DBSA

DEVELOPMENT BANK OF SOUTHERN AFRICA

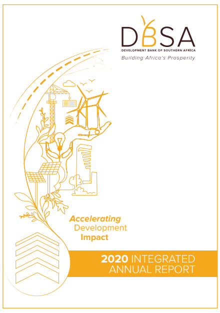
Building Africa's Prosperity

Accelerating
Development
Impact

2020 INTEGRATED ANNUAL REPORT

REPORT NAVIGATION

Our reporting suite for 2020 consists of three reports.



The **2020 Integrated Annual Report**, which is our primary communication with our stakeholders.

The **2020 Annual Financial Statements**, which includes the directors' report and the independent auditor's report.

The **2020 Sustainability Review**, which provides further information on our sustainability performance.

CONTENTS

DBSA

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

Throughout our 2020 Integrated Annual Report, the following icons are used to show connectivity between sections.

Indicates a website reference where more information can be found.

Indicates a page reference for further information which can be found elsewhere in this reporting suite.

OUR STRATEGIC OBJECTIVES

Sustained growth in developmental impact

Providing integrated infrastructure solutions

Maintain financial sustainability

Sustainability innovations

Refer to pages 52 – 53 for further details of our strategic objectives.

OUR CAPITALS

Financial capital

Intellectual capital

Social and relationship capital

Human capital

Natural capital

Manufactured capital

Refer to pages 96 – 141 for further details of the capitals and how we use them to create value for our stakeholders.

PERFORMANCE HIGHLIGHTS

OPERATIONAL PERFORMANCE

R66.3 billion
in total infrastructure delivered, unlocked

R15.4 billion
total loan disbursements

R2.4 billion
worth of projects prepared and committed

R43.1 billion
third party funds catalysed

R4.1 billion
in infrastructure implementation support delivered

R1.4 billion
infrastructure unlocked for under-resourced municipalities

DEVELOPMENT IMPACT

2 062
learners benefitted from 4 newly built schools

600
households benefitted from 200 urban housing units completed

60 501
learners benefitted from 110 refurbished schools

143 485
households to benefit from funds committed to municipalities

R3.4 billion
value of infrastructure delivered by black-owned entities

1 219
local SMMEs and subcontractors employed in the construction of projects

R1.9 billion
value of projects from black-owned entities approved for project preparation funding

GOVERNANCE

- Unqualified audits received since the inception of the DBSA
- A robust, ethical and diverse Board
- R2.7 million in irregular expenditure during the financial year under review

RATINGS AND ACCREDITATIONS

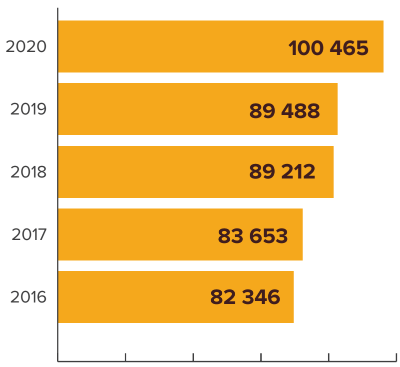
- Externally rated: DBSA foreign currency rating is Ba2 (Moody's)
- A+ rating from AADFI PSGRS
- Global Environmental Facility accreditation is valid from August 2014 until August 2022
- Green Climate Fund EU 6-pillar accreditation is valid from January 2017 until January 2022

ACCOLADES AND AWARDS

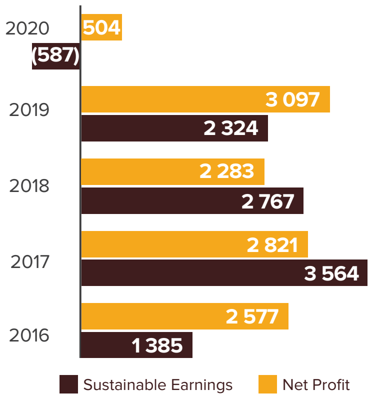
- Chartered Governance Institute of Southern Africa's Integrated Reporting Awards 2019: Best Integrated Report in the State-owned Company Category

FINANCIAL PERFORMANCE

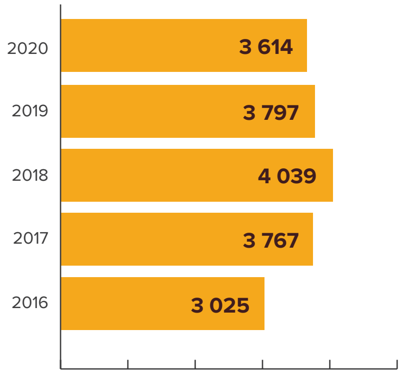
Total assets (R million)



Sustainable earnings and net profit (R million)



Cash generated from operating activities (R million)



Building Africa's Prosperity

The Development Bank of Southern Africa (DBSA) is one of Africa's leading development finance institutions (DFI), and is wholly owned by the Government of the Republic of South Africa.

The DBSA's primary purpose is to promote inclusive and sustainable economic development, growth and regional integration through infrastructure finance and development that improves the quality of life for people in Africa.

INTRODUCING OUR INTEGRATED REPORT

Our development position and strategy are aligned with South Africa's National Development Plan (NDP) Vision 2030, the African Union's (AU) Agenda 2063, the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change.

This Integrated Annual Report covers our performance for the financial year ended 31 March 2020 and is our eighth report tabled in this format. The report provides information that has an impact on our ability to create sustainable value in the short, medium, and long term.

Our mandate, as well as the constitution and conduct of the DBSA Board of Directors, are governed by the Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act). Our leadership is further guided by the King Code of Governance Principles for South Africa 2016 (King IV) and the protocol on Corporate Governance in the Public Sector.

Disclosures within the report are guided by the concept of materiality and the content of this report aligns to the International Integrated Reporting Council's (IIRC), Integrated Reporting <IR> Framework and other applicable frameworks and regulations for financial and non-financial reporting, as outlined in the reporting suite.

Our reporting suite also includes our Annual Financial Statements, which are prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act No. 1 of 1999 (PFMA) and the Companies Act of South Africa No. 71 of 2008 (Companies Act), where appropriate.

The DBSA's business model is informed by the Bank's interaction with the six capitals (financial, manufactured, human, intellectual, social and relationship and natural), the operating environment, interests of key stakeholders, risks and opportunities, material issues and the Bank's strategy.

The structure of our Integrated Annual Report is a narration of our value creation. It is set within the context in which we operate, how it impacts us, stakeholder expectations and how we impact others. This report also provides information on all those matters that we believe could affect value creation at the DBSA over the short, medium and long term. Our material matters are evident in our key risks and opportunities and represent the issues that have the most impact on our ability to create value. Our material matters change over time as new trends and developments shape the macroeconomic environment and as our stakeholders' needs evolve.

ASSURANCE

The DBSA applies a combined assurance model, which enables us to obtain assurance within reasonable cost from our Risk Management Division, as well as internal and external assurance providers. For more information, see the Audit and Risk Committee report on pages 108 – 110.

As a state-owned entity, the Auditor-General of South Africa is the DBSA's auditor and provides external assurance on the fair presentation of the Annual Financial Statements. In the year under review, the Auditor-General of South Africa has issued a report on the findings relating to performance against predetermined objectives, compliance with laws and regulations and internal control, and has expressed a clean audit opinion, which is included in the Auditor-General of South Africa's Report to Parliament as reflected in the Annual Financial Statements.

APPROVAL BY THE BOARD

The integrity of the Integrated Annual Report is ultimately the responsibility of the Board, with assistance from the Audit and Risk Committee as well as the DBSA executive management. The DBSA's leadership provides management oversight to a team with the necessary skills and experience, which undertakes the reporting process. Internally, significant thought has been dedicated to articulating the DBSA's value creation story, and the Board concluded that this report represents all material matters accurately and has been presented in line with the <IR> Framework. The Board of Directors approved this report on 30 September 2020.

Enoch Godongwana
Chairman

Martie Janse van Rensburg
Chairman of the Audit and Risk Committee

Patrick Dlamini
Chief Executive Officer

The DBSA is committed to further improving this report and would appreciate your constructive feedback. Comments can be sent to the Head of Corporate Strategy at corporatestrategy@dbsa.org or submitted to the DBSA premises at 1258 Lever Road, Headway Hill, Midrand.

T.T. Mboweni, MP
Minister of Finance

Before the COVID-19 pandemic, global economic growth was sluggish and struggling to regain ground as a result of the lingering impact of growing trade protectionism, trade disputes among major trading partners, falling commodity prices and economic uncertainties emanating from the United Kingdom's withdrawal from the European Union. Growth in emerging market economies was weaker than expected, largely due to country specific shocks weighing on domestic demand.

INTRODUCTION BY THE MINISTER OF FINANCE

The economic crisis sparked by the pandemic and the "Great Lockdown" is negatively affecting global economic growth beyond anything experienced in nearly a century. Large scale quarantines, travel restrictions and social-distancing measures resulted in a sharp fall in consumer and business spending leading to a global recession. African economies will be severely impacted. Economic growth in Sub-Saharan Africa is projected to decline from 2.4% in 2019 to between -2.1% and -5.1% in 2020, the first recession in the region in 25 years. A collapse in economic activity in the region that results from the COVID-19 containment measures and macroeconomic instability will increase poverty and endanger lives and livelihoods. The South African economy recorded its third consecutive quarter of economic decline of 2.0% (seasonally adjusted and annualised) in the first quarter of 2020. This followed a contraction of -0.8% and -1.4% in the third and fourth quarters of 2019, respectively. The first quarter downturn was driven by mining and manufacturing.

Over the past two years, accelerating infrastructure development has been earmarked by our government as one of the means to set the country on a new path of growth, employment and transformation. As we face the slings and arrows of the COVID-19 pandemic and our sovereign debt woes, the role of infrastructure development has gained significant momentum as we navigate the bridge to a prosperous post-lockdown future. Further, the pandemic has revealed how a lack of infrastructure adds to the societal challenges faced by many South Africans, particularly those with no access to essential services like clean running water, electricity, affordable healthcare or good quality homes. The need to increase gross fixed capital formation has never been greater. Only through collaboration with government, the private sector and other DFIs is it possible for us to make meaningful change.

