it deserves. Managing discipline remains the responsibility of line managers and Human Capital will ensure that they are trained and supported to perform this role effectively.

The Corporation respects the rights of employees to challenge disciplinary sanctions through the Council for Conciliation, Mediation and Arbitration and labour courts, and will abide by their findings. In the year under review, there were seven such matters (2019/20: 10), none of which resulted in an adverse outcome for the Corporation.

Leader-led people management culture

Leadership development is integral to embedding the IDC's high-performance 'people first' culture. The leadership strategy and transformation journey depicted below remains the guiding philosophy.



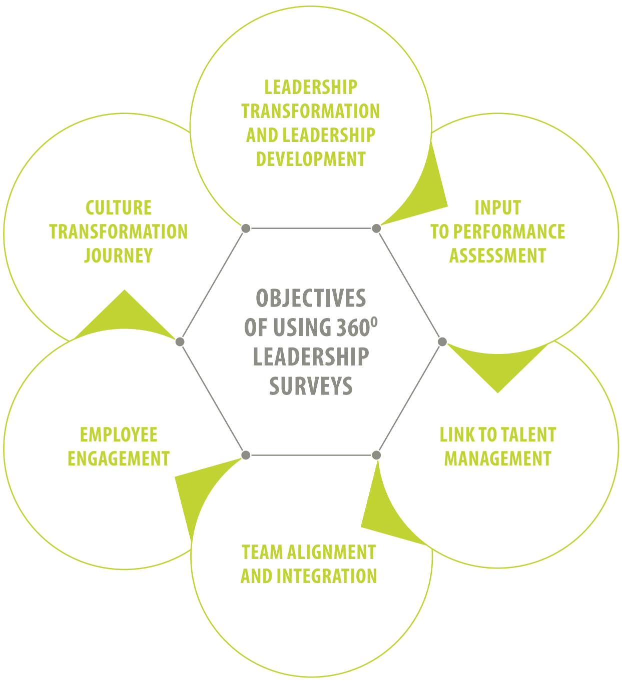
Leadership bench-strength

Effective leadership mobilises and inspires teams, engages effectively with stakeholders and steers an organisation through ever-increasing technology-driven industry advances, and uncertain and challenging times.

Leadership development continues to be integral in ensuring the IDC's long-term sustainability and the legacy of being a pioneer in industrial development and a catalyst to employment creation. To develop leaders and ensure appropriate interventions, a 360-degree leadership survey aligned to the IDC's leadership framework and competencies was undertaken for executives, heads and regional managers. The objectives and results are captured on the following page.

The performance leadership programme to increase leadership bench strength was launched in 2019/20 and continues to drive a mindset shift. It seeks to see leaders shift from insight to action, from action to habit, from impact to legacy. To date, seven individuals have been promoted into management roles and four to senior management.

Leadership framework



The organisation's decision-making has been enhanced through knowledge management expertise and capability, which have included facilitating problem-centred capacity building, benchmarking and research requests. The Corporation has collaborated with organisations such as Banco de Desenvolvimento de Angola and TIB Development Bank. Furthermore, 55 knowledge harvesting and transfer sessions were facilitated and elicited 22 lessons learnt from retirees, resignees and resident experts. This knowledge was transferred to successors to support the long-term sustainability plan. New business development management, project review forum, project development, due diligence and human capital communities of practice were formed.

Focuses for 2021/22 will include:

- Recalibrating the leadership brand aligned to the long-term sustainability plan and the rapidly changing external environment
- Reinforcing leadership conversations focusing on leadership behaviours, the role of leadership and how leaders 'show up'
- Executive development, leadership programmes for women leaders and upskilling for new leaders.

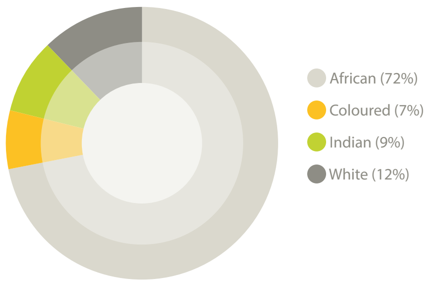
Employee training

Development of IDC employees remains a key business imperative. Notwithstanding Covid-19, training continued, virtually, with pleasing results.

Number of employees trained

Indicator	2021	2020	2019	2018
Total number of employees trained	555	495	304	375
· Female	304	272	176	206
· Male	251	223	128	169

Employees trained by race



Employees trained by race

During the review year, 85 (2019/20: 153) employees pursued formal academic studies in, inter alia, business management, marketing, law, finance and development finance, through IDC bursaries. Twenty-seven percent of the bursars enrolled for Masters qualifications.

Diversity, inclusion and transformation

The Corporation's equity representation remains high at 90.8% (2019/20: 91.2%).

Women representation increased by 0.7% to 55.5% (2019/20: 54.8%). Women made up 50% of the Executive Committee (2019/20: 40%) and 32% (2019/20: 43%) of the senior management level.

The 2020 to 2022 employment equity plan was completed, but was reviewed to accommodate the organisational realignment outcomes and recommendations of the Department of Employment and Labour. The resultant plan, which runs from 2021 to 2024, includes actions to remove potential barriers to transformation, be they policy, process or practice related. Emphasis remains on improving the appointment, development and retention of people with disabilities.

TOP ACHIEVER DR THIBELA CREDITS THE IDC

The IDC has adopted a number of initiatives aimed at supporting learners from underprivileged communities, helping them to advance their education and career aspirations.

One of the beneficiaries of the IDC's bursary support is Dr Thakgalo Thibela. Aged 21, Thibela has since completed her Bachelor of Medicine and Bachelor of Surgery (MBBCh) degree. She is currently a practising doctor at the Helen Joseph hospital in Johannesburg. The Covid-19 pandemic has thrust Thibela into the limelight – she is one of the youngest frontline workers to have heeded the call to provide support to an overstretched healthcare system. For Thibela, this achievement is an experience she is keen to share so she can inspire her generation to take up maths- and science-related subjects.

Given her humble background, she credits the IDC for having given her a break to study medicine. But it is Thibela's determination to break a ceiling that is male dominated that prompted the IDC to offer her a bursary. Among her early achievements in tertiary school, her academic excellence earned her the Golden Key International membership, a recognition for students who are doing well academically and excelling in universities across the globe.

At 21, she is the youngest active female doctor in South Africa, a fact that is confirmed by the Health Practice Council of South Africa (HPCSA). Her aspirations: to use her career and experience to draw many black learners to medicine.

GOVERNANCE REPORT

Governance at the IDC

The Board is the custodian of good corporate governance and is fully committed to the highest ethical standards and ensuring that the IDC conducts its business according to the principles of good governance espoused in King IV. As a result, sound governance practices promoting accountability, transparency, ethical conduct, fairness, responsibility and social development are entrenched throughout the business to support the Corporation's strategic objectives and its delivery of stakeholder value.

IDC values

The IDC's values of passion, partnership and professionalism are central to its corporate governance and reflected in its business conduct and interactions with stakeholders. The values underpin the culture, practices, processes and frameworks and are expressed in governing structures and decision making.

Executive authority and parliamentary oversight

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

The Executive Authority ensures that the IDC's annual performance plans and Corporate Plan align with the Corporation's mandate and the government's priorities, and provide direction on developing and implementing strategic priorities and policies.

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

Governance framework

In carrying out oversight, the Board emphasises creating an enabling corporate governance environment through a robust governance framework. The framework ensures efficient and effective operations fairly and transparently through clearly assigned roles and responsibilities. In addition, shareholder and Board oversight ensures that the Corporation's practices align with governance best practices, while policies, legislation and regulations guide its operations.

While retaining overall accountability, the Board has delegated authority to its committees and across various levels of the Corporation to ensure efficiency in its operations in line with the delegation matrix.

Corporate governance considerations remain integral to due diligence and Post Investment support for subsidiaries and investee companies. Improving clients' corporate governance practices is part of the IDC's developmental mandate and it continues to offer governance support to subsidiaries and investee companies.

Governance structure

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

Governance structure

Key governance enhancements

The Corporation continues to manage unique and profound challenges and risks posed by factors such as the ailing economy, the Covid-19 pandemic and stock market volatility, which are likely to persist beyond the immediate response and recovery periods. During the year, the Corporation considered several corporate governance issues in response to the risks and changes in legislation.

Key governance activities during 2020/21

Corporate Plan	Corporate Plan for 2020/21 to 2022/23 revised to accommodate changes in the operating environment
Delegation matrix	Delegation matrix reviewed to improve governance and enhance operational efficiencies, and approved
Corporate governance framework for IDC subsidiaries and investee companies	Framework reviewed and approved. The framework strengthens governance structures in investee companies to support growth and turnaround strategies and enable effective governance oversight and ownership control by the IDC
Subsidiary and investee company governance reviews	Continued review and enhancement of the corporate governance systems of IDC subsidiaries and investee companies
Enhanced data and information management and security	Protection of Personal Information Act (POPIA) training conducted throughout the Corporation to raise awareness and ensure that IDC staff understand the best practices for processing personal information and protecting people's right to privacy

Role of the Board

The Board sets the strategic direction of the Corporation and leads it through the discharge of its strategic direction, policy approval, oversight and accountability responsibilities. These include good governance outcomes of an ethical culture, good performance, effective control and legitimacy with stakeholders.

The Board also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business.

In its governance of ethics, the Board sets the tone through effective and ethical leadership. It ensures an ethical culture within the Corporation by implementing appropriate policies and practices to ensure ethical interactions with stakeholders. The Board also promotes strong integrity and transparency, which entrench excellence in every facet of the business.

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

The Board is happy to confirm that it achieved the governance outcomes set for 2020/21 and had identified and agreed actions for implementation in 2021/22.

Composition

The shareholder appoints the Board of Directors. It is a well-curated Board with the appropriate balance of knowledge, skills, experience, power and diversity in gender, race, tenure and socioeconomic background. This diversity encourages robust debate at Board and sub-committee levels to ensure that appropriate and effective judgment and guidance are provided to management on strategic objective delivery. Diversity in industry/sector knowledge fosters appreciation of sector and industry player objectives.

Board size is defined by the IDC Act, as amended. The minimum number five and the maximum 15 appointed by the shareholder. The Board structure is unitary and most members are non-executive.

At 31 March 2021, the Board comprised one executive and 10 non-executive members, six of whom are female and five (including the CEO) male.

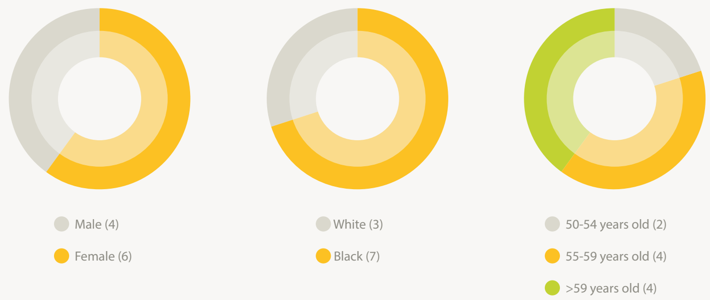
The Chairperson and CEO positions are held separately to ensure a clear separation of responsibilities.