The government has adopted short-term counter cyclical fiscal and monetary policy measures but once the crisis ends, we must work just as quickly to emerge with a sustainable fiscus. As President Cyril Ramaphosa has stated on a number of occasions, infrastructure will be the fly wheel by which we grow the economy. The DBSA remains firmly at government's side as together we endeavour to drive investment that stimulates the economy and results in a tangible social and developmental impact. The Bank is well positioned to fulfil this role with wide-reaching expertise and experience across the infrastructure value chain, spanning pre-financing, financing, and post-financing implementation services. The DBSA will leverage the funds committed by the government to accelerate development impact, drawing on its established development partnerships across the globe and extensive reach across Sub-Saharan Africa.

As a key partner in the Infrastructure Fund, announced by our President in September 2018, the DBSA is committed to augmenting the government investments by packaging blended finance solutions for mega-projects. During the year under review, the Bank finalised a list of shovel-ready projects and had begun work to expand private investment into public infrastructure sectors with revenue streams. These projects include much needed student accommodation, social housing, independent water production, rail freight branch lines, embedded electricity generation, municipal bulk infrastructure and broadband rollout.

On behalf of the shareholder, I commend the DBSA for its achievements during the year, both in its performance against targets and in terms of the development impact achieved. As ever, the Board has steered the Bank with a great sense of responsibility and stewardship. I also thank the CEO, Patrick Dlamini, his management team and staff. Your unwavering commitment to delivering infrastructure that improves the quality of life for people across our country, the SADC region and on the continent is laudable.

T.T. Mboweni, MP
Minister of Finance

Enoch Godongwana

Chairman

As a South African State-owned entity and a DFI, our role in delivering development impact has never been more critical. Our ability to provide and leverage finance counter-cyclically comes to the fore in the face of slow economic growth over the past ten years and South Africa's sovereign credit rating downgrade by the top three credit rating agencies.

Our operating context has further been exacerbated by the shockwaves the COVID-19 pandemic has sent through the global and our local economy. As a key player in infrastructure development, we also note with concern the fault lines that the pandemic has revealed in our society due to the lack of essential services in underdeveloped communities in our country. Communities who do not have clean water or proper sanitation facilities cannot comply with social distancing regulations or apply the hygiene standards needed. We must work tirelessly to respond to the tangible needs of the country and aggressively pursue our developmental agenda.

LETTER FROM OUR CHAIRMAN

The challenges we face as a country are enormous. We have a pivotal role to play in marshalling financial and non-financial support amid a multitude of constraints. The DBSA's mandate requires that the Bank maximises development impact in our sphere of influence: infrastructure development and infrastructure financing, both in South Africa and across the continent. But at the same time, we must ensure the financial sustainability of the Bank so that we can continue to deliver development impact for decades to come.

REVIEW OF THE YEAR

It is pleasing to see the Bank's total disbursements of R15.4 billion exceeding its target for the year. This represents a 74% increase on the previous year's disbursements of R8.7 billion. For the past three years, disbursement fell short of targets despite healthy levels of approvals and commitments. The development impact represented by measures such as additional megawatts of energy or more households in municipalities benefitting from the delivery of clean water flows directly from the value of loans disbursed. Achieving disbursement targets is also crucial to the financial sustainability of the Bank as this directly relates to the Bank's asset base, which must grow at higher rates or at least on par with increasing operating costs for long-term sustainability.

However, the level of disbursement solely will never be sufficient to achieve the development impact required to address the infrastructure deficits in South Africa or on the African continent. Catalysing funds from third parties means that the Bank's reach in unlocking infrastructure development goes beyond the realms of our balance sheet. The DBSA played a pioneering role a decade ago in setting up the IPP offices as part of South Africa's renewable energy programme, in collaboration with the Department of Mineral Resources and Energy and the National Treasury. While the value of the Bank's investment was R10 billion, R200 billion has been crowded-in from other parties, which represents 1 130 megawatts of clean energy feeding into the grid. A key focus of the DBSA in the year under review and going forward is replicating the success of this programmatic approach in other sectors such as embedded energy generation, student housing, municipal water or urban mass transport, among others.

The Bank is currently involved in a number of critical projects in partnership with government. The DBSA is tasked with the responsibility of implementing the Infrastructure Fund, which was created to raise a blend of public and private finance to help address the country's infrastructure needs. In August 2020, the DBSA, Infrastructure in South Africa, an entity of the Department of Public Works and Infrastructure and the National Treasury signed a Memorandum of Agreement (MoA) giving the DBSA the mandate to establish and manage the Infrastructure Fund.

To date, the Bank has built a project pipeline valued at more than R700 billion. Another project with a similar programmatic approach to the IPP programme is the District Development Model. The aim is to provide a model that will deliver improved planning, delivery, coordination and monitoring of infrastructure within local government, which would translate to efficient and effective service delivery in every municipality in the country. The DBSA has been appointed to assist with rolling out the pilot in two districts, and one metro. Looking ahead, the DBSA also intends to focus on invigorating township economies to address one of the greatest development deficits in South Africa. Responding decisively to the needs within the township economy will significantly deepen our development impact and enhance our relevance as an institution.

WALKING THE FLOOR AT THE DBSA

Since my appointment to the Board, which became effective on 1 April 2019, I have come to appreciate the DBSA team not just at Board and Executive level, but throughout the organisation. Before we went into lockdown, I had the privilege of walking the floor at the DBSA. I was able to interact with our people face-to-face as I engaged with each division. What an enlightening and encouraging experience. The DBSA has a high calibre team dedicated to the Bank and to achieving the DBSA's mandate.

At Board level, the diversity of the Board stimulates informed and passionate debates relating to development. This rich tapestry of skill, experience and background is invaluable in contributing to the Bank's relevance and sustainability. The Board evaluation allowed us to spend time reflecting on our role as a Board and on the governance standards to which we hold ourselves.

APPRECIATION

On behalf of the Board, I would like to applaud the CEO Patrick Dlamini, his executive management team and every DBSA employee for their contribution to the Bank in the year under review. It has been a trying time, but we have faced the challenge head-on and with an attitude that will stand us in good stead in the future.

We would like to express our gratitude to our Governor, the Minister of Finance, Tito Mboweni, his team at the National Treasury and the team at the Department of Public Works and Infrastructure (DPWI).

A sincere word of gratitude to Ms Gugu Mtetwa, who served this institution with distinction as Chairman of the Audit and Risk Committee until 31 August 2019.

Finally, I would like to express my deepest appreciation to my colleagues on the Board who continue to challenge and guide me. I am confident that together we will weather this storm.

Enoch Godongwana
Chairman

DBSA IN ACTION:

INFRASTRUCTURE FUND

Objectives

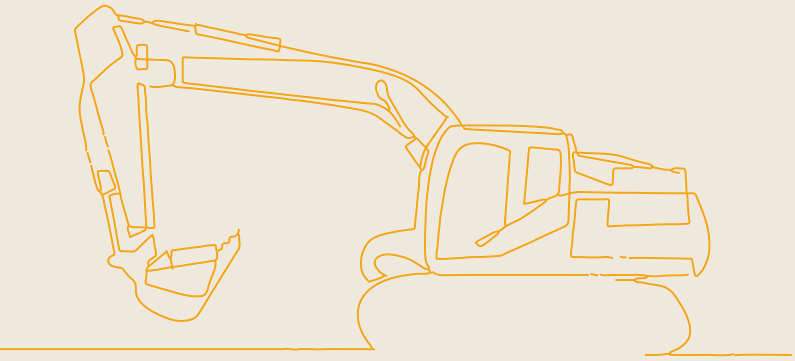
- To act as a catalyst for crowding-in private sector and development financing of public infrastructure
- To enable infrastructure programmes and projects which require partial government financial support to be commercially viable such as student housing, rental social housing, municipal water and sanitation, municipal electricity distribution and public transport systems

The DBSA's Role

- Create a pipeline of potential blended finance programmes and projects, potentially exceeding R1 trillion
- Structure blended finance solutions
- Provide a support function to project owners across the public sector to prepare blended finance projects
- Assist with identifying and developing appropriate funding structures and sources of revenue, financial models and financial delivery mechanisms and incentives for the projects
- Engage with financial institutions and the market to develop financial instruments that will enable investments
- Unlock bankable blended finance projects being presented to the private sector for funding
- Establish a central repository of this structured blended finance expertise
- Establish a multi-stakeholder Infrastructure Fund Strategic Advisory Committee for fund oversight

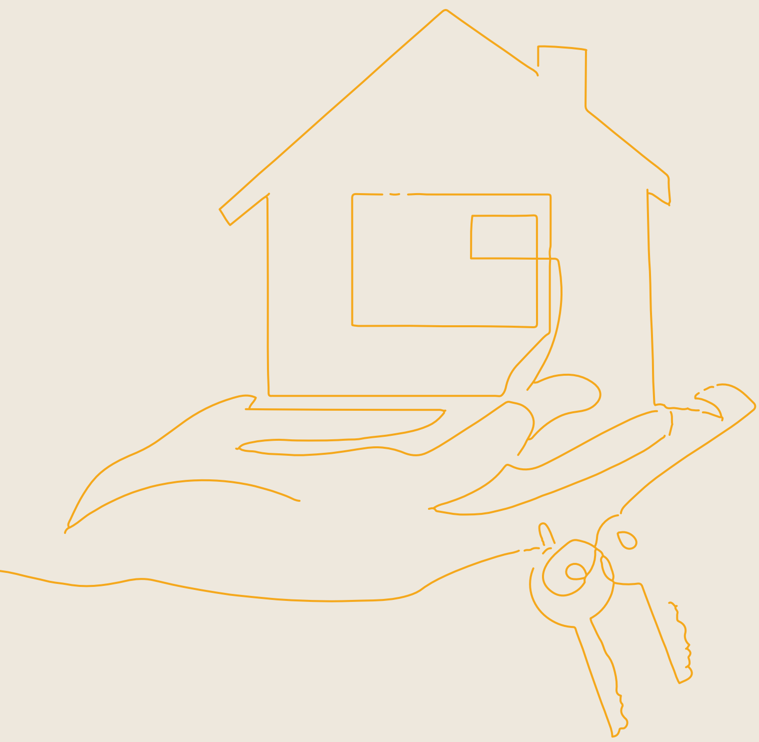
Stakeholders and Partners

- Presidential Infrastructure Coordination Commission
- National Treasury and other government departments
- State-owned companies
- Private sector
- DFIs and multilateral development banks
- Commercial banks
- Institutional Investors



Development Impact

- Inclusive economic growth
- Job creation
- Promote social development
- Spatial development



The Infrastructure Fund will comprise a portfolio of blended finance programmes and projects that draw on both public and private finance contributions. At the inception of the fund in 2018, the South African government committed to contributing R100 billion to the fund over the next ten years. In the past year, the DBSA has built a pipeline of programmes and projects for the fund of R700 billion over the next five years. In August 2020, the DBSA, signed an MoA with various government departments giving the DBSA the mandate to establish and manage the Infrastructure Fund.