Term in office

Non-executive Board Directors' tenure:

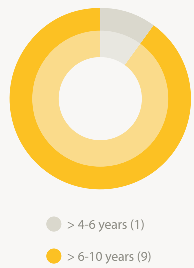
Member	Number of years
BA Mabuza	9.5
LI Bethlehem	12.5
BA Dames	9.5
RM Godsell	9.5
A Kriel	5.0
Dr SM Magwentshu-Rensburg	9.5
NP Mnxasana	6.5
PM Mthethwa	9.5
Adv ND Orleyn	6.5
Dr NE Zalk	11.5

Demographics*

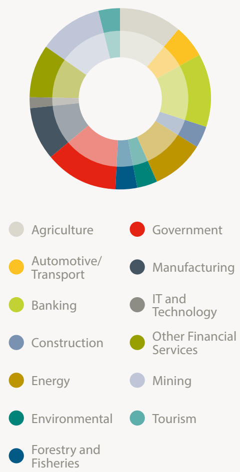


* Non-executive directors

Tenure*



Skills*



Board meetings and attendance

An annual workplan against agreed Board objectives and goals is in place to ensure that the Board attends to its responsibilities in a structured and orderly manner throughout the year.

The Board meets at least seven times a year and holds one strategy session and an AGM per year. Special Board meetings are convened when necessary. During the reporting period, the Board had to be responsive to the unprecedented market turbulence caused by Covid-19 and met 18 times. The Board strategy session was held in September 2020.

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

	Scheduled meetings	Special meetings	Strategy	AGM
Total number of meetings	**8**	**10**	**1**	**1**
Non-executive directors				
BA Mabuza	8/8	10/10	✓	✓
LI Bethlehem	8/8	10/10	✓	✓
BA Dames	8/8	10/10	✓	✓
RM Godsell	7/8	10/10	✓	✓
A Kriel	7/8	6/10	✓	✓
Dr SM Magwentshu-Rensburg	8/8	9/10	✓	✓
NP Mnxasana	8/8	9/10	✓	✓
PM Mthethwa	8/8	10/10	✓	✓
Adv ND Orleyn	6/8	10/10	✓	✓
Dr NE Zalk	6/8	10/10	✓	✓
Executive Directors				
TP Nchocho (CEO)	8/8	10/10	✓	✓

Conflicts of interest

Directors must avoid situations that expose them to conflicts with the Corporation's interests. They disclose conflicts of interest at every meeting and, where required, recuse themselves from deliberations on conflicted matters. In addition, they submit an updated list of their directorships and interests to the Company Secretary quarterly. The list is tabled at each quarterly Board meeting. The Conflict of Interest Policy manages potential conflicts of interest.

Board committees

There are five Board sub-committees: Audit Committee, Risk and Sustainability Committee, Social and Ethics Committee, Human Capital and Nominations Committee, and Investment Committee.

The Board delegates authority to the sub-committees through terms of references. While the Board remains the overall custodian of good corporate governance, each committee promotes integrity and transparency throughout the Corporation. Board committees promote independent judgment and enhance the balance of power in decision-making, enabling the Board to discharge its duties effectively. The committees' terms of reference are reviewed regularly to ensure alignment with legislative developments and governance best practice.

The following applies to Board committees:

- A non-executive director chairs each Board committee
- The Board appoints members of committees except the Audit Committee, whose members are appointed by the shareholder at the annual general meeting
- The Chairperson of the Board and the Chief Executive Officer are standing invitees to all Board committee meetings
- Other executives attend meetings where appropriate and by invitation
- Board committee chairpersons report to the Board on deliberations, conclusions and recommendations.

Board and committee evaluation

The effectiveness and performance of the Board and its subcommittees are evaluated periodically against their mandates. The Company Secretary collates and communicates the feedback to the sub-committee chairs for action.

During the review year, the Board contracted an external provider to evaluate Board composition, director performance, the Board as a unit and individual committees of the Board. It is pleasing to report that the Board and its committees were deemed to be performing exceptionally well in the governance areas of ethical characteristics, fiduciary roles and responsibilities, and technical competencies, receiving an overall score of 4.1 out of 5. The evaluation also confirmed a good balance between the size and composition of the Board, given the role of the IDC as a DFI.

Requiring attention is the number of other directorships held by individuals, which could impair their ability to discharge their duties without logistical challenges or potential conflicts of interest.

For the coming period, the Board will address this and other issues identified in the recent and previous evaluations.

Board remuneration

The Board Human Capital and Nominations Committee (BHCNC) advises on the remuneration of Board members. Non-executive directors are remunerated for the meetings they attend at shareholder-approved rates. No performance-based remuneration or retainer fees are paid to directors.

Non-executive directors' fees

Non-executive directors do not have employment contracts with the Corporation or participate in any of its incentives. Recommendations on the fees payable to non-executive directors are made by the BHCNC and approved by the shareholder. Non-executive directors' remuneration is determined by market benchmarking conducted by an independent external provider. Annual fees payable to non-executive directors were approved by the shareholder at the annual general meeting on 30 November 2020. The fees paid to non-executive directors appear in the annual financial statements for the reporting period.

The Chief Executive Officer

The Board has delegated the management of day-to-day operations to the CEO, assisted by the Executive Management Committee and its sub-committees. Each committee has a clearly defined mandate set out in its terms of reference.

The CEO's contract stipulates a notice period of three months and expires at the end of 2023. The CEO currently holds no significant directorship apart from IDC mini-group positions. Succession planning is in place for his position.

Company Secretary

The Company Secretary is not a director of the Corporation and acts independently of the Board. In line with good governance practice, the appointment and removal of the Company Secretary are Board matters.

During the review period, Bassy Makwane fulfilled the dual role of Company Secretary and General Counsel of the Corporation. The two roles have since been separated and a new Group Company Secretary, Nomini Rapoo, appointed. She is a qualified corporate lawyer with extensive experience in governance and assurance functions.

An ethical culture

Governing and managing ethics

The Board sets the example and tone for ethical leadership by implementing appropriate policies and practices. In addition, through its Social and Ethics Committee, the Board oversees the establishment of ethical norms and their public disclosure.

The IDC has well-developed processes and controls that embed policies and practices to deal with ethics-related risks. The Ethics Policy Framework consists of:

- A Code of Ethics and Business Conduct with standards for ethical behaviour internally and in dealings with customers, suppliers and service providers
- A Fraud Policy, which assures stakeholders that no form of fraud, theft or corruption is tolerated
- A Procurement Policy, with ethical standards for an equitable and transparent procurement system
- A Gifts Policy, which regulates the receipt of gifts by employees from clients and suppliers
- A Whistleblower Policy, which guides employees in disclosing unlawful or irregular conduct in terms of the Protected Disclosures Act, 26 of 2000.

Employees, customers and other stakeholders can access an anonymous tip-off hotline to report unethical behaviour. An external provider administers the hotline and stakeholders are encouraged, through awareness campaigns, to report fraudulent, unethical or corrupt activities. During the reporting period, 14 matters were reported through the hotline.

When a report is received, a preliminary investigation establishes a probable case, with further investigation and remedial recommendations following. Sanctions include legal, including criminal action against perpetrators of fraud and listing on the IDC's delinquents register.

Key focuses

Despite consistent efforts by the Corporation to curb the scourge of unethical conduct, some clients and employees, noticeably and boldly, took unethical decisions to defraud the Corporation. In mitigation, the Corporation consistently and frequently communicates its zero-tolerance to fraud, tightens controls to prevent asset misappropriation and the temptation to behave unethically and reacts swiftly to allegations of unethical conduct.

The Covid-19 pandemic and current operating environment gave rise to significant governance challenges, whose urgency highlighted the criticality of directors exercising care, diligence and skill in assessing and minimising risk in extreme situations. The sustainability of the Corporation, its subsidiaries and investee companies remains a priority for the Board.

Despite a clear commitment to ethics in the Corporation, compliance with rules is critical. The risk of conflicts of interest and unethical behaviour by employees, suppliers and business partners remains high. Therefore, efforts will continue to embed a culture of ethical conduct where employees will comply naturally, and without hesitation, with the Code of Ethics and Business Conduct.

Ethics in procurement

The IDC Procurement Policy provides implementation guidelines 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.

This policy requires Procurement Committee members and all involved in procurement to declare their interests at every meeting that deals with bid evaluation and adjudication. Committee members with conflicting interests must recuse themselves from decision making.

Background checks are conducted on all bidding entities and their shareholders. Suppliers are referenced against the National Treasury list of restricted suppliers and court cases and criminal records are considered. 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.

Procurement compliance

Compliance controls were applied rigorously during the reporting period and due diligence to validate supplier information strengthened. IDC compliance controls discourage supplier fronting and misrepresentation of information.

The Procurement Policy conforms with the B-BBEE Act, 53 of 2003 and codes of good practice reserve the IDC's right to cancel a contract and claim damages where fronting and related offences are detected. Suspected fronting is reported to the dtic through the office of the Black Economic Empowerment Commissioner.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

The IDC's environmental, social and governance (ESG) practices are aligned with its commitment to good corporate citizenship and sustainable and responsible socio-economic development. The Board Social and Ethics Committee (BSEC) effects oversight of all ESG activities to ensure compliance with ethical business practices.

Environmental and Social Policy

This policy guides:

- Responsible environmental, health and safety management that conforms to statutory requirements and best practices
- Improved environmental, health and safety performance assistance for business partners
- Resource use that is socially responsible and environment-friendly
- Responsible management of carbon liabilities and exposure and the promotion of bankable green projects that demonstrate social responsibility
- Ethical considerations in promoting trade and activities with only minimal adverse environmental and social impacts
- Set targets to monitor and improve the IDC's environmental, health and safety performance to attract investment and improve internal ESG activities.

Environmental and social due diligence framework

The IDC uses an environmental and social review framework with an internationally accepted project classification system that determines project type, impact and scale for due diligence. This includes an analysis of case histories, the environmental and social impact occurrence likelihood in certain industries and a project's scale and timeframe.

After determining a project's risk category, the client's environmental and social performance is assessed against local legislation. Most 2020/21 transactions were classified as category B (medium risk), with an increase observed in the number of clients experiencing challenges of environmental and social management performance. In the coming year, the IDC will implement proactive Post Investment monitoring to assist clients to meet their obligations.

Climate risk

The IDC has identified the need for fact-based insight on physical and transition climate risks and will in 2021/22 undertake a climate risk scenario analysis for its carbon-intensive portfolios using the methodology recommended by the Task Force on Climate-related Financial Disclosures.

The Corporation consistently tracks the GHG footprint of its offices and those of subsidiaries of which it holds more than 50%. The Corporation's GHG footprint is publicised in the online version of the Integrated Report. In the coming year, data collection will start on the IDC's loan book to gauge the carbon intensity of the portfolio and identify opportunities to support the Just Energy Transition.

The IDC funds business in hard-to-abate sectors such as coal mining, primary steel manufacture, cement manufacture and others as part of its industrial development mandate in support of the National Development Plan (NDP) and Industrial Development Action Plan (IPAP). Such transactions are subject to detailed environmental and social due diligence to ensure that ESG components are incorporated into credit decisions. Compliance with environmental and social legal requirements is a prerequisite to credit approval. The IDC monitors the environmental and social performance of its client base using a risk-based approach, and reserves the right to refuse funding where a client demonstrates non-compliance to environmental and social legal requirements.