Refer to page 116 for further details.

ABOUT DBSA

Our vision

A prosperous and integrated resource efficient region, progressively free of poverty and dependency.

Our purpose

Our purpose is to 'Build Africa's Prosperity' by driving inclusive growth and finding innovative solutions that spur socio-economic development across the African continent. Underpinning this purpose is the DBSA's development position, an ethos of bending the arc of history towards shared prosperity.

Our mission

To advance the development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development solutions to:

- Improve the quality of life of people through the development of social infrastructure
- Support economic growth through investment in economic infrastructure
- Support regional integration
- Promote sustainable use of scarce resources

Our values

Shared vision: We share and keep the sustainability, strategic intent and mandate of the DBSA top of mind in all our decisions and actions

Service orientation: We deliver responsive and quality service that speaks to the need of our clients and continuously build relationships that result in win-win outcomes

Integrity: Our deals, interactions and conduct are proof of transparent and ethical behaviour that shows respect and care for all our people (employees, stakeholders, the shareholder, clients and communities)

High performance: We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded

Innovation: We challenge ourselves continuously to improve what we do, how we do it and how well we work together

WHO WE ARE

The DBSA, as one of Africa's leading DFIs, aims to accelerate inclusive development on the African continent by expanding access to development finance to implement integrated and sustainable infrastructure developments effectively. Infrastructure-led economic growth, which responds to the socio-economic needs of our people as well as addressing the threat of climate change, is vital to improving the lives of the growing African population.

Our mandate at a glance

Our mandate is outlined in the DBSA Act and requires that we:

- Promote economic development and growth, human resource development and institutional capacity building
- Enhance and protect the financial sustainability of the Bank
- Embed and monitor a robust governance framework and systems of controls
- Mobilise financial and other resources from the national and international private and public sectors for sustainable development projects and programmes
- Appraise, plan and monitor the implementation of development projects and programmes
- Provide technical assistance in the identification, preparation, evaluation, financing, implementation and management of development projects and programmes
- Mobilise funding for initiatives that minimise or mitigate the environmental impact of development projects or programmes
- Encourage regional integration and achieving an integrated finance system for development
- Address the developmental requirements of the SADC region and the rest of Africa
- Promote regional integration to support South Africa's commitments to binational and trade agreements with countries across the continent

Our development position

The development position of the DBSA was approved by the Board in 2018. The position outlines the ethos of the DBSA and forms the departure point from which the DBSA delivers on its mandate. Furthermore, taking from our renewed purpose statement "Building Africa's Prosperity" the DBSA looks to drive inclusive growth and find innovative solutions to spur socio-economic development across the African continent.

Our development position frames how we intend to deliver on our mandate. The focus is on driving sustainability through innovative solutioning and remaining financially sustainable while accelerating development outcomes. The development position is critical to the long-term trajectory of the DBSA and defines the boundaries of its direction on development and development impact. The development position of the DBSA is reflected as follows:

The DBSA contributes to a Just Transition toward a renewed and inclusive economy, and society that embodies resilience, regeneration, and transcends current trajectories. As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated and resource efficient continent. This stance progressively advances the common goals for sustainable and equitable wellbeing. The DBSA will work in partnerships to co-produce impactful development solutions and the sustained platforms of an enabling environment for participation, a sense of purpose, empowerment and deep connections. The DBSA will bend the arc of history through our continued multi-faceted investments in sustainable infrastructure and human capacity development.

OUR ALIGNMENT TO GLOBAL, REGIONAL AND NATIONAL DEVELOPMENT PLANS

UN's SDGs

The United Nations has developed 17 SDGs to support its 2030 Agenda. The SDGs are broadly aimed at ending poverty and inequality, protecting the planet, and ensuring peace and prosperity for all.

The SDGs inform all investments made by the DBSA. As a DFI with a domestic and continental footprint, goals 6, 7, 9, 11, 13 and 17 are our main priorities, while goals 1, 3, 4 and 5 are indirectly supported by our core activities.

Refer to pages 42 – 43 how we support the SDGs

AU's Agenda 2063

To transform Africa into the global powerhouse of the future, the AU has developed Agenda 2063 as a master plan. Signed in 2015 by various African heads of state, Agenda 2063 is a strategic framework geared towards the socio-economic transformation of the African continent over the next 50 years. While Agenda 2063 is focused on Africa's aspirations for the future, it also identifies critical flagship programmes to boost Africa's economic growth and development, ultimately leading to the rapid transformation of the continent.

SADC's Vision 2027

Regionally, the Southern African Development Community's (SADC) Infrastructure Vision 2027 was developed to establish a strategic framework to guide the development of seamless, cost effective trans-boundary infrastructure within Southern Africa. This vision is anchored on six pillars consisting of energy, transport, information, and communication technologies (ICT), meteorology, trans-boundary water resources and tourism. The vision is further brought to action by the SADC Regional Infrastructure Development Programme.

The objectives of both Agenda 2063 and Vision 2027 inform our investment decisions. As we collaborate with various stakeholders on the continent, we are determined to contribute to the goals we have collectively set.

South Africa's NDP 2030

The DBSA's mandate and strategy are aligned to the South African NDP Vision 2030 as well as the Integrated Urban Development Framework (IUDF) and relevant industry specific programmes and plans.

The NDP sets out an integrated strategy for accelerating economic growth, eliminating poverty, and reducing inequality in South Africa. Accelerated economic growth, which is a key objective of the NDP, will enable the country's social and economic transformation. The Bank plays a vital role in the implementation of South Africa's NDP through large-scale infrastructure projects in the energy, transport, water and ICT sectors as well as by resolving social infrastructure bottlenecks and expanding regional integration.

Refer to pages 42 – 43 how we support the NDP.

1983-1994

The DBSA was established as a policy instrument of public finance to facilitate infrastructure development within the homeland constitutional dispensation that prevailed.

1994-2000

Under the new constitutional and economic dispensation of South Africa, the DBSA's role and function transformed to a DFI with a sharp focus on infrastructure development in Southern Africa, enshrined in the DBSA Act.

2001-2006

Intensifying its focus on development impact, the DBSA enhanced its position as a knowledge institution, reinforced risk management and embedded a robust governance framework.

2007-2010

In response to an increased drive for accelerated delivery from government and its development partners, the DBSA expanded its efforts in addressing infrastructure delivery gaps.

2010-2016

Recognising the socio-economic imperative of regional integration, the DBSA expanded its investment mandate to include regional infrastructure development.

2016 onward

To expand its developmental impact in the context of a challenging operating environment, through catalysing investments by the private sector into public infrastructure, the Bank evolved from a traditional financing DFI to a DFI involved in the entire project life cycle from planning and preparation to financing, building and maintaining.

OUR RESPONSE TO THE COVID-19 PANDEMIC

AS A BUSINESS:

Since the outbreak of the COVID-19 pandemic, the DBSA has kept abreast of developments to minimise the impact on the Bank's operations.

Empowered by the Disaster Management Act 57 of 2002 (DMA), President Ramaphosa declared a national state of disaster in March 2020. The declaration of a national disaster meant that the government determined the medical emergency (international pandemic) posed by the COVID-19 virus, precipitated special circumstances beyond what is provided for in existing legislation in order to prevent the threat of the virus to the healthcare system, the economy and the lives of the people of South Africa.

The safety of our employees is a priority in all key decisions, and we acted accordingly invoking our Pandemic Business Continuity Plan. All regional and international travel by employees was cancelled and, prior to the official start of lockdown in South Africa, we implemented a work from home strategy, which remains in place until further notice.

We have ensured that everything practicable, as per the health and safety regulations, is being done at all construction projects to protect the employees, stakeholders, service providers, contractors as well as the communities that could be negatively impacted by the construction activities so as to minimise the spread of any infectious disease.

The cost of funding has increased due to changes in the financial markets. To offset the impact of foreign exchange volatility and protect the liquidity of the Bank we are engaging with National Treasury and commercial banks in respect of our foreign currency limits to access facilities that will increase liquidity. We are monitoring the impact on the bankability of projects in the pipeline as well as the financial stability of existing clients.

AS A DFI:

The Bank allocated R150 million to COVID-19 response programmes in South Africa and the SADC region. A collaborative public private sector approach was followed to identify short-term, urgent humanitarian interventions and initiatives to cushion the most vulnerable communities. The Bank identified and supported short-term growth inducing initiatives that could be implemented through our municipal partners. We further identified and supported long-term growth inducing initiatives that are aligned with the long-term strategy of the Bank.

COVID-19 RESPONSE PROGRAMMES AT A GLANCE

R15 million

for staffing and software at the National Disaster Management Centre

R26.2 million

committed to Isolation Pods, mobile prefabricated testing units and associated PPE

R30.5 million

commitment for PPE to SADC countries

R0.9 million

committed to the Solidarity Fund

R35 million

committed to a DBSA and Council for Scientific and Industrial Research (CSIR) collaboration in building capacity of the health ecosystem and economy through two initiatives:

- Provide equipment and testing kits for molecular diagnostics and testing for COVID-19 critical testing
- Develop CSIR's COVID-19 Continuous Positive Airway Pressure (CPAP) non-invasive ventilators

R41.4 million

committed to basic services interventions potable water, ablution facilities and the provision of mobile electricity infrastructure to identified municipal hotspots

Our long-term initiatives seek to serve as stimulus as the country embarks on an effort to rebuild the economy. These interventions are projects aligned to the DBSA's strategy and include:

Infrastructure Fund

Non-financial support to under-resourced municipalities

District Development Model

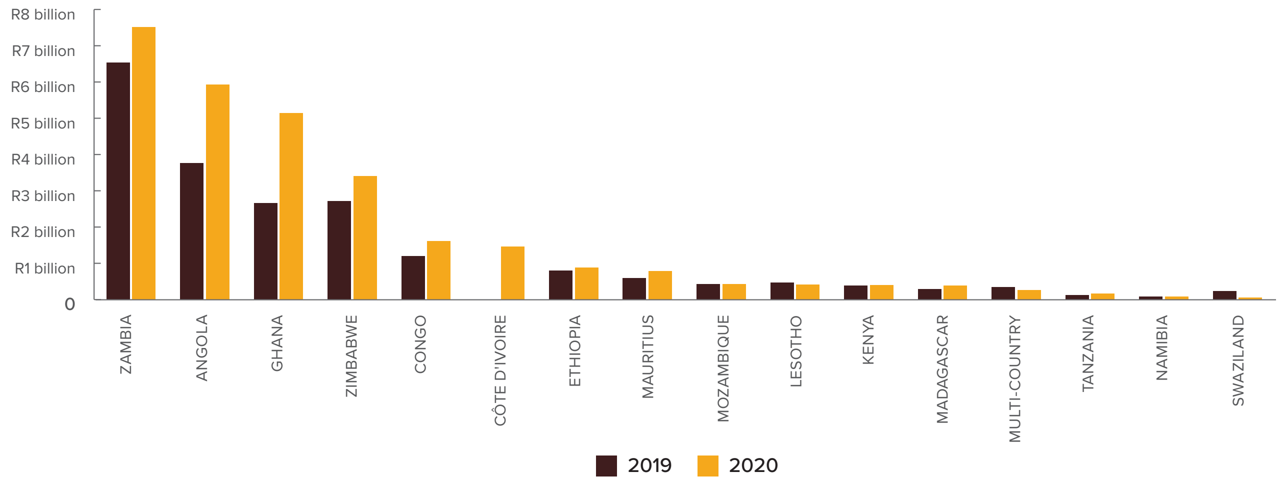
High-impact investment fund

WHERE WE OPERATE

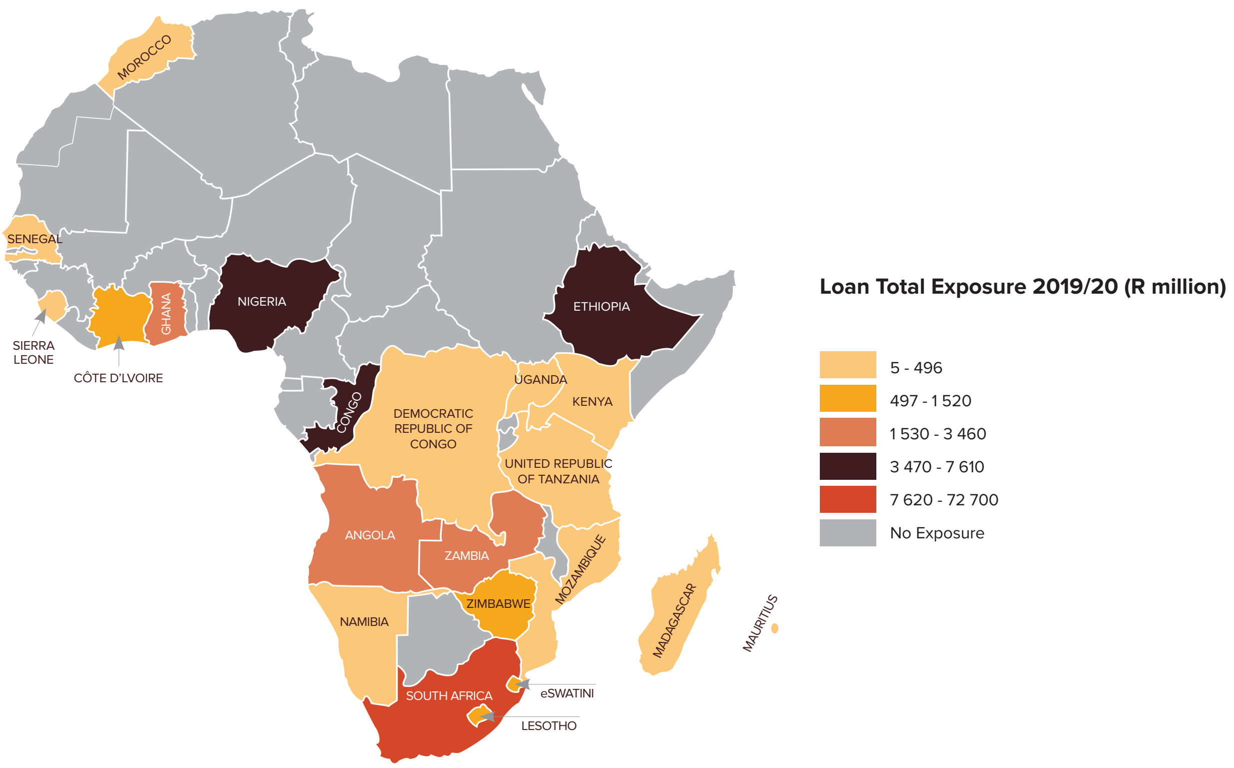
DBSA'S EXPOSURE AND FOOTPRINT

The majority of the DBSA's balance sheet is focused on South Africa at approximately 70%, while the remaining funds are directed towards our regional development and integration strategy. These investments are predominantly aimed at the Southern African Development Community (SADC) and include countries outside of SADC for selected Regional Economic Communities, such as the tripartite free trade area linking SADC, the Common Market for Eastern and Southern Africa (COMESA) and the UN Economic Commission for Africa (UNECA) as well as corridor development. Our investments across the continent facilitate the connectivity and trade within Africa, bringing benefit locally and regionally.

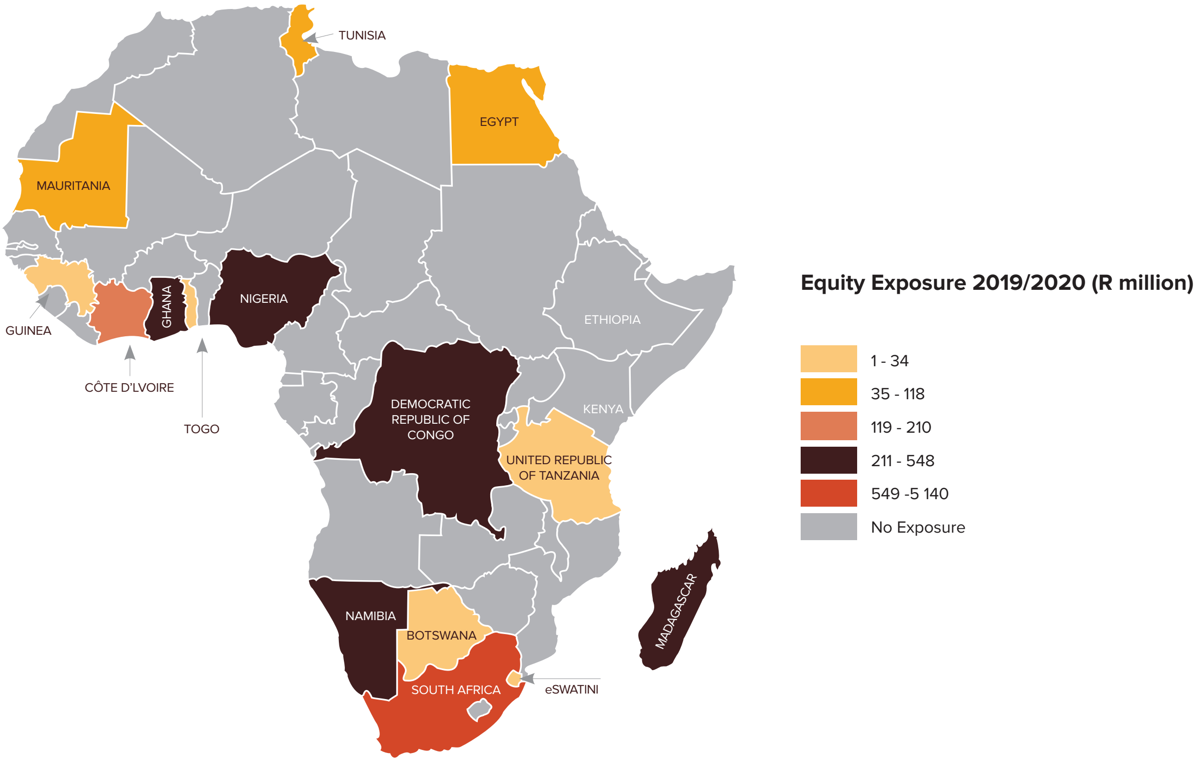
Gross development loans 2019 – 2020 excluding RSA



DBSA LOANS TOTAL EXPOSURE 2019 – 2020



DBSA EQUITY EXPOSURE 2019 – 2020



DBSA IN ACTION:

DISTRICT DEVELOPMENT MODEL (DDM)

Objectives

- Unlock bottlenecks and fast-track service delivery
- Improve the coherence, efficiency and effectiveness in the implementation of government programmes
- Ensure efficient project management and tracking
- Overcome current pitfalls and misalignments
- Provide policy and regulatory certainty

Stakeholders and Partners

- Department of Cooperative Governance and Traditional Affairs
- National, provincial and local government
- Districts, metros, municipalities

The DBSA's Role

- Develop a governance framework
- Conduct capacity assessment of all municipalities in the three pilot sites to determine skills needs
- Establish district hubs
- Develop 'One Plan' for districts and metros that enhance alignment of national, provincial and local government and guide and direct all strategic investments and projects for transparent accountability
- Implement shared services to provide hands on support in pilot districts
- Implement a DDM communications strategy
- Develop information and monitoring

Development Impact

- Accelerated provision of essential services
- Build public and business confidence in municipalities
- Economic development
- Social development
- Spatial development
- Develop, support and promote local entrepreneurs
- Job creation

The DDM provides a new integrated district-based approach that will facilitate service delivery and economic development in the 44 districts and eight metros across South Africa.

HOW WE CREATE VALUE

OUR VALUE CREATION MODEL

How we create value is strongly influenced by our external environment. As the environment in which the DBSA operates has evolved, so has the Bank's approach to addressing South Africa's transformation and socio-economic development needs. We continuously review our position and monitor trends in our environment. We strive to be agile and to respond effectively to existing challenges and take advantage of new opportunities to remain sustainable, build resilience and re-imagine our relevance.

Refer to pages 48 – 50 for more information on our external environment.

We create value for various **stakeholders** by shaping the development landscape to ensure a prosperous, integrated and resource efficient continent. Ultimately, we cannot create value on our own, so we collaborate with multiple stakeholders to maximise value creation.

Refer to pages 62 – 65 for more information on our stakeholders.

These six capitals provide the inputs we require to realise the potential of our **infrastructure development value chain**. Through the wide range of innovative services we offer across the value chain, the six capitals are enhanced and transformed into **outputs** that represent the value we have created in various **sectors**. Finally, our success is measured by the value we deliver to society through our development impact as **outcomes** of our value creation process.