The IDC plays an important role in the Just Energy Transition through its funding of the renewable energy sector, energy efficiency, improvements in industrial infrastructure, battery storage and transport.

In the year under review, the IDC's in-house operational emissions reduced to 4 035 tCO^2e compared against the 2014 baseline of 6 220 tCO^2e. The reduction is attributed to IDC employees working from home. IDC noted an increase in greenhouse gas emissions from some of its subsidiaries. These changes are presumably attributable to the nature of the energy inputs to the operation whose parameters (melting steel temperature of the furnace, pressure, steam etc) are stable and independent of the production output. However, the other non-steel product industries showed significantly reduced GHG emissions. It is concluded that the GHG emission reduction by subsidiaries are not directly related to targeted technology interventions but are presumably driven by Covid-19 impact on business operations. A detailed analysis of the IDC Group carbon footprint is available online. In the coming year, IDC is expanding its carbon footprint analyses to selected clients in the loan book.

Legacy rehabilitation projects

African Chrome

During the year, R2.8 million was spent on care and maintenance at African Chrome in Brits. The last source of chrome contamination has been removed. Preparation is underway for the second phase, which involves reviewing the 2020 groundwater monitoring report and recalibration of the groundwater flow and mass transport model, based on historical data.

An environmental legal opinion is being sought on whether the site should be registered as contaminated land.

Middelburg Ferrochrome joint venture

The IDC and Samancor have entered into a joint venture to rehabilitate the Chrome-VI (Cr-VI) contaminated waste dumps in Middelburg, Mpumalanga. The venture was formed by equal partners Samancor and Highveld Steel and Vanadium around 2003, with the parties entering a rehabilitation and funding agreement in July 2004. The rehabilitation programme is premised on an environmental management plan for the rehabilitation of the site. Highveld went into business rescue in 2016/17 and Samancor and the IDC agreed to absorb Highveld's share of the liability.

In 2017, an independent consultant estimated a further 381 000 tons of waste required removal and disposal for the site to be fully rehabilitated.

This work was impacted by Covid-19 but during 2020/21, the IDC spent R2 million on rehabilitation and disposal of contaminated waste at a landfill site, which is designated for disposal of high-risk waste material.

Occupational health and safety

The IDC provides work environments that are safe and do not put employees, contractors and visitors at risk.

The review year was the fourth consecutive year with no work-related fatalities or lost-time incidents. Only one incident required medical attention and five minor injuries were reported, all caused by slippery tiles after head office deep cleaning and sanitisation. Cleaning processes and chemicals were reviewed to resolve the problem.

Covid-19 changed the way the IDC handles employee health, safety and wellness. To contain and minimise the spread of Covid-19, case management and health and safety task teams were formed to assist the crisis management team to implement risk-based approaches including a Covid-19 mini-site, issuing of health and safety protocols and supporting work from home.

IDC staff Covid-19 cases (all community-acquired)

Infections	54 (51 recoveries)
Deaths	3

Natural capital

In 2020/21, IDC subsidiaries addressed negative impacts on natural capital by recommissioning a water treatment plant to recycle wastewater from production and boiler condensates to reduce water consumption; installing plants to treat groundwater and liquid effluent, and installing a fume extraction system to reduce pollution from fugitive emissions. Subsidiaries are monitored regularly for compliance with air emission and water use licences.

COMBINED ASSURANCE

Combined assurance model

The Board and Board sub-committees promote a common approach to governance and risk management based on the IDC's Integrated Risk Management Framework to support the Corporation's strategy. The framework sets the standards by which the IDC's strategic risks are managed.

Consequently, the Corporation adopted the combined assurance model based on the framework that provides assurance of the management of the Corporation's key strategic risks. This model incorporates and optimises all assurance services and functions so that when taken as a whole, they ensure an effective control environment, and support the integrity of information used for internal decision-making by management, the governing body and its committees. The model is based on the three lines of defence depicted in the diagram below.

First line of defence:

Functions own and manage risks as part of their day-to-day activities (i.e. line management). It includes operational management processes such as the development and implementation of systems and procedures, management reviews, risk ownership and control self-assessments.

Each SBU or department is expected to maintain and review its operational risk register annually. Material common operational risks are then uplifted onto the strategic risk register.

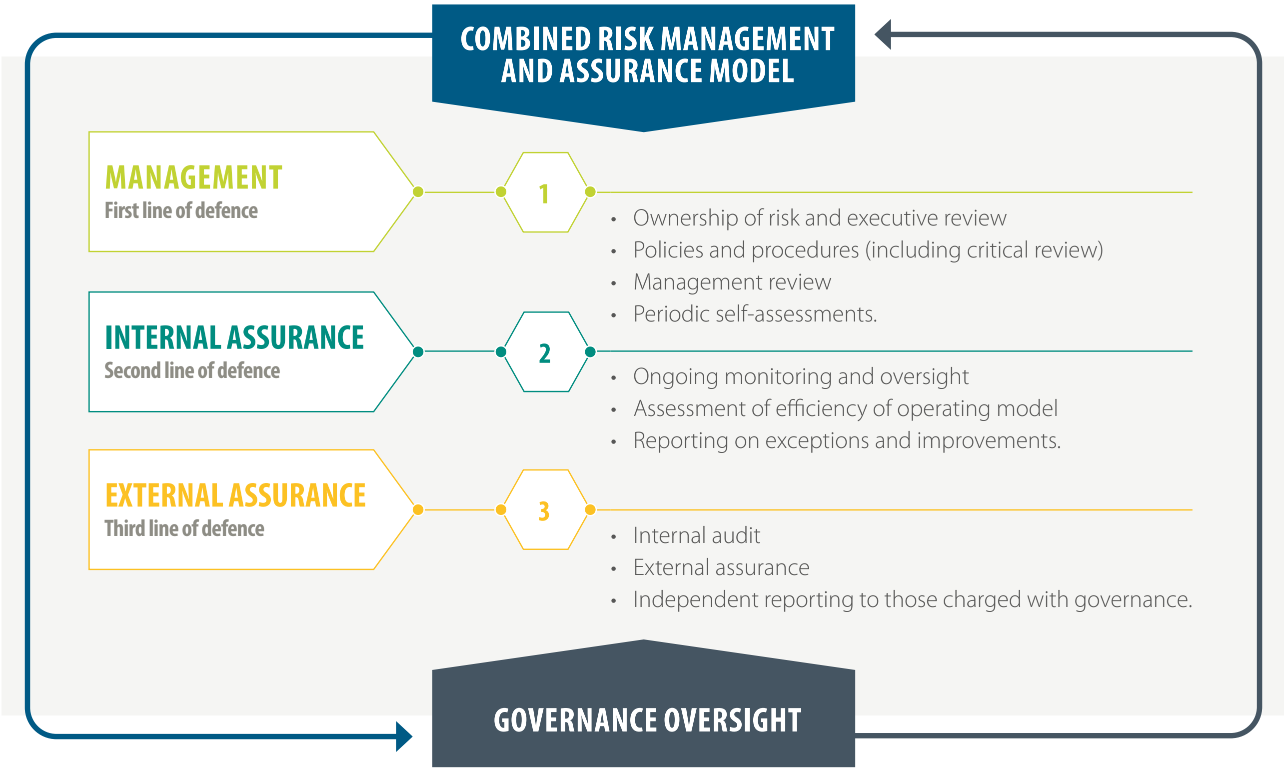
Although this line of defence generally lacks independence and objectivity, its value comes from those who are close to the business and their understanding of day-to-day operations and activities and their possible associated risks.

Second line of defence:

Functions oversee risk and provide guidance and robustly challenge the management teams. These functions oversee management activities, ensuring adherence to policies and performance in line with the risk appetite. The second line is separate from those responsible for delivery, but not independent of the organisation's management chain, e.g. the risk management and compliance functions.

Third line of defence:

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



The mandate and activities of the various lines of defence, i.e. the Risk Management Department, Compliance and Regulatory Affairs Department and the Internal Audit Department, are explained further down in this section.

Governance oversight

The primary objective of the Board committees overseeing assurance-related matters (i.e. BAC and BRSC) is to evaluate the effectiveness of the IDC's combined assurance model and activities against the identified key risks. The committees also review the combined assurance results to satisfy themselves that appropriate assurance activities, including operating controls over key risks, are implemented and both adequate and effective.

Combined Assurance Policy

BAC approved a revised Combined Assurance Policy in February 2021 that was codified from the adopted Combined Assurance Framework. The combined assurance model integrates and coordinates all assurance activities by understanding an organisation's risk exposure and assessing and establishing assurance providers in its governance structures. King IV states that a combined assurance model aims to optimise the assurance coverage obtained from management, and internal and external assurance providers about the key risk areas that affect the organisation. King also provides that combined assurance should be based on identified risks and how assurance is achieved and reported to the Board.

Combined Assurance Forum

This Combined Assurance Forum, which consists of internal audit, the Operational Risk and Sustainability Department and the Compliance and Regulatory Affairs Department, is chaired by the Chief Risk Officer and mandated to administer the combined assurance model. This includes compiling the annual combined assurance plans and reports, implementing BAC feedback and any related matters that may arise.

Focuses

Within the reporting period, BAC reviewed and approved the Combined Assurance Policy and the Combined Assurance Plan for 2021/22. The plan was subsequently noted by BRSC.

A combined assurance dashboard was then developed to track the various assurance activities against the approved plan. Assurance providers, including the Risk Management Department, the Compliance and Regulatory Affairs Department, the Internal Audit Department and the External Auditor, will carry out assurance activities, which will culminate in a 2021/22 combined assurance report for discussion by BAC and noting by BRSC.

The combined assurance approach has enhanced collaboration among assurance providers and eliminated duplication to ensure succinct outcomes. The current Barnowl system contributes to greater synergy and efficiencies on combined assurance activities and improved reporting.

Future focus

In terms of the approved 2021/22 Combined Assurance Plan, the forum will present a consolidated report on the outcomes of assurance activities to executive management, BRSC and BAC during 2021/22.

Covid-19 continued to affect operations during 2020/21. The three assurance providers found different ways of providing the necessary assurance over emerging risks identified and highlighted in the operational and strategic risk registers. The risks are being managed through the IDC's Crisis Management Committee and assured by the forum, which will consider during 2021/22 the continued impact of Covid-19 on the IDC and its business partners in an adverse economic climate.

The pandemic renewed focus on cybersecurity, particularly with employees working remotely and using home WiFi. The forum will continue to review the IDC's controls to ensure data protection and integrity.

A post-implementation review will be conducted of LTSP initiatives to evaluate whether they yielded the desired results.