Refer to pages 26 – 27 for more information on our infrastructure development value chain.

Our ability to create value depends on our management of the **six capitals** and is aligned to the <IR> Framework. We support infrastructure development and create value by maximising the efficient use of available resources or capital inputs.

Refer to pages pages 90 – 141 for more information on our performance related to the six capitals in the year under review.

Globally, there is a growing acknowledgement of the role that DFIs play in mobilising the financing needed to achieve the SDGs, as well as regional and national sustainable development strategies. The development of infrastructure, including transport, energy, water and sanitation for all, is a prerequisite for achieving many of these goals. The outcomes of our value creation process therefore contributes to the SDGs at a global level, AU's Agenda 2063 and Vision 2027 on a regional level and the NDP at a national level.

Refer to pages 42 – 43 for more information on our contribution to these initiatives.

OUR CAPITAL INPUTS

SOCIAL AND RELATIONSHIP

Our relationships with clients, funders, partners and government

See pages 120 – 123 for more information.

HUMAN CAPITAL

Our culture, our support functions, our people, their development and our collective knowledge

INTELLECTUAL CAPITAL

Our brand, innovation capacity and experience

MANUFACTURED CAPITAL

Our business structure and operational processes

FINANCIAL CAPITAL

Our equity and debt funding from investors and clients

NATURAL CAPITAL

Our natural resources

Our Vision, Purpose, Mission, Values, Mandate and Development Position

See pages 12 – 13 for more information.

OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

OUR OUTPUTS

See pages 36 – 38 for more information.

SAFEGUARDING THE BANK'S SUSTAINABILITY

- R100.5 billion total assets
- 0.2% irregular expenditure
- R0.5 billion net profit
- R3.6 billion cash generated from operating activities
- R24.3 million training and development spend

SADC AND NON-SADC

- R4.4 billion total disbursements for the rest of Africa (excl. RSA)
- R11.9 billion value of third-party funds catalysed in the rest of Africa

LOCAL GOVERNMENT

- R2.5 billion total disbursements to 5 metros, small metros and intermediate cities
- R1.4 billion Infrastructure unlocked for under-resourced municipalities

SOCIAL SECTOR

- R196 million disbursed for social infrastructure
- R150 million to COVID-19 response programmes in South Africa and the SADC region
- R4.1 billion infrastructure delivered

ECONOMIC SECTOR

- R7.3 billion disbursed for economic infrastructure

OUR OUTCOMES

See pages 40 – 41 for more information.

- Creating jobs and supporting black businesses
- Augmenting service delivery through financial support and capacity building for municipalities and government departments
- Increasing access to safe water and sanitation and sound management of freshwater ecosystems
- Developing the renewable energy sector to advance generation and distribution of clean energy in Southern Africa
- Growing Southern Africa's energy supply to ensure security of supply and support economic expansion
- Improving productivity, competitiveness and economic growth through developing efficient, effective, safe and accessible transport systems
- Supporting the development of the ICT infrastructure needed to foster innovation, business opportunities and institutional capabilities
- Facilitating regional integration to stimulate economic growth in Africa
- Providing enabling infrastructure in education, enriching the lives of individuals and the economy

Supported by a Core of Strong Governance, Ethics and Integrity

See pages 70 – 85 for more information.

Our ability to create value and deliver sustainable development impact is contingent on our financial sustainability and the pervasiveness of robust governance, ethics and integrity. Solid leadership is the foundation of our value creation process. Optimising our core operations drives a development dividend that addresses socio-economic growth in innovative ways.

OUR INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

The DBSA takes a holistic view of infrastructure development by addressing the entire infrastructure value chain and focusing on key long-term strategic interventions. Our offering spans planning, project preparation, financing, and implementation support for economic and social infrastructure.

Africa's transformation is at the centre of the Bank's development agenda. To improve the quality of Africa's growth, we aim to broaden the process of transformation by ensuring that growth is shared and is equitable for all African citizens and countries. Our aim is to effect growth that is not just environmentally sustainable, but also economically empowering.

OUR INFRASTRUCTURE VALUE CHAIN

PLAN

- Infrastructure needs assessments
- Bulk infrastructure plans
- Infrastructure planning advice

PREPARE

- Project identification
- Feasibility assessments
- Technical assistance
- Programme development
- Project preparation functions

FINANCE

- Long-term senior and subordinated debt
- Corporate and project finance
- Mezzanine finance
- Structured finance solutions

BUILD

- Managing design and construction of projects in social and economic sectors
- Project management support

MAINTAIN

- Supporting maintenance/ improvement of social and economic infrastructure projects

PLAN AND PREPARE

As a state-owned DFI, we have a critical role to play in providing risk capital in the planning and preparation stages of sustainable infrastructure developments. Our highly skilled, end-to-end project development and preparation team de-risks projects and catalyse investment positions to crowd-in third party capital. Project preparation also actively builds the DBSA's pipeline, strengthening the sustainability of the Bank. A key focus area of the DBSA is project preparation in South Africa, where we provide infrastructure planning to municipalities in order to develop a project pipeline that attracts both private and public sector funding for sustainable development.

Project preparation remains the most critical component for attracting private capital flow to infrastructure investments in developing countries. The scarcity of bankable projects hinders infrastructure investment in South Africa, the SADC region and the rest of the African continent. The key challenges in the existence of bankable projects include lack of capacity, capability in capital projects planning as well as limited financing.

The DBSA is a trusted and respected partner in the global development finance arena, and as such manages or is accredited by a number of third-party concessional funds.

Please refer to page 92 for further details.

FINANCE

Finance plays a critical role in the Bank's value creation as this generates our revenue stream from the net interest margin. However, building a quality loan book must be balanced with our development impact imperative. Growth in quality assets offsets non-performing loans, which translates to sustainable development projects. Our role in infrastructure financing to ensure sustainability reaches beyond the Bank itself. We also play a pivotal role in ensuring the sustainability of the environment and communities in which we operate.

The Bank provides financing in the form of equity, senior and mezzanine debt for balance sheet lending and project financing structures. In addition, we are developing additional financing products to meet evolving infrastructure requirements. Our client base includes municipalities in South Africa, the private sector, SOEs, sovereigns and public private partnerships (PPPs) across the continent.

The projects we finance contribute to the achievement of the SDGs and the goals of the NDP and propel the achievement of our strategic objective of accelerating development impact. As such, it is important to build a pipeline that will sustain the Bank in the future and provide inputs to the Infrastructure Fund, the District Development Model and other multi-sectoral programmes.

Development is multisectoral in nature and an integrated approach is required to maximise the impact of investments. Investment in social infrastructure, such as health, housing and education should be supported by investment in bulk enabling infrastructure such as energy, water and transport to stimulate economic growth and job creation. Given the current energy supply constraints, a key focus area for the Bank is the continued support for energy generation capacity, particularly increasing the share of renewable energy to the total energy mix, while supporting continuous energy supply from existing sources in South Africa.

BUILD AND MAINTAIN

Our implementation, programme management and capacity building services assist government with the procurement, construction and maintenance of infrastructure. Augmenting the capacity of the state to deliver infrastructure is inherent in the Bank's mandate and translates into better service delivery and an improved quality of life to people in South Africa.

Implementation challenges in infrastructure delivery often relate to the capacity and expertise required to see projects through to completion. Our infrastructure delivery capacity accelerates planned infrastructure development, supporting job creation and SMME development, advancing the green economy and ensuring the delivery of value-for-money infrastructure. Together with our stakeholders, the DBSA improves both the speed and quality of infrastructure delivery and maintenance.

As part of the infrastructure maintenance focus, the DBSA developed a Total Facilities Management (TFM) programme to assist government in the maintenance of state facilities and buildings.

We currently support government in leveraging skills and capabilities through the provision of project management and implementation support in the key priority sectors of education, economic, tourism, health, water and sanitation, public works buildings and housing as well as various urban infrastructure programmes. All non-financing activities are provided on a full cost recovery basis, while activities beyond the Bank's core businesses are kept to a focused minimum, undertaken only at the behest of the shareholder.

HOW WE ASSESS OUR EFFECTIVENESS IN OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

DBSA'S FINANCIAL AND ORGANISATIONAL SUSTAINABILITY

Financial key performance indicators

	2020 Actual	2019 Actual	% Variance to 2019	2020 Target	% Variance to target
Secondary and under-resourced municipalities					
Value of infrastructure unlocked	R1.4 billion	R0.9 billion	↑56	R0.8 billion	↑75
Project preparation					
Value of projects prepared and committed	R2.4 billion	R6.8 billion	↓65	R5 billion	↓52
Infrastructure financing					
Total disbursement	R15.4 billion	R8.7 billion	↑77	R13.5 billion	↑14
Third-party funds catalysed					
Value of funds catalysed	R43.1 billion	R16.8 billion	↑157	R46.7 million	↓8
Infrastructure delivery					
Value of infrastructure delivered	R4.1 billion	R3.5 billion	↑17	R4 billion	↑2
Financial					
Sustainable earnings	(R0.6 billion)	R2.3 billion	↓126	R2.8 billion	↓121
Net profit	R0.5 billion	R3.1 billion	↓84	R2.5 billion	↓80
Cost-to-income ratio (financing business)	28%	23%	↑22	33%	↓15
Net income margin	5.1%	5.5%	↓7	5%	↑2
Debt/equity ratio (including callable capital)	165%	138%	↑20	138%	↑20
Non-performing loans ratio	7.2%	4.9%	↑47	6%	↑20
Cash generated from operations	R3.6 billion	R3.8 billion	↓5	R4.1 billion	↓12

GOVERNANCE KEY PERFORMANCE INDICATORS

0.2%
irregular expenditure - DBSA

Zero
incidents of unethical behaviour reported

Compliance
with PFMA

Clean
Audit Opinion

LEARNING AND GROWTH INDICATORS

R24.3 million
training and development spend

602
people trained

Low rate
of employee turnover

TRANSFORMATION INDICATORS

Improvement
in the B-BBEE score to Level 1

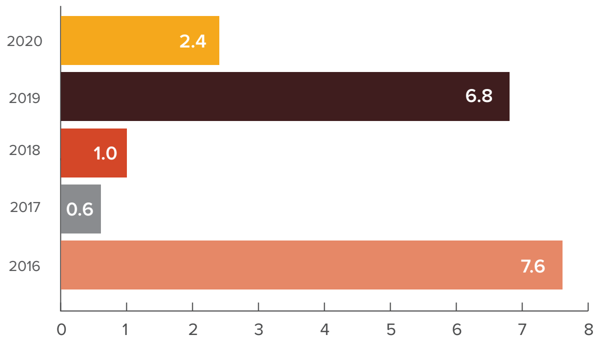
R1.9 billion
worth of projects for B-BBEE entities approved for project preparation funding (Annual target: R1.0 billion)