Risk management – second line of defence

Enterprise risk management

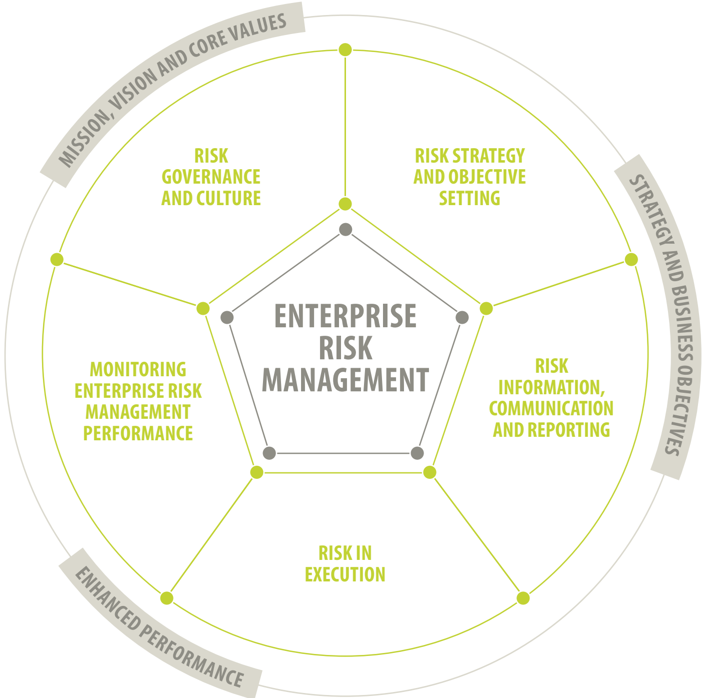
Annual risk assessment

The Operational Risk and Sustainability Department uses different risk assessment methodologies, including one-on-one interviews, survey distribution and workshops with the Board, management and employees. During 2020/21, risk workshops were held with divisional executives, and SBU and department heads to review and validate risks currently in the IDC's risk register and identify emerging risks.

Risks are captured 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.

Strategic risks

Through the risk assessment process, several strategic risks were identified that could have a material impact on achieving objectives. These risks are shown on pages 20 to 23.



Operational risk and business continuity management

Assessments

The risk and control self-assessments of all the departments are reviewed annually. The assessments are a key component of the Operational Risk Management Framework and create a dynamic and iterative process for consistently and comprehensively identifying, assessing, mitigating, monitoring and reporting key operational risks.

To continue embedding a sound risk ownership culture in the Corporation, risk champions for each department and SBUs were appointed and trained. Risk champions are responsible for operational risk and business continuity under Operational Risk and Sustainability Department guidance. Their duties include reviewing and updating the assessments and business continuity plans annually or when there is a risk migration.

Business continuity management is part of operational risk management and is governed by the IDC's Business Continuity Management Policy and aligned to the Business Continuity Institute's Global Good Practice Guideline 2018. This function ensures that the IDC continues to deliver products and services at predefined levels of acceptability following a disruption. Business continuity management works in partnership with internal departments, SBUs and/or external stakeholders.

Business continuity plans are reviewed and tested annually to ensure that plans are effective and fit for purpose to respond to IDC disaster or crisis.

Furthermore, the IDC's Disaster Management Plan, a framework for disaster prevention, mitigation of risk and rapid emergency response, was developed and submitted to the Department of Employment and Labour.

Focus

The Operational Risk Management and Business Continuity Forum comprises representatives from the Compliance, Financial Management, Legal Internal Audit, Facilities Management, Operational Risk and Sustainability, Information Technology, Corporate Communication and Marketing, Environmental Health and Safety Departments, representatives from operations, the Chief Risk Officer (Chairperson) and the

Human Capital Divisional Executive. The forum ensures that operational risk and business continuity policies/frameworks are developed and implemented in the Corporation to ensure that operational risks are adequately managed and mitigated and business continuity strategies are effective in a crisis.

Risk assessment results, received per division from all departments and SBUs with key operational risks, action plans, key risk indicator information and operational loss incidents/events, are reported to the forum for deliberation and recommendations to the IDC's Executive Committee.

Business continuity and Covid-19

The IDC Crisis Management Committee invoked Covid-19 business continuity plans and activated the work-from-home recovery strategy with only crucial functions working onsite during harsh lockdown. The strategy aims to curb the spread of Covid-19 in the workplace, safeguard health and safety of stakeholders and ensure that business operations continue to operate within predefined timeframes. The committee developed and implemented workplace health and safety protocols, the Covid-19 risk matrix to monitor the risk of infection and adjust the return-to-work strategy.

Credit risk management

Credit risk processes

Credit and investment risk management is well entrenched and entails 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 Department, Technical Services Department (environmental, health and safety and fixed asset valuations) and Credit Risk Management Department
- An independent credit and investment risk assessment by the Credit Risk Management Department
- Credit approval committees that include the executive management team, external members and independent, non-executive directors.

The Post Investment Management Department manages the portfolio from the first disbursement until final settlement. A dedicated and experienced team is assigned to monitor and manage the IDC's subsidiaries and significant investments.

A dedicated Business Advisory and Turnaround Department manages the accounts of clients under restructuring and supervision. It ensures that specialised expertise and skill is applied to implement a sustainable turnaround plan, failing which the asset will be disposed of.

Finally, recoveries, business rescue and insolvencies functions become involved where turnaround prospects are limited.

The Group Risk Division, under the leadership of the Chief Risk Officer, reports quarterly to the Executive Committee and BRSC on performance of the IDC's portfolio, including the key risk metrics such as concentration risk, breaches of prudential risk limits, impairments, non-performing loans and arrears. The key drivers of the movements are highlighted and, where appropriate, remedial action is proposed. Credit risk metrics are also monitored.

Asset quality

The unprecedented economic environment exacerbated by Covid-19 affected many IDC key sectors, causing their outputs to drop substantially. The financial performance in 2020/21 reflects the challenges of an unprecedented year.

Impairments

Despite the challenging economic climate that saw a migration of the IDC book towards stage 3, the impairment charge was lower than budgeted, at R1.1 billion (2019/20: R9.5 billion). The total impairment ratio (cumulative), at 37.9%, increased from the previous year's level of 36.8%.

The year was challenging for IDC clients, with Covid-19 stunting the strategic turnaround action plans of the top non-performing exposures. Impairments are attributed largely to legacy investments, including material IDC subsidiaries that are in distress. These exposures are monitored regularly, at the IMC and by executive management.

Non-performing loans

The non-performing loans ratio increased from 26% in 2019/20 to 38% in 2020/21. The IDC pre-empted this outcome as a consequence of the pandemic. The Corporation was also asked to support Covid-distressed businesses. Significant exposure to tourism, which was severely impacted by the lockdown and high-value exposures that had migrated into non-performing loans, contributed significantly to the increase. The increased default and inherent complexities pushed out the projected timeline for a resolution. However, the portfolio value creation work is expected to reduce the number of non-performing loans over 18 to 24 months.

Future focus

Focus was increased on managing asset quality to protect the IDC's balance sheet, as it will enable competitive borrowing of funds on capital markets and for the Corporation to further entrench its developmental impact. Recently implemented guidelines provide the parameters for IDC investment in its proprietary unlisted equity and limitations on follow-on funding for existing high-risk exposures, including subsidiaries.

The Covid-19 Distressed Fund assisted existing and new clients affected by the pandemic, by offering leniency in pricing, repayment terms and credit terms.

Liquidity risk management

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

Liquidity stress testing

Liquidity coverage ratios test liquidity stress, weighing potential liquidity outflow exposures under stressed scenarios (net stressed outflows) against available counterbalancing capacity (available high-quality liquid assets). The stress scenarios are aligned with the Corporation's risk profile and take into account that currency convertibility and the ability to raise funding, including foreign currency funding, is not guaranteed.

Early warning indicator methodology

The IDC's early-warning methodology is based on indicators, for which the red, amber or green status 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 and operational governance framework to:

- Link liquidity stress testing and contingency planning
- Articulate mechanisms for monitoring early warning signs
- Itemise the IDC's contingency funding sources
- Define the plan's escalation processes
- Outline responsibilities for managing the Corporation through liquidity stress
- Identify the names and contact details of people instrumental in implementing the plan.

As the delegated authority accountable for managing liquidity risk, ALCO manages the Corporation through a liquidity stress event. Operationally, the heightened management information required by the committee, as well as the execution of approved management actions, primarily involves daily liquidity management funding, liquidity management (Corporate Treasury Department) and Liquidity Risk Management.

Liquidity crisis simulation workshops are held at least annually and identified shortcomings are incorporated into the plan.

Compliance – second line of defence

Governing and managing compliance

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 compliance processes with key regulatory and legal requirements through regular reports to the Social and Ethics, Audit and Risk and Sustainability Committees.

The Compliance and Regulatory Affairs Department performs day-to-day compliance tasks and assists the Board to create an ethics-based compliance culture. The department also assists the business units to identify and assess the regulatory risks of various operations and develop compliance risk management plans to mitigate and control them. Regulatory risks are monitored constantly and reported to relevant stakeholders.

Key focuses

During the review year, the Board oversaw the implementation of processes and controls to meet the requirements of the newly promulgated Financial Intelligence Centre Amendment Act, 1 of 2017. The department has completed the procurement of an automated customer onboarding and Post Investment monitoring system to support the risk-based approach and to improve efficiencies and quality.

A risk-based approach has been adopted for client due diligence in line with the requirement that accountable institutions identify, assess and understand their anti-money laundering and combating of terrorist financing risks, as this will allow for better classification of clients as high-, medium- and low risk.

Other initiatives during the review year included heightening awareness in of the Financial Intelligence Centre Amendment Act, 38 of 2001, the Public Finance Management Act, 1 of 1999, and the Protection of Personal Information Act, 4 of 2013.

Future focuses and new regulatory developments

POPIA promotes the right to privacy in the Constitution, while protecting the flow of information and advancing the right of access to and protection of information.

POPIA establishes the rights and duties designed to safeguard personal information. It balances the legitimate needs of organisations to collect and use personal data for business and other purposes against the right of individuals to privacy. POPIA came into effect on 1 July 2020, with a one-year grace period.

Disaster Management Act 57 of 2002 (DMA) and directions issued in terms of Regulation 10(1)(A) of the Regulations of Section 27(2) of the DMA address, prevent and combat the spread of Covid-19.

Declaration of a national disaster

The DMA and its Regulations permit the declaration of a national disaster. In 1999, the South African government launched a green/white paper process that led to the first draft Bill on Disaster Management. The aim was to shift from responding to natural disasters to disaster risk reduction. The focus shifted from 'disaster' to 'hazards' and 'vulnerabilities'. The DMA was acknowledged internationally as among the most forward-thinking new-generation laws on disaster risk and its management. The new focus of the definition of the act influenced how a disaster and disaster risk management would be defined going forward. It is this definition that influences how the Covid-19 pandemic is managed in South Africa. No longer can disasters be seen only as a natural phenomenon. They are now regarded as a manifestation of failed human planning and developments that need to be managed and mitigated even before they become an issue.

Crisis Management Team

The Crisis Management Team was set up to manage and provide strategic direction and guidance during the Covid-19 crisis. The team comprises divisional executives, department heads and other senior departmental staff. The IDC Disaster Management Plan provides a framework for disaster prevention, mitigation of risk and rapid emergency response. It establishes operational procedures for disaster reduction planning and for emergency procedures to be implemented during a disaster occurring or threatening to occur at IDC business operations. The plan facilitates an integrated and coordinated approach to disaster management and ensures that the IDC achieves its strategic vision, builds resilience and sustainability, and documents institutional arrangements for disaster management planning, which include the assignment of responsibilities for priority disasters posing a threat to business operations and neighbouring affected parties.

The DMA and the Regulations are inherently rated as high risk in the IDC's regulatory universe. Based on the Compliance and Regulatory Affairs Department's high-level review and the testing of internal controls, the residual risk has been determined to be medium, with the view that the Corporation complies with the DMA. However, the department is currently undertaking an end-to-end comprehensive review of the adequacy and effectiveness of controls, scheduled for completion in the second quarter of 2021/22. The outcomes will be reported to both the Executive Committee and BRSC.

Conduct of Financial Institutions Bill

The Conduct of Financial Institutions Bill (COFI) will regulate how the financial services industry treats its customers. The COFI Bill is part of the Twin Peaks reform process underway in South Africa, which was formalised when the Financial Sector Regulation Act was signed into law in early-2018. As a result, two new financial sector regulators, the Prudential Authority and the Financial Sector Conduct Authority (FSCA), were established in April 2018. The COFI Bill is the next phase of legislative reform to strengthen the regulation of the financial sector in relation to customer treatment and general market conduct. The Bill was published by the Minister of Finance in December 2018 and was open for public comment until 1 April 2019.

Libor Transition

The journey towards a robust and stable forward-looking secured overnight financing rate (SOFR) term benchmark replacement rate (Term SOFR) is near its end. The Alternative Reference Rate Committee announced this in a media statement on 8 June 2021. The committee will be in a position to formally recommend Term SOFR upon the adoption of this change in trading conventions by market participants.

Compliance Regulatory Risk Overview

An assessment of determining applicability of the below listed regulatory requirements is currently underway and this will include seeking legal counsel and the engagement of the FSCA.

The current aggregate risk rating status of the IDC's level of compliance as per the IDC Regulatory Universe is considered to be 'Amber' based on the robustness and effectiveness of the controls that have been implemented. Below is a list of new regulatory developments that are actively tracked to assess applicability and impact to the IDC:

- Financial Advisory and Intermediary Services Act 37 of 2002
- Collective Investment Scheme Control Act, 2002
- Financial Sector Regulations Act 9 of 2017
- National Credit Act 34 of 2005
- Insurance Act 18 of 2017
- COFI Public Procurement Bill
- Expropriation Bill
- Compensation for Occupational Injuries and Diseases

- Amendment Bill Protection of Personal Information Act 4 of 2003
- Disaster Management Act 57 of 2002.

Internal audit – third line of defence

Governing and managing internal audit

The Internal Audit Department is part of the Corporation's Enterprise Risk Management Framework as the third line of defence.

The 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 that threaten the achievement of the IDC's strategic objectives. The department on request provides ad hoc assistance to subsidiaries. The detailed responsibilities are set out formally in a charter approved by BAC.

Key focus

The department implemented a risk-based internal audit plan, based primarily on the risk registers compiled by the Risk Management Department, and the IDC's revised corporate plan and other key emerging risks highlighted by the external auditor and internal audit experts. In addition to the internal audit plan, the department has a dedicated team dealing with forensic matters.

The IDC maintains financial and operational systems of internal controls to provide reliable financial and performance information. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with the laws and regulations and the delegation matrix and that assets are protected adequately against material loss and recorded fully and correctly. The design of the control environment architecture was adequate to manage most identified operational risks effectively, and internal audit recommended enhanced improvement to management of undrawn facilities and post-approval changes to the original funding terms and conditions. Management continued to enhance the control environment in these areas. Previous findings raised by internal audit were addressed by management, including the formulation of an IDC project team to relook at the due diligence financial model and update the customer account management workflow system. The steering committee made significant strides in facilitating data verification and valuation of collateral, which were evident in the current year collateral review.

A progress report detailing management actions taken to address weaknesses noted by internal audit is submitted to both BAC and executive management quarterly. For the financial year, management continued to commit to resolve outstanding issues. For overdue findings, management proposed a revised due date as the delays were unavoidable due to dependencies on new systems or processes being implemented, such as the LTSP and organisation realignment.

The Internal Audit Department provided virtual financial crime awareness training to 289 employees in the business units and departments.

Seventeen cases were reported for investigation (2019/20: 36), six internal and 11 from business partners.

Key operational areas are investigated for financial crime risks. Eight out of 15 (53%) high-risk areas were assessed during the year under review.

Future focus

From the LTSP, new areas such as the audit of third party managed funds, customer-centricity, digitisation and automation of the deal development process have been identified to assist management to bring about a systematic, disciplined approach of evaluating and improving the effectiveness of risk management, controls and governance processes that will ultimately contribute to the IDC achieving its long-term strategy. This will include review and inputs to the revision of various systems and procedures flowing from the organisation realignment. In addition to providing assurance, the department will continue its support and advisory role on new or interim procedures and processes stemming from Covid-19, including on various automation initiatives, by evaluating emerging risks due to newer operating models and business practices and redirecting attention to emerging risks.

The department also keeps abreast of other key developments in the profession, and increased regulatory requirements such as POPIA, and on the impact of macro- and microeconomic risks to the IDC's sustainability.

BOARD COMMITTEE REPORTS

BOARD AUDIT COMMITTEE (BAC)

COMMITTEE CHAIRPERSON: NP MNXASANA

Committee terms of reference

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 assists the Board in discharging its Integrated Reporting and combined assurance duties and oversees the finance function in consultation with the office of the Chief Financial Officer, Internal Audit and Risk Management as it relates to financial matters and external audit.

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 Auditor, External Auditor and a representative from the Auditor-General's office are permanent invitees to committee meetings.

The quarterly meetings of BAC are aligned with the key reporting and regulatory timelines. During the period under review, the committee had five special meetings. The table below sets out the composition of BAC and attendance at the meetings by its members for the 2020/21 financial year:

Member	Number of meetings 9
NP Mnxasana (Chairperson)	9/9
RM Godsell	8/9
Dr SM Magwentshu-Rensburg	8/9
BP Mathidi*	8/9
R Pitot*	6/6

** Co-opted member of the committee*

BAC's key activities and outcomes during the period under review included:

- Assessed the skills, independence and overall performance of the external auditor, and monitored the effectiveness of audit plan execution and reporting
- Approved the audit planning memorandum for the financial year ended 31 March 2021, which included additional scope on Covid-19 distressed funds
- Consulted and agreed with executive management on the engagement letter, terms, audit plan, scope of work and audit fees for the financial year ended 31 March 2021
- Oversaw internal audit in the implementation of audits in the risk-based audit plan to evaluate the efficacy of risk management and internal controls
- Monitored the identification of weaknesses and breakdowns of systems and internal controls, and the progress of key management actions to address adverse audit findings
- Assessed the independence and effectiveness of the internal audit function
- Reviewed and discussed the audited annual financial statements included in this Integrated Report with the external auditor, the Chief Executive Officer and the Chief Financial Officer
- Reviewed the external auditor's report and management's response
- Reviewed any significant adjustments based on external audit queries and accepted unadjusted audit differences
- Reviewed areas of significant judgments and estimates in the annual financial statements
- Received and considered reports from the internal auditors
- Assessed the consistency of information disclosed in the Integrated Report with the annual financial statements and information contained in operational reports
- Assessed the reliability and consistency of the sustainability information, in all material respects, against the financial results
- Considered the conclusions of the external assurance provider
- Assessed the Corporation's finance function to ensure that it has established appropriate financial reporting procedures and that those procedures are operating effectively
- Reviewed the appropriateness of the expertise and experience of the Chief Financial Officer and the financial management team
- Evaluated regularly the appropriateness, adequacy and efficiency of accounting policies and procedures
- Monitored the adequacy and reliability of management information and efficiency of management information systems
- Reviewed legal and compliance matters with a potentially significant impact on the financial statements
- Assessed combined assurance from the external auditor, internal auditors and management to ensure that the combined assurance was adequate to address all material risks
- Monitored 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

- Reviewed and monitored the appropriateness of all key financial performance indicators to ensure that decision-making capabilities are maintained at high levels
- Provided input into the revision of the Corporate Plan prompted by various events, including the Covid-19 pandemic, which resulted in the closing of the economy and the devaluation of some of the Corporation's key listed investments
- Reported to the Board on the effectiveness of the Corporation's internal reporting controls
- Reviewed management reports on the adequacy, efficacy and efficiency of credit monitoring, related impairments and impairment provisions for it to discharge its obligations satisfactorily
- Considered and supported the 2022 to 2025 Corporate Plan and the Corporation's budget and borrowing mandate for the period ending 31 March 2021.

Going concern

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

Conclusion

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

- The internal controls of the Group had been effective in all material respects throughout the year under review
- These controls ensured that the Group's assets had been safeguarded
- Proper accounting records had been maintained
- Resources had been utilised efficiently
- The skills, independence, audit plan, reporting and overall performance of the external auditor were acceptable.

We are of the opinion that the financial statements for the year ended 31 March 2021 comply with the relevant provisions of 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 Integrated Reporting, as evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2021. 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.

BOARD HUMAN CAPITAL AND NOMINATIONS COMMITTEE (BHCNC)

COMMITTEE CHAIRPERSON: BA DAMES

Committee terms of reference

BHCNC supports the Board to enable alignment of the Corporations business and people strategies. To this end, the committee ensures a current and future focus on key people and governance-related matters, which include:

- Review the corporate performance goals for the 2020/21 financial year
- Review the corporate plan and targets for the ensuing financial year
- Advise and guide on relevant and appropriate remuneration policies, plans, trends and practices
- Review and confirm the performance of the CEO and executives and ensure alignment of executive performance contracts to the goals and strategies of the Corporation
- Oversight on people-related matters to ensure a robust and people-focused strategy and agenda for the Corporation
- Ensure effective and continued leadership capacitation, transition and future succession for business continuity and stability
- Guide and advise on human resource policies to ensure appropriate governance while simultaneously ensuring that these policies enable the leadership to attract, retain and manage employees.

Composition and attendance

During 2020/21, the committee consisted of five non-executive directors, including the Board Chairperson as a committee member. The CEO and Divisional Executive: Human Capital are permanent invitees to committee meetings.

The committee held four scheduled meetings during the reporting period. Attendance for the meetings is shown below.

BHCNC membership and attendance

Member	Attendance – scheduled meetings
BA Dames (Chair)	4/4
RM Godsell	3/4
BA Mabuza	4/4
A Kriel	3/4
Adv ND Orleyn	4/4

Activities and focuses in scheduled meetings

The IDC undertook a comprehensive review of its operating model and structure to ensure the business remains relevant, focused, sustainable, client-centric, well managed and -governed as a state-owned enterprise. This culminated in an organisational realignment process as part of the intentional long-term sustainability plan. As a committee, we guided and endorsed the realisation of a 'fit-for-purpose' organisational structure supportive of the operating model. From the onset, the focus was to realign, prioritise and leverage off the existing skills and capabilities of our people while at the same time realising that different capabilities may be required into the future. The realignment process was fully supported by the newly recognised trade union, the Public Servants Association. The realignment exercise was a success as there were no job losses and individual upskilling plans were developed for implementation to give current staff members the capabilities to perform new/changed roles. The year under review was extraordinary and unprecedented in many respects due to the impact that the Covid-19 pandemic had on the economy and on people in general.

The committee approved the management-proposed Corporate Plan to ensure:

- Its ability to maintain business activity in line with the development mandate
- Preserve the IDC's balance sheet by managing and directing cash flow
- Provide certainty regarding the operations of the Corporation
- Assisting government's response to Covid-19 and facilitating industrial recovery.

The committee discussed and reviewed the crisis management plans and employee wellness measures to manage, foresee and minimise the impact of the pandemic on employees and all stakeholders and to ensure productivity even in a work-from-home lockdown environment.