R3.4 billion
worth of infrastructure projects delivered by B-BBEE entities

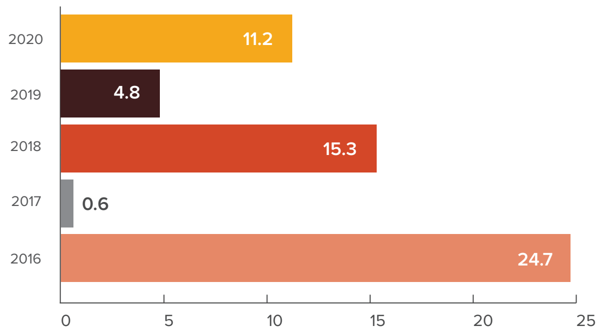
1219 SMMEs
benefitted from the infrastructure delivered to date

PLAN AND PREPARE: VALUE CREATED IN 2020

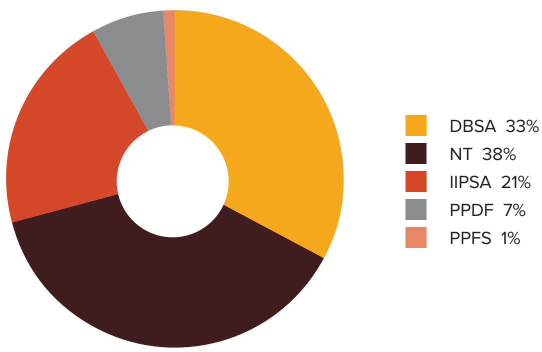
Value of projects prepared and committed by DBSA (R billion)



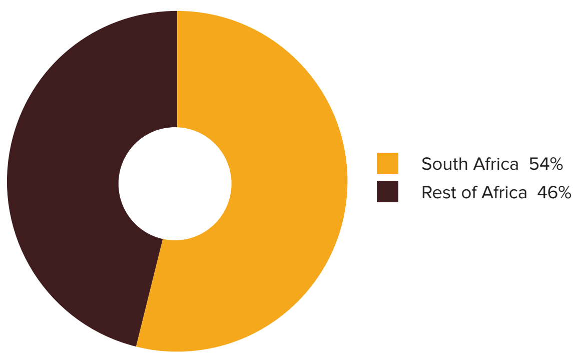
Value of projects prepared but funded by other funders (R billion)



Preparation pipeline at year end (%)



Preparation pipeline at year end (%)



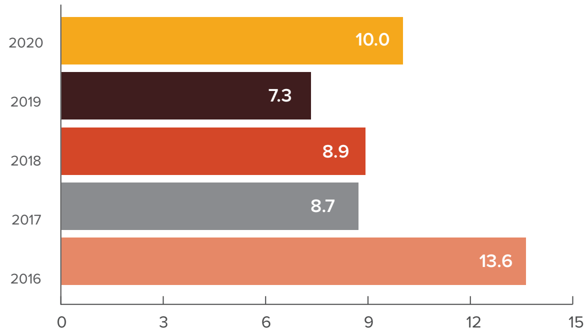
		2020	2019	2018	2017	2016
Operational performance						
Value of projects approved and committed for funding by the DBSA	R billion	2.4	6.8	1.0	0.6	7.6
Value of projects prepared but funded by third parties	R billion	11.2	4.8	15.3	0.6	24.7
Value of projects for black-owned entities approved for project preparation funding	R billion	1.9	3.2	–	–	-
Financial performance						
Operating income	R million	21	2	22	31	50
Net (loss)/profit	R million	(120)	(81)	(32)	(22)	(16)

THIRD-PARTY FUNDS TO DELIVER ON THE DBSA'S DEVELOPMENT MANDATE

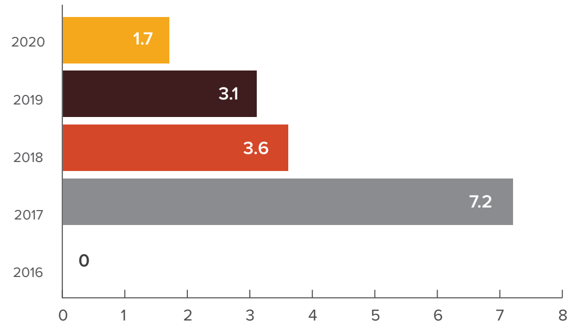
	Total commitments 2020	Total disbursements 2020
IIPSA	R803 million	R117 million
NT	R70 million	R0
SADC – PPDF	R338 million	R61 million
PPFS	R8 million	R0
GEF	USD 8.2 million	USD 1.4 million
GCF	USD 157 million (Agreements for CFF, EGIP and MSW signed in FY2019/20)	R2.7 million (Disbursements to service providers for PSEEP and MSW in FY2019/20)

FINANCE: VALUE CREATED IN 2020

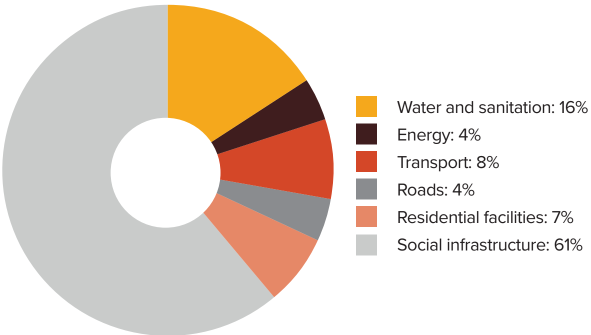
Total SA disbursements (R billion)



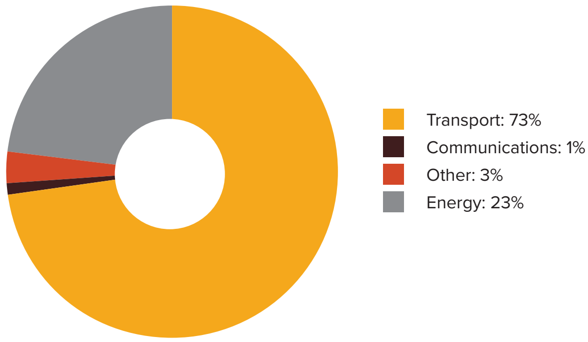
Value of third-party funds catalysed in SA (R billion)



SA municipal disbursements per sector (%)

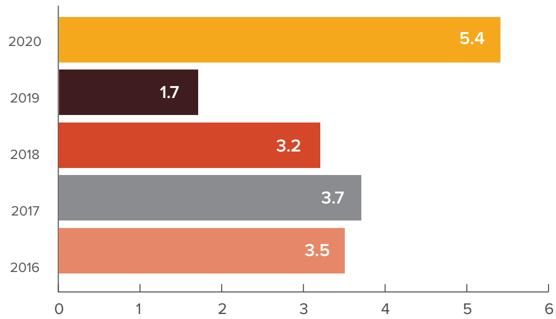


SA non-municipal disbursements per sector (%)

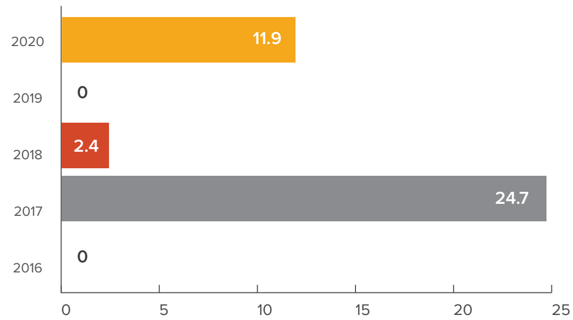


		2020	2019	2018	2017	2016
Operational performance						
Approvals	R billion	31.5	39.7	14.5	13.4	15.1
Commitments	R billion	27.2	17	9.2	9.7	11.9
Disbursements	R billion	15.4	9.0	12.2	12.4	17.1
Financial performance						
Net interest income	R million	4 171	4 263	3 649	2 581	2 150
Net profit	R million	(729)	2 810	3 139	2 835	1 699
Total assets	R million	93 548	83 046	81 875	78 769	57 369
Net interest margin	%	5.1	5.5	4.9	4.9	4.6

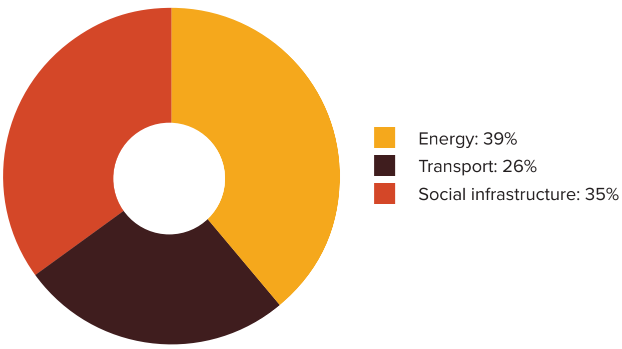
Total disbursements for the rest of Africa (excl. RSA) (R billion)



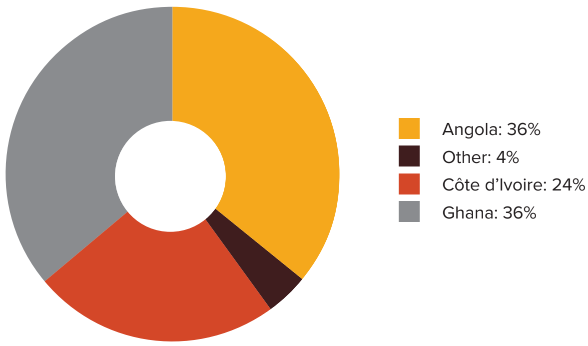
Value of third-party funds catalysed in the rest of Africa (R billion)



Rest of Africa disbursements (excl. RSA) (%)

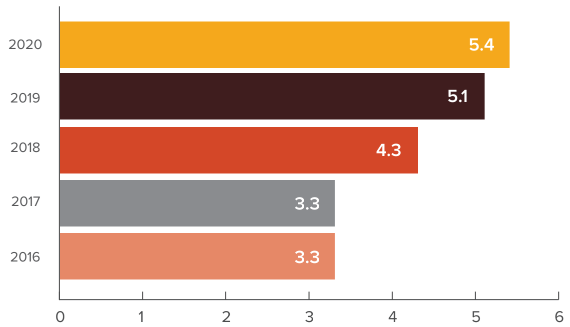


Rest of Africa disbursements (excl. RSA) per country (%)