To ensure a collaborative, conducive working environment characterised by engaged employees and a high-performance culture, the committee provided input into the exercise that management started to refine aspects of the remuneration philosophy to ensure relevance to the needs of the business.

There was also continuation of focus on diversity, transformation and inclusion through comprehensive plans that were put in place in the year prior. The Corporation also launched in 2019 a process of transforming the organisational culture with funding assistance from the Agence Francaide de Developpement. This will support the Corporation's aims of embedding a culture of inclusivity and mutual respect by all. In addition, to support the transformation of the Corporation, a tailored Employment Equity Policy was approved to drive representation and equity as prescribed in the Employment Equity Act No 55 of 1998. Regular updates on progress against the employment equity plan were made to the committee.

The IDC also formed a cordial relationship with the new PSA as the newly recognised union of the IDC. In building a workforce aligned to the Corporation's values, the committee approved a revised Employee Relations Policy that aims to instil a culture of correction of behaviour while not tolerating misconduct.

Driving an agile and people-centric leadership cohort, the results and action plans of a comprehensive leadership 360 assessment survey were shared, supported by a definitive action plan to continuously capacitate leadership to support and embed the desired culture. This is driven by a leadership transformation journey to create vertically integrated experiences for greater leadership effectiveness through a shift in mindset, skillset and toolset. Leadership and effective succession planning for ongoing business continuity are critical to the Corporation. An update on talent management and succession planning was considered and a comprehensive review will be needed and critical roles will require to be strengthened.

Part of the Board's mandate is to ensure good governance. The committee, on behalf of the Board, considers, recommends and endorses appointment of directors to boards of key subsidiaries and investee companies. This was duly undertaken while also ensuring that remuneration practices and trends of the IDC and subsidiary executives were considered. Supporting key IDC subsidiaries and investee companies was also further enabled by the approval of a revised needs-based Secondment Policy that governs and regularises the seconding and placement of IDC staff at entities. The governance of people practices was further strengthened by the comprehensive review done on the delegation matrix, which was approved by the Board. In addition, the Director and Observer Nominations Policy was revised during the year under review and will be presented by the committee in future for approval.

Future focuses

Our efforts to enable a high-performance culture and facilitate and entrench leadership capacitation and development are ongoing priorities. In driving this future focus, a comprehensive review and implementation of the performance management policy, practice and process will be concluded. This will drive greater alignment between corporate, team and individual performance. As a committee, we remain mindful of the need to retain our talent through an enhanced employee value proposition that includes continuously aligning the IDC's total rewards strategy with the Corporation's overall objectives. In addition, reviewing the nature of executive employment contracting practices as well as other forms of contracting to ensure business capacitation is paramount. The Corporation's journey on leadership transformation, upskilling and succession planning will be instrumental as will embedding of the broader culture transformation initiatives. Diversity and inclusion in line with the three-year employment equity plan must realise enhanced representivity in areas of focus, particularly female representation at senior levels and improving our commitment to the employment and advancement of persons with disabilities.

Conclusion

During the year, BHCNC exercised its responsibilities in providing oversight over issues related to corporate and executive performance, response to the Covid-19 pandemic's impact on people, succession and talent management, remuneration, rewards and recognition, culture transformation, good governance, diversity and inclusion and organisational realignment.

BOARD INVESTMENT COMMITTEE (BIC)

COMMITTEE CHAIRPERSON: DR SM MAGWENTSHU-RENSBURG

Committee terms of reference

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. All Board members, executives and the CEO are permanently invited to attend committee meetings, and other persons are invited at the committee's discretion.

The committee held 12 meetings during the reporting period. Committee members and meeting attendance are indicated in the table below.

Member	Number of meetings: 12
Dr SM Magwentshu-Rensburg (Chair)	12/12
BA Mabuza	12/12
NP Mnxasana	11/12
PM Mthethwa	12/12
Adv ND Orleyn	10/12
Dr NE Zalk	12/12

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:

- 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 and the associated economic lockdown and volatility of the listed equities
- Commented on the impact of the current economic environment on the IDC's mandate of job creation, noting the increase in the level of unemployment across the country
- Reviewed and commented on revisions to the IDC's delegation matrix, a governance framework that guides the Corporation's operations
- Received regular updates on the management of the deal pipeline compared to liquidity
- Approved 11 transactions amounting to R5.4 billion, including guarantees and amendments to existing facilities. These transactions are expected to create 4 885 jobs.

Conclusion

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

BOARD RISK AND SUSTAINABILITY COMMITTEE (BRSC)

COMMITTEE CHAIRPERSON: MS LI BETHLEHEM

Committee terms of reference

The Board Risk and Sustainability Committee (BRSC) provides risk governance and independent oversight for the Corporation. BRSC assists the Board in carrying out its risk responsibilities to ensure that the Corporation has implemented an effective policy and plan for risk management that will enhance its ability to achieve its strategic objectives and that the disclosure regarding risk is comprehensive, timely and time-relevant. BRSC oversees the development of the Corporation's risk appetite framework and ensures that the risk profile is within the risk appetite parameters. Additional responsibilities include oversight of the quality of the book, ensuring compliance with risk policies and reviewing the overall risk profile of the Corporation as well as the sufficiency of capital.

Composition and attendance

The committee comprises independent non-executive directors, including the Board Audit Committee Chairperson. The Chief Executive Officer and the Chief Risk Officer are permanent invitees to committee meetings, and the Chairperson may, at her discretion, invite other Board members, executives or employees to attend and be heard at committee meetings.

The table below sets out the composition of the Board Risk and Sustainability Committee and attendance at the meetings by its members for 2020/21:

Member	Number of meetings: 7
LI Bethlehem (Chair)	7/7
BA Dames	6/7
A Kriel	6/7
PM Mthethwa	7/7
NP Mnxasana	6/7

Activities and focuses

BRSC's key activities and outcomes for the year under review included:

- Considered strategic risks and their impact on the achievement of the Corporation's strategic goals. Assessed the adequacy of strategies and action plans formulated to mitigate identified risks and the combined assurance provided
- Provided input into the revision of the Corporate Plan prompted by various events, including the Covid-19 pandemic, which resulted in the closing of the economy and the devaluation of some of the Corporation's key listed investments
- Recommended the Southern African Development Community (SADC)-focused Rest of Africa Strategy in terms of which the Corporation's funding activities will be limited mainly to certain geographies within the SADC region
- Reviewed and commented on a report on the steel portfolio across the value chain and options for the immediate tactical approach to the current challenges of the steel value chains and the Corporation's steel portfolio
- Approved revisions to the funding guidelines aimed at addressing the significant deterioration in the quality of the Corporation's credit and investment portfolio and the high level of impairments and non-performing loans
- Approved the reviewed Risk Appetite Framework, where some of the metrics were revised in line with the projected revenues and capital base
- Approved the material changes 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 the Johannesburg Stock Exchange rules
- Approved the amendments to the Impairment Policy to align it to leading practice
- Guided managing performance and the Corporation's investment portfolio under challenging economic conditions and global uncertainty related to Covid-19, especially in sectors such as tourism, where most businesses completely ceased to operate
- Reviewed and provided input into the IDC transitional holding plan. The transitional plan, among others, maintains business activity in support of the IDC's development mandate and the implementation of the long-term sustainability plan and preserves the IDC balance sheet by managing and directing cash flow
- Continued to closely monitor progress against customised strategic interventions for the top 20 non-performing exposures through a dedicated BRSC sub-committee. The sub-committee provided specific direction and guidance on the management of these exposures

- Approved the reviewed liquidity and interest rate risk policies and the new Equity Price Risk Policy in line with the PFMA, as amended
- Considered the IDC's return-to-work plan and the strategies implemented to ensure business continuity whilst safeguarding the health and safety of employees and other stakeholders
- Reviewed the IDC's delegation matrix, a governance framework that guides the operations of the Corporation.

Future focus

The committee and the Board continue to be concerned about the Corporation's financial sustainability, the deteriorating portfolio performance and negative developments in the macroeconomic environment. The committee identified key indicators to monitor the situation every quarter, and these have been included in the 2021/22 annual plan.

Conclusion

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

BOARD SOCIAL AND ETHICS COMMITTEE (BSEC)

COMMITTEE CHAIRPERSON: ADV ND ORLEYN

Committee terms of reference

BSEC is a statutory committee constituted in terms of Section 72 read with Regulation 43 of the Companies Act. It assists the Board in discharging its duties relating to the oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

Composition and attendance

The committee currently has four members, all non-executive directors. The Chief Executive Officer, Chief Operations Officer, Chief Risk Officer and Divisional Executive Strategy and Corporate Affairs are permanent invitees to the committee meetings. Other executives and senior management are invited to join meetings when matters within their respective areas of responsibility form part of the agenda.

During the period under review, the committee had two special meetings in addition to the scheduled quarterly meetings. The table below sets out the composition of BSEC and attendance at the meetings by its members for the 2020/21 financial year:

Member	Attendance
Adv ND Orleyn (Chair)	6/6
A Kriel	6/6
Ms P Mthethwa*	6/6
Dr NE Zalk	5/6
P Makwane**	4/4

**Ms Mthethwa joined the committee in May 2020*
*** Mr Makwane passed away 24 January 2021*

Activities and focuses

BSEC's key activities and outcomes for the year under review included:

Ethical culture

- Received reports on matters reported for forensic investigation and noted a decline in the number of incidents from 15 in the previous period to 13. Six out of the 13 reported were due to fraudulent conduct, five by clients and one by an employee
- Noted with concern the lack of progress in addressing findings relating to fraud and corruption in some of the key subsidiaries and advised IDC management to consider playing a more active role in assisting subsidiary management with tools to mitigate corruption and fraud risks
- Noted a general improvement in reputational risk
- Provided guidance on the mitigation of reputational risks on seven transactions deemed a risk for the Corporation as they involve politically exposed persons (PEPs)
- Received regular updates on reputationally sensitive litigation and noted that in the reporting period, the amount owed by the 24 clients in this category was approximately R1.5 billion, which represented 9% of the recoveries book
- Guided on progressing long-outstanding trial date applications.

Broad-Based Black Economic Empowerment

- Received a report on the key issues and the strategies employed to improve the Corporation's B-BBEE level from 4 in 2018 to 1 in 2020 – a notable achievement
- Noted that the Corporation generally performed well on each element assessed

- Highlighted improvements such as ensuring that the budget allocation adequately caters for elements requiring a financial contribution, such as enterprise development, and increasing representation of black middle-management employees.

Social development

- Approved the revisions to the CSI Policy
- Received a report on the Corporation's CSI activities over the period and noted that a significant amount of the CSI budget was allocated to initiatives in primary school education, infrastructure development and initiatives aimed at integrating technology into the teaching and learning environment to enhance educational outcomes
- R5 million was approved towards the Solidarity Fund (R1.5 million from CSI and R3.5 million from Development Impact Support (DIS)). In total, R13 million was approved and disbursed by CSI towards Covid-19 projects
- Considered a report on the various social impact funding and support programmes aimed at facilitating sustainable and inclusive economic development through which 20 projects to the value of approximately R94 million were approved, creating 526 direct jobs and benefitting more than 4 000 individuals.

Compliance

- Approved for publication of the list of IDC-funded business partners for the 2020/21 financial year, highlighting the PIPs/PEPs associated with each transaction
- Approved the revisions to the Anti-money-laundering and Sanctions Policy, the Risk Management and Compliance Programme and the PIP/PEP policies and related training programme
- Recommended the adoption of industry best practice ceasing to recognise individuals as PEPs after at least five years of political inactivity
- Approved the regulatory compliance plan for the financial year and received regular reports on compliance with the plan
- 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.

Sustainable development

- Received a report highlighting the anticipated carbon tax exposure for the IDC's equity-funded clients with substantial greenhouse gas emissions
- Noted initiatives by the Corporation to foster greenhouse gas emission reduction measures by its business partners through clean technology and carbon offset projects
- Advised management to formulate strategies to develop a greener industrial base, mitigate the risk of long-term carbon emitters and explore opportunities in green hydrogen generation.

Client experience

- Received a progress report on the implementation of the Customer Client Complaints Policy and other initiatives aimed at improving the client experience being addressed as part of a broader organisational culture improvement project
- Considered a report on the annual client complaints survey and noted an improving trend in the resolution of commonly cited complaints on rejection appeals, bureaucracy and the effectiveness of communication.

Conclusion

During the year, BSEC provided oversight over initiatives to intensify an ethical culture, protect the IDC's reputation, monitor the Corporation's standing as a good corporate citizen and stakeholder relations.

ADOPT-A-SCHOOL FOUNDATION

Whole School Development Programme

The IDC has a long-standing partnership with Adopt-a-School Foundation, which implements the Whole School Development (WSD) Programme. The programme supports the creation and enhancement of a conducive learning and teaching environment in disadvantaged schools.

The objective of the WSD is to help address skills, social and infrastructure challenges facing schools – more so in previously disadvantaged communities.

Since the inception of the programme in 2012, the IDC has invested R169 million to support the programme's rollout across 30 IDC-adopted schools in nine provinces. The funds invested contributed to the construction of 70 new infrastructure projects, creating 1 141 temporary employment opportunities.

In addition, the WSD Programme's curriculum programmes have supported skills development for over 2 715 educators, training of 17 implementers and tutors. Fifty-three young entrepreneurs (unemployed youth) have been trained to support the schools in the technical delivery of ICT. In total, the programme has benefitted 103 990 individuals through the curriculum and ICT programmes. As part of its initiatives to encourage learners from previously disadvantaged communities, the IDC built an ICT laboratory for Phagamang Secondary School, located in Limpopo.

"The IDC's future funding strategy will diversify its funding sources and will be informed by local and international market conditions, pricing and available liquidity in financial markets."

Chief Financial Officer's Report

Overview

The unprecedented Covid-19 pandemic affected both the global and domestic economy in 2020/21, producing historic declines in economic activity across most countries and most key sectors. However, we are seeing encouraging glimmers of hope, notably in improved GDP growth prospects and government's Economic Reconstruction and Recovery Plan to address constraints to inclusive economic growth through energy and food security, a mass employment programme and reviving the tourism sector.

The IDC, one of the largest DFIs on the African continent, with the assistance of other government departments, responded to the call through initiatives such as a distressed funding facility for entities affected by Covid-19.

Improved financial performance, resilient balance sheet and strong liquidity

The group loss experienced a drop of R3.7 billion during 2020/21 and the company profit increased by R6.4 billion. In our view, this is a strong comeback from the previous year's loss of R3.7 billion. The subsidiaries continue to suffer losses in spite of encouraging turnaround initiatives put in place by management. The IDC, as a significant shareholder, will continue to work with managements to turn around the subsidiaries. We are pleased with the improvement in the balance sheet in capital appreciation of our listed and unlisted portfolios, improved gearing and liquidity. Debt-to-equity ratio improved from 77% to 51% and liquidity coverage ratio was above 100% guidance at 220% and 108% for three months and 12 months respectively.

Based on the detailed going concern assessment conducted, the Corporation continues to be a going concern and remains financially sustainable, with sufficient liquidity to meet current obligations. It remains confident that, for the foreseeable future, it will be able to raise funds and leverage its balance sheet for

61%

reversal of the previous year's impairments

new advances into the economy. Financial sustainability is a material matter for those charged with governance. It can be ensured through management of impairments on both debt and equity books. Despite the orientation of the IDC's book as a DFI that funds riskier investments, the stringent application of IFRS 9 and the economic impact of Covid-19, the IDC balance sheet remains resilient. The 2021/22 to 2023/24 Corporate Plan prioritises financial sustainability and developmental impact. Therefore, the countercyclical nature of our business (as with other DFIs) will require a careful balance of resources to protect the sustainability and the health of our book and funds being injected into the economy to boost activity. We are confident that through several internal projects and with Board oversight, this balance is being managed robustly. The underlying financial performance is discussed in more detail on the following pages:

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

Figures in rand million	2021	2020	2019	2018	2017
Statement of financial position					
Cash and cash equivalents	12 637	7 043	9 233	5 726	6 660
Loans and advances	24 520	28 199	29 094	28 564	25 095
Investments	108 801	75 603	116 706	105 959	100 329
Property, plant and equipment	318	53	58	54	54
Other assets	1 153	1 612	363	1 671	1 789
Total assets	**147 429**	**112 510**	**155 454**	**141 974**	**133 927**
Capital and reserves	82 990	53 851	93 097	87 785	83 825
Other financial liabilities	56 910	56 038	54 125	46 723	42 553
Other liabilities	7 529	2 621	8 232	7 466	7 549
Total equity and liabilities	**147 429**	**112 510**	**155 454**	**141 974**	**133 927**
Statement of comprehensive income					
Operating profit/(loss) before finance costs	6 851	(1 858)	1 749	4 384	4 280
Finance costs	(3 272)	(2 563)	(2 573)	(2 492)	(2 679)
Profit/(loss) before taxation	**3 579**	**(4 421)**	**(824)**	**1 892**	**1 601**
Taxation	(282)	1 305	354	201	194
Profit/(loss) for the year	**3 297**	**(3 116)**	**(470)**	**2 093**	**1 795**

5.4%

increase in group revenue

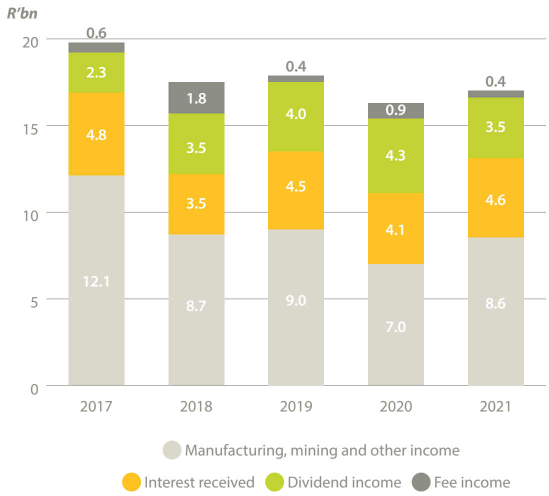
Five-year financial overview – extract from the Group's annual financial statements

Figures in rand million	2021	2020	2019	2018	2017
Statement of financial position					
Cash and cash equivalents	16 037	8 776	9 809	6 156	7 699
Loans and advances	25 505	29 099	27 162	30 660	25 802
Investments	88 715	57 956	93 801	81 488	78 266
Property, plant and equipment	6 122	7 084	7 343	8 148	12 384
Other assets	7 333	6 716	6 492	10 506	5 685
Total assets	**143 712**	**109 631**	**144 607**	**136 958**	**129 836**
Capital and reserves	86 808	60 704	95 602	92 023	88 097
Non-controlling interest	(791)	(514)	(299)	84	193
Other financial liabilities	42 682	41 236	39 486	33 217	30 367
Other liabilities	15 013	8 205	9 818	11 634	11 179
Total equity and liabilities	**143 712**	**109 631**	**144 607**	**136 958**	**129 836**
Statement of comprehensive income					
Operating profit/(loss) before finance costs	3 230	(3 764)	2 327	4 857	3 223
Finance costs	(3 336)	(2 747)	(2 825)	(2 433)	(2 607)
Income from equity accounted investments	1 200	1 005	644	419	963
Profit/(loss) before taxation	1 094	(5 506)	146	2 843	1 579
Taxation	(1 127)	1 717	574	381	621
Profit/(loss) for the year	**(33)**	**(3 789)**	**720**	**3 224**	**2 200**

Group revenue

Revenue increased by 5.4%, from R16.2 billion during 2019/20 to R17.1 billion for 2020/21. This increase is more than the current inflation of 4.2% and has been mainly from dividends and interest income. The Group received higher-than-projected dividends from the listed investments and a 15% increase in interest from the suspended interest, which is a change in the way interest is calculated when there is an impaired financial asset.

Group Revenue



Major-subsidiary revenue declined, with Grinding Media dropping 7% in sales due to Covid-19-related lockdowns and limited trade. Cast Products revenue decreased slightly, by 1.8%. However, Foskor revenue increased by 11.5% due to a turnaround strategy that improved production, efficiencies and sales. Sefa revenue decreased by 23% to R52 million (2019/20: R68 million) as a result of low concessionary rates on Covid-19 initiatives and impact of repo rates fluctuations.

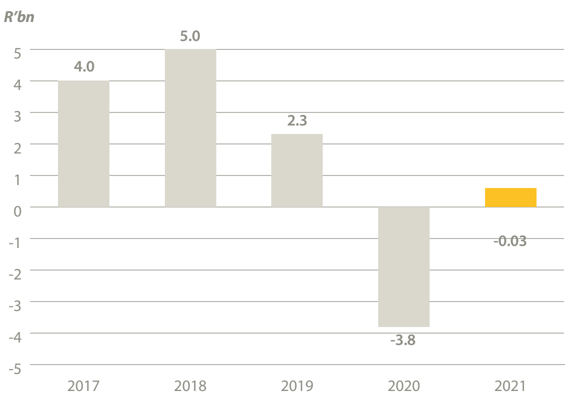
Group operating profit and loss

The Group reported a consolidated operating loss after tax of R33 million during 2020/21, a strong recovery from the previous year's operating loss after tax of R3.8 billion. Initiatives such as strict cash preservation and monitoring, improved collections and security registration were implemented to mitigate the negative impact of the lockdown and adverse economic activity to improve performance. This translated into a significant decline in impairments (expected credit losses), with a recovery of 61% from the prior year at R1.9 billion (2019/20: 4.4 billion).

Muted subsidiary performance

Sefa operating losses improved by 24% to R325 million (2019/20: R429 million) due to lower impairments of R3.5 million (2019/20: R41 million) recognised as the client book improved. Foskor incurred operating losses of R2.2 billion (2019/20: R1.6 billion) due to increased impairment on the cash-generating unit of R892 million (2019/20: R599 million). Grinding Media reported an operating profit of R62 million (2019/20: R135 million) due to a decline in sales and in gross margins due to high cost of imported raw materials. Cast Products improved its operating losses by 41% to R251 million (2019/20: R423 million) due to increased production and improved efficiencies.