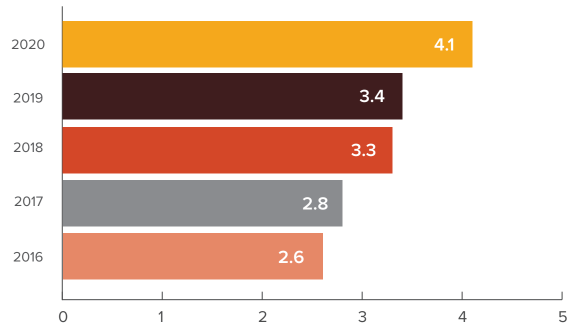


BUILD AND MAINTAIN: VALUE CREATED IN 2020

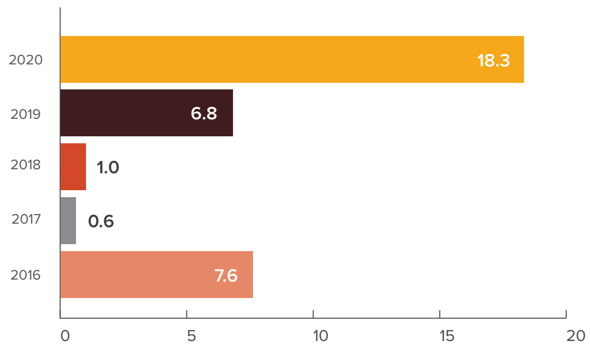
Value of funds under management (R billion)



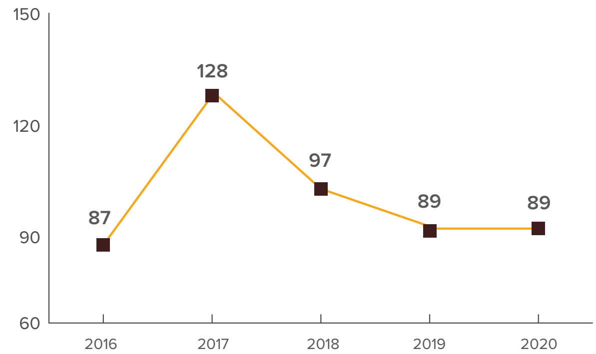
Value of infrastructure delivered (R billion)



Value of funds catalysed for infrastructure delivery (R billion)



Cost-to-income ratio %



		2020	2019	2018	2017	2016
Operational performance						
New schools built	Number	4	8	8	12	35
Schools refurbished	Number	110	107	128	77	-
Houses completed	Number	200	0	112	198	1 382
Health facilities	Number	2	48	25	35	111
Jobs created	Number	9 758	8 344	8 492	9 077	6 464
SMMEs benefitted	Number	1 219	1 087	717	500	665
Value of spend allocated to SMMEs and subcontractors	R million	948	536	364	449	710
Financial performance						
Operating income	R million	207	179	169	140	194
Net profit/(loss)	R million	18	9	5	(40)	27
Total assets	R million	153	187	137	107	123

OUR DEVELOPMENT OUTPUTS - THE VALUE WE CREATED IN 2020

LOCAL GOVERNMENT

Municipalities and local government infrastructure finance is where the DBSA has extensive expertise. Our focus in this sector is supporting the development and maintenance of basic household infrastructures, such as water, sanitation, electricity and human settlements, as well as community services and the enabling of infrastructure that promotes economic growth and sustainability. The DBSA provides financial and non-financial products to municipalities. Municipalities play a crucial role in economic activity in each region, and infrastructure is key to unlocking this.

	2020 target	2020 actual
Top 5 Metros	R3 000 million	R2 000 million
Small Metros and Intermediate Cities	R500 million	R469 million
Total	**R3 500 million**	**R2 469 million**
Planning support to secondary and under-resourced municipalities Infrastructure unlocked to secondary and under-resourced municipalities through planning support	R800 million	R1 351 million

SOCIAL SECTOR

We support the South African government in financing and accelerating the implementation of infrastructure programmes in the social sectors of education, health and human settlements, as well as various municipal infrastructure programmes. This also includes supporting government to refurbish and upgrade key infrastructure and government buildings for safety and security, arts and culture, as well as military operations. The DBSA collaborates with national, provincial and local governments to deliver against government priorities in these sectors. The government reprioritised funding to accelerate the provision of social services, bolster public health programmes, mitigate the increasing costs of higher education for students from low- and middle-income households. We support key national programmes implemented by government, such as the Accelerated Schools Infrastructure Delivery Initiative for the eradication of inappropriate school structures, the National Health Insurance and Ideal Clinic programme, the National Human Settlements programmes and the Student Housing Infrastructure Programme (SHIP).

	2020 target	2020 actual
Disbursements support activities		
Social infrastructure	R500 million	R196 million
Mandate programmes		
Infrastructure delivered	R4 000 million	R4 068 million
Third party funds catalysed through Infrastructure delivery	R8 000 million	R18 337 million

Sphere of government	Sector	No.
National and provincial	Education	New = 4 Refurbishment = 110
	Health	Refurbishment = 2
	Economic	Refurbishment = 5
	Public Works Facilities	Refurbishment = 19
Municipal	Roads and Transport	9
	Water and Sanitation	9
	Electricity	12
	Waste	3
	Environmental	10

ECONOMIC SECTOR

According to South Africa's National Planning Commission, which is responsible for developing a long-term vision and strategic plan for the country, there is a relatively good core network of national economic infrastructure in place. The challenge is to maintain and expand its electricity, water, transport, information and communications infrastructure to support economic growth and social development goals.

As part of our drive to create an inclusive and integrated rural economy, we support initiatives that ensure access to affordable, reliable, sustainable and modern energy for all by financing the required infrastructure. This includes increasing the share of renewable energy to the total energy mix, while maintaining traditional sources of energy for base load requirements in the country.

We also support digital transformation by funding infrastructure projects in the digital era. The DBSA invests in public transport networks to ensure safe, efficient and green transport systems for our communities. This also stimulates economic growth and job creation. We support the basic human right to have access to clean and safe water. Therefore, we support the availability and sustainable management of water and sanitation to the public through our involvement in various initiatives. In addition, through our infrastructure delivery capacity, we provide programme implementation agency services to government to refurbish and upgrade industrial parks in the former homeland areas to enable the revitalisation of the local economy.

ENERGY

South Africa's energy challenges are marked by under-capacity, under-investment and inefficiency. As much as 90% of the electricity generated is from coal, resulting in high per capita greenhouse-gas-emission levels. Therefore, immediate further diversification of the generation mix is imperative. However, this must be achieved while continued energy demands are met. The Integrated Resource Plan provides a long-term plan for electricity generation for the country. As part of the plan, the government introduced private sector participation through the IPP programme. From inception, the DBSA has played a fundamental role in the IPP programme through the MoA signed with the Department of Energy and the National Treasury in November 2010. In addition, the DBSA, in partnership with the Department of Energy and the National Treasury, has been instrumental in the successful Renewable Energy Independent Power Producer Procurement (REIPPP) programme, an initiative to support the expansion of private and institutional investment into the renewables sector.

TRANSPORT

The DBSA supports the government's initiatives to provide mass transport to all as encapsulated in the National Transport Master Plan 2050 and the Public Transport Strategy. The Bank is committed to investing in public transport networks to ensure safe, efficient and green transport systems. The transport sector is a crucial driver for economic growth and social development, as well as a fundamental component of the country's competitiveness in global markets.

ICT

ICT investment, such as broadband infrastructure, is vital to support economic growth, increase competitiveness, create decent work and improve nation building and social cohesion for local, national and regional integration. Connectivity infrastructure across the SADC region has expanded significantly in the last decade, augmented by the undersea cables that connect Africa with the rest of the world. Africa's sea cables cover four connectivity corridors – Africa-Europe, Africa-Latin America-US, Africa-Asia and Africa-in-region. Enhanced global connectivity has stimulated opportunities to addressing the gaps in the access network, the so-called last mile infrastructure. Rural areas and some areas with high population density lack sufficient connectivity. The DBSA is driving opportunities through projects such as the Internet 4All programme in Africa, SA Connect and municipal connections.

	2020 target	2020 actual
Disbursements support activities		
Economic infrastructure	R4 500 million	R7 301 million
Project Preparation		
Projects prepared and committed for DBSA funding	R5 000 million	R2 387 million
Projects prepared and committed by other funds	R5 000 million	R11 191 million

SADC AND NON-SADC SECTORS

Regional integration is the key to building strong and resilient African markets and supporting growth across the continent. The DBSA invests in infrastructure beyond South African borders to facilitate trade in Africa thereby promoting economic development. We provide funding, related products and services for commercially viable and sustainable projects, primarily in the energy, transport, water and telecommunications sectors. The DBSA also supports project planning and development, advocacy and partnership building for resource mobilisation. Another key objective is the promotion of interregional integration and cooperation between SADC and the adjoining Regional Economic Communities in Africa.