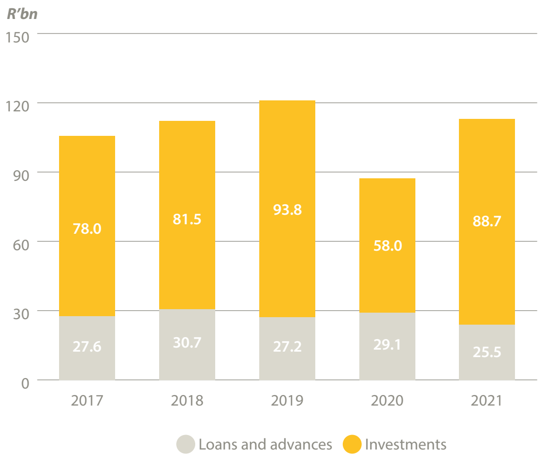
Group operating profit/loss



Loans, advances and investments

Disbursements for the year amounted to R6.2 billion, which is lower than the previous year's R11.7 billion. This decline is indicative of low business confidence caused by the Covid-19 pandemic. However, share prices of listed stocks increased during the review year, resulting in an improvement of R29 billion in the value of investments, which was R52 billion at year-end (2019/20: R23 billion). Considering strong volatility in commodity prices and the IDC Group's significant exposure to the resources sector, we need to diversify our listed portfolio and reduce concentration risk in the short- to medium term.

Group loans, advances and investments

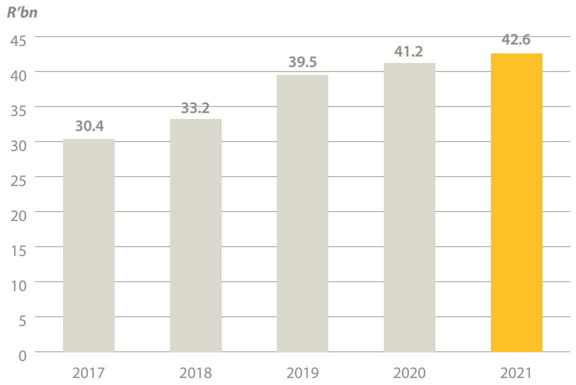


Group borrowings

The review year was characterised by illiquidity in the market because of the pandemic and credit rating downgrades. Lending activities in the debt capital market space were minimal and facilities were available at higher prices and shorter tenors than normal. A draw of R2 billion from the UIF private placement bond was the only bond raised under the IDC domestic medium-term note programme for the year in review.

The IDC's future funding strategy seeks to diversify its funding sources. This strategy will be informed by local and international market conditions, pricing and available liquidity in financial markets. The IDC will continue to explore opportunities to tap into traditional sources such as bond issuances, commercial banks (both local and international) and DFIs. DFIs and foreign commercial banks 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.

Group borrowings



This diversified pool of funding provides the IDC with flexibility to raise borrowings as and when required, depending on market volatility at the time. Therefore, the IDC continues to meet the financial obligations emanating from these funding sources, while maintaining excellent relationships with its lenders and investors. It continues to diversify its sources by tapping the capital market through the issuance of public- and private-placed bonds. Private bonds have, however, carried themes or strategic initiatives with parties that would like a joint effort in support of developmental initiatives.

Total assets

The increase in the asset base from R109 billion in 2019/20 to R144 billion is attributable to the recovery of the listed stock, mainly attributable to Kumba – the cumulative value gained on this one investment amounted to R14 billion for the review year. Valuations of the unlisted book are improving, driven by the recovering economy, and lifting of lockdown restrictions. Credit losses decreased by R2.5 billion due to more security registered on larger exposures.

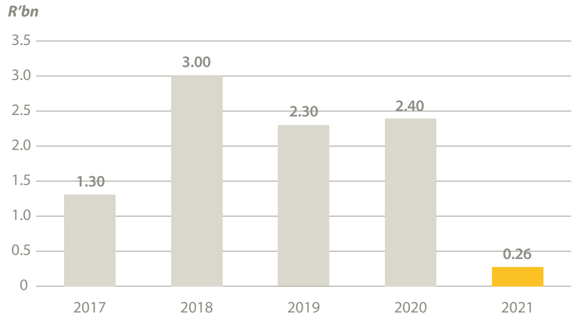
Impairments (IDC company)

The total impairment level for the 2020/21 financial year amounted to R21 057 billion, up by R491 million compared from the balance at the end of 2019/20. This is attributable to deterioration of the book due to the weakened economy and the continued financial impact of Covid-19. The expected credit losses ratio weakened from 32% at the end of 2019/20 to 37% at the end of the review year. The IDC's risk appetite thresholds for impairments are continually reviewed and executive management and the Board Risk and Sustainability Committee receive quarterly reports on impairments and related credit risk mitigation measures.

Write-offs (IDC company)

The IDC writes off investments when all avenues of recovery have been exhausted. During the review year, R255 million was written off versus R2.4 billion in 2019/20. The write-offs were provided for partially through impairments, cushioning the impact on the balance sheet. Although the probability of recovery reduces post-write-off, recovery efforts continue in the Recoveries, Business Rescue and Insolvencies unit. Write-offs are reflected on a net basis, post recoveries. The trend in write-offs over the past five years is illustrated in the following chart.

Company write-offs



Outlook

The global economy continues to adapt to the turmoil of the Covid-19 pandemic. Countries close and open global trade and travel as the need arises while considering the impact of the spread of the virus. To ensure sustainability, the IDC will continue to lend responsibly while fulfilling its mandate as a DFI. Although the impact of Covid-19 has been felt by IDC, it manages the liquidity and performance of its business partners closely. IDC Covid-19 relief funding will continue to support local industrial growth and capacity building for struggling businesses. To fulfil the 2021/22 to 2023/24 Corporate Plan, disbursements will be funded through a combination of internally generated funds and funds sourced from capital markets. Borrowing levels are increasing in line with the growth in expected disbursements, but all activities are conducted with the goal of IDC sustainability top of mind.

ASSURANCE REPORT

Independent Assurance Provider's Limited Assurance Report on Selected Key Performance Indicators to the Directors of Industrial Development Corporation of South Africa Limited

Report on Selected Key Performance Indicators

SizweNtsalubaGobodo Grant Thornton Inc. (SNG GT) and Nexia SAB&T have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described below, and that are presented in the Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2021 (the Report). This engagement was conducted by a multi-disciplinary team including specialists with relevant experience in sustainability reporting.

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected KPIs, marked with a 'LA' on the relevant pages in the Report. The selected KPIs described below have been prepared in accordance with IDC's reporting criteria and the reporting boundary is IDC's operations.

Material Issue	Key Performance Indicator	Measurement Description	Unit of Measure
Industrial development and Covid 19	Value of Investments and funding raised for Investment	IDC own funding disbursed	Rand Value (R'm)
		Total funding disbursed from managed programmes and 3rd party funds and guarantees issued	Rand Value (R'm)
	Value of support provided for Covid relief*	Gross funding approved for IDC Covid-19 emergency supplies fund, including managed funds	Rand Value (R'm)
		Gross funding approved for Covid-19 distressed funds, including value of deferments of interest and capital for existing clients affected by the pandemic (deferments contribution to actual capped at 20% of the target)	Rand Value (R'm)
Socio-economic development	Expected direct jobs created/saved	Expected direct jobs created/saved and jobs sustained from Covid-19 distressed funds for funding approvals gross before cancellations	Number (#)
	Funding provided to targeted groups (Black Industrialists, women entrepreneurs, youth entrepreneurs) *	Value of funding approved to IDC targeted groups – gross before cancellations	Rand Value (R'm)
		Percentage of total number of clients in portfolio in targeted groups	Percentage (%)
		Value of funding provided to Black Industrialists - gross before cancellations (R'm)	Rand Value (R'm)
		Value of funding provided to women entrepreneurs - gross before cancellations (R'm)	Rand Value (R'm)
		Value of funding provided to youth entrepreneurs - gross before cancellations (R'm)	Rand Value (R'm)
	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 and value of workers' and community trusts funded*	Number and value of workers' and community trusts funded	Number (#) and Rand Value (R'm)
	Determination of IDC's GHG footprint and IDC's Covid-19 response*	GHG determination in accordance with the GHG protocol	Text Claim
		IDC's COVID19 response compliance with the Covid-19 Occupational Health and Safety Measures in Workplaces Government Regulations under the Disaster Management Act, 2002	Text Claim

Material Issue	Key Performance Indicator	Measurement Description	Unit of Measure
Customer/Client expectations	Customer satisfaction index rating	Customer satisfaction index rating	Number (#)
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 memberships	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
Financial sustainability	Impairments*	Impairment ratio – total portfolio	Percentage (%)
	Liquidity Coverage Ratio (LCR)*	Minimum end-of-quarter 3-month LCR recorded during 2020/21	Percentage (%)
	Funding for more sustainable investments*	Value of funding approved for medium and low-risk clients as a percentage of overall approvals (excluding Covid-19 distressed funding) with agreements signed	Percentage (%)

**KPIs not assured in prior year*

Directors' responsibilities

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

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement techniques, which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

Further, because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal controls, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information.

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 all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SizweNtsalubaGobodo Grant Thornton Inc and Nexia SAB&T applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

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 limited 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. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of IDC's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

- Interviewed management 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 used to generate, collate, aggregate, monitor and report the selected KPIs
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis
- Evaluated whether the selected KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at IDC.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained and subject to the inherent limitations outlined elsewhere 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 for the year ended 31 March 2021 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 selected KPIs, on which we were previously not required to provide assurance, as indicated in the table above. Hence, with regard to these KPIs, the current year information relating to prior reporting periods has not been subject to assurance procedures. The maintenance and integrity of the IDC's Website (www.idc.co.za) is the responsibility of IDC management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on IDC website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of 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 IDC, for our work, for this report, or for the conclusion we have reached.

NexiaSAB&T

Nexia SAB&T
Registered Auditor

Ayisha Ramasike CA (SA)
Director
Registered Auditor
31 August 2021

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31 August 2021

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GLOSSARY

4IR	Fourth Industrial Revolution
AfCTA	African Continental Free Trade Area
AI	Artificial Intelligence
BAC	Board Audit Committee
B-BBEE	Broad-Based Black Economic Empowerment
BHCNC	Board Human Capital and Nominations Committee
BI	Board Investment
BIC	Board Investment Committee
BIS	Black Industrialist Scheme
BRSC	Board Risk and Sustainability Committee
BSEC	Board Social and Ethics Committee
CEO	Chief Executive Officer
CO^2e	Carbon dioxide equivalent
CP	Conditions Precident
CSI	Corporate Social Investment
CTCT	Clothing and Textiles Competitiveness Programme
DFI	Development Finance Institution
DIS	Development Impact Support
the dtic	Department of Trade, Industry and Competition
ECL	Expected credit losses
ESG	Environmental, social and governance
ESOPs	Employee Share Ownership Schemes
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HCNC	Human Capital and Nominations Committee
IAS	International Accounting Standards
IDC	Industrial Development Corporation
IFRS	International Finance Reporting Standards
IPAP	Industrial Policy Action Plan
IT	Information Technology
LTSP	Long-term Sustainability Plan
NDP	National Development Plan
PEP	Politically exposed person
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PIP	Prominent influential person
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
UIF	Unemployment Insurance Fund
UNEP	United Nations Environment Programme
UNEPFI	United Nations Environment Programme Finance Initiative

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BA Dames
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A Kriel
Dr SM Magwentshu-Rensburg
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PM Mthethwa
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