SADC and non-SADC countries

	2020 target	2020 actual
SADC countries (excluding RSA)	R2 750 million	R2 119 million
Non-SADC	R2 250 million	R3 286 million


542B

OUR OUTCOMES –
THE DEVELOPMENT IMPACT WE HAVE

INFRASTRUCTURE FINANCING

Estimated development impact from R27 billion (2019: R17 billion) commitments made during the year:

Energy (includes upgrading of substations and electrification of households) - total households impacted:

22 924

(2019: 207 084)

Water (includes reticulation and provision of bulk water) - total households impacted:

88 386

(2019: 91 269)

Rehabilitation of roads - total households impacted:

15 618

(2019: 64 062)

Sanitation (includes reticulation, upgrading and construction of waste-water treatment works) - total households impacted:

16 557

(2019: 70 883)

11 610

construction jobs to be created

(2019: 9 314)

2 430

operational jobs to be created

(2019: 3 815)

Planning support

to municipalities (non-lending)

IMPLEMENTATION SUPPORT TO MUNICIPALITIES (NON-LENDING)

Number of households that received access to new and improved services in water, sanitation and electricity:

76 553

(2019: 457 022)

108

infrastructure projects

(88 completed, 18 in implementation stage and 2 in planning stage) in different project stages were undertaken

34.5

kilometres of road improved

1 099

temporary jobs created

NON-MUNICIPAL (SOUTH AFRICA)

Renewable [IPP]:

18MW

(2019: 124MW)

Total project impact:

100MW

(2019: 402MW)

REST OF AFRICA

Energy generation:

10.5MW

(2019: 0MW)

Total project impact:

29MW

(2019: 18MW)

Reduction of carbon emissions: total impact of

182 952

tons per annum

350

construction jobs created

155

operations and maintenance jobs created

INFRASTRUCTURE IMPLEMENTATION

Development outcomes from where DBSA played an implementing role to the delivery of infrastructure during the year:

infrastructure projects completed:

186

(2019: 184)

Number of urban housing units completed:

200

(2019: 0)

R3.4 billion

B-BBEE spend was awarded to black suppliers of which 50% has women ownership of more than 30%

(2019: R2.5 billion)

SCHOOLS

Total number of learners benefitting from refurbished schools:

65 732

(2019: 47 035)

Learners benefitted from four newly built schools during 2020:

2 062

(2019: 47 035)

MUNICIPAL PROJECTS

Municipal projects that were completed:

43

(2019: 14)

EMPLOYMENT CREATION

Jobs created:

9 758

2019: 8 344

SMME AND SUBCONTRACTOR DEVELOPMENT

Number of local SMMEs and subcontractors that benefitted:

1 219

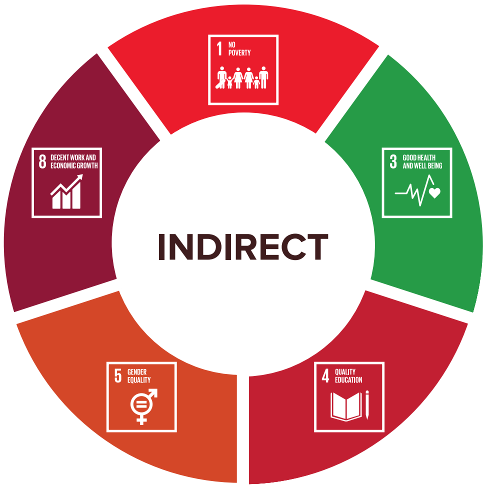
2019: 1 087

HOW WE SUPPORT THE NDP AND SDGs

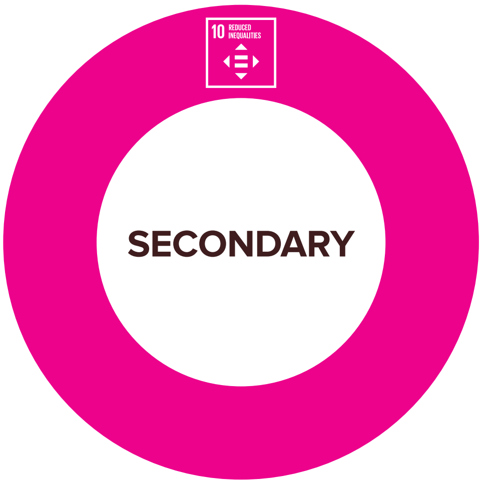
Globally, in Africa and at a national level, there exists a renewed commitment towards sustainable development, especially in this time of crisis brought about by the COVID-19 pandemic. The initiatives that the DBSA is aligned to, including the SDGs, Africa Agenda 2063 and the NDP, are broadly united in their focus on people, prosperity, planet, peace, and partnerships.

The DBSA supports six of the 17 SDGs directly and by implication the South African government's efforts towards our Nationally Determined Contributions in terms of the Paris Agreement. The Paris Agreement calls on countries to reduce their carbon emissions incrementally to collectively meet the global target of limiting the increase in the global average temperature to below 2%. We have also linked our SDG contributions to several NDP outcomes. The DBSA's overall contribution to these initiatives shows our commitment to sustainable development at a global and national level.

SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 6 Ensure availability and sustainable management of water and sanitation for all	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	Funding of bulk water, reticulation and sanitation infrastructure Post implementation reviews
SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	Preparation and funding of IPPs Preparation and funding of renewable energy programmes Providing planning and implementation support to under-resourced municipalities
SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	Funding of various water, sanitation, renewable energy, mass transit and ICT projects. Managing the revitalisation of industrial parks
SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	Housing Impact Fund Support to urban development programmes Financing of municipal infrastructure Implementing agent for Ekurhuleni infrastructure programme
SDG 13 Take urgent action to combat climate change and its impacts	**NDP Outcome 10** Protecting and enhancing our environmental assets and natural resources	Funding of IPPs Regional hydroelectric projects Embedded power generation Climate Finance Facility
SDG 17 Strengthen the means of implementation and revitalise the global partnership for sustainable development	**NDP Outcome 11** Create a better South Africa, contribute to a better and safer Africa in a better world	Partnerships with: Global and regional DFIs Association for African Development Finance Institutions (AADFI) International Development Finance Club (IDFC)



SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 1 End poverty in all its forms everywhere		DBSA supports emerging contractors in rural areas
SDG 3 Ensure healthy lives and promote wellbeing for all at all ages	**NDP Outcome 2** A long and healthy life for all South Africans	Infrastructure implementation work on behalf of the Department of Health Funding private healthcare groups
SDG 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	**NDP Outcome 1** Quality basic education **NDP Outcome 5** A skilled and capable workforce to support an inclusive growth path	Implementation work on behalf of the National Department of Basic Education and Provincial Education Departments Funding of student accommodation programme
SDG 5 Achieve gender equality and empower all women and girls		An emphasis on gender mainstreaming in the DBSA's B-BBEE and economic transformation initiatives
SDG 8 Promote inclusive and sustainable economic growth, employment and decent work for all	**NDP Outcome 4** Decent employment through inclusive economic growth	Development impact mandate Promotion of employment of local labour and contractors in projects where the DBSA is an implementing agent



SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 10 Reduce inequality within and among countries		Funding of projects in SADC e.g.: • Namibia: Cities Programme approval to support three key municipalities in Namibia – Windhoek, Walvis Bay and Swakopmund. • Imaloto power plant Funding of projects outside SADC: • Kenya: Lamu-Isiolo Road • Ghana and Burkina Faso energy interconnector

DBSA IN ACTION:

JUST TRANSITION

The DBSA's Role

- The role of the DBSA in supporting and financing the implementation of the REIPPP has to date amounted to at least R2.5 billion, 9 B-BBEE entities and 15 local community trusts.
- Collaboration with the Department of Enviroment, Forestry and Fisheries has facilitated the DBSA's role in acting as a national implementing agent for the Global Environment Facility (GEF) and for serving as an accredited entity for the Green Climate Fund (GCF).
- DBSA programmes financed by the GCF include the Climate Finance Facility (CFF), for which GCF granted USD55 million to co-fund private sector infrastructure projects and businesses through credit enhancement and tenor extension.
- The Embedded Generation Investment Programme (EGIP) supports embedded generation renewable energy projects that have no demonstrable track record of successfully reaching financial close.
- Development support and financing to municipalities impacted by the transition to a low carbon economy.
- Collaboration with the Embassy of Brazil to unlock bioenergy, bioelectricity and biofuels opportunities in South Africa.

Development impact

- Provision on essential services
- Job creation
- Economic development
- Social development
- Spatial development

Policy and Research

- The DBSA Climate Policy Framework commits the DBSA to aligning 30% of DBSA financial flows to low carbon and green financing by 2020 (70% to support mitigation and 30% adaptation investments).
- The DBSA position paper on a Just Transition articulates national sectoral considerations pertaining to a Just Transition and identifies research areas for the DBSA.
- The DBSA supported the commissioning of the Climate Policy Initiative (CPI), a joint World Bank and French Development Bank (AFD) report entitled Understanding the Impact of a Low Carbon Transition in South Africa. Opportunities worth R2 trillion were identified to reduce the risk of climate transition risk in South Africa.
- The Integrated Just Transition Investment Framework seeks to address the strategic positioning of the DBSA as a responsible energy sector investor on the African continent.

The concept of a Just Transition arises from global efforts by the trade union movement, civil society and environmental justice groups to ensure that the social and economic transition from resource dependent fossil fuel economies, to low carbon and green societies, is equitable and just.

The complex economic structure and ownership patterns within the South African economy, together with the high dependency on coal for the country's energy where over 80 000 workers are employed gives rise to multiple dimensions of the Just Transition for South Africa. The transition to a low carbon energy path will impact on the technical and economic structure of South Africa's energy system, i.e. the nature of the energy generation mix, centralised or decentralised energy systems, ownership patterns, and the social, economic, technology, environmental and welfare structure of the society. The Just Transition is therefore focused on addressing the complex impacts of all these considerations. South Africa is the only country globally to directly refer to "an inclusive and Just Transition" in its Nationally Determined contribution to the Paris Agreement.

OUR OPERATING CONTEXT AND HOW WE RESPOND

OUR EXTERNAL ENVIRONMENT

MACROECONOMY

Global

Four key global economic phenomena characterised the year under review, the US-Sino trade war, Brexit, the COVID-19 pandemic and the oil shock. Although the pandemic had the most significant impact on the global economy, prior to the outbreak ongoing trade tensions between China and the United States were cause for concern as the relationship between the two largest economies in the world unequivocally affects the global economic outlook. Post-Brexit uncertainty threatened to affect global growth due to trade dynamics within Europe. Globally, rising populism and nationalism led to higher levels of protectionist policies, increasing geopolitical tensions. A petroleum price war exploded in March, after the dramatic collapse of an alliance between the Organisation of the Petroleum Exporting Countries (OPEC) and Russia, leading to a plunge in oil prices of more than 50%, sending shockwaves through a global economy in the midst of the fallout of the coronavirus pandemic.

The measures taken across the globe to mitigate the impact of the COVID-19 pandemic severely impacted global economic activity and continue to do so. The global economy is projected to contract by 4.9% in 2020, according to the IMF, which is greater than the impact of the 2008-09 financial crisis. The pandemic has caused a great deal of uncertainty, making macroeconomic forecasting difficult. Assuming the pandemic is brought under control in the second half of 2020 and containment efforts are reduced, the IMF projected the global economy will recover, recording a 5.4% increase in global GDP in 2021, buoyed by support from governments through various policies. However, there are significant downside risks to this scenario, the greatest of which is a second wave of infection delaying the recovery.

The majority of companies across the globe are facing unprecedented challenges in meeting their obligations in this time of crisis. Companies in telecommunications and technology are weathering the storm, yet the overall uncertainty in the global economy has led to liquidity access constraints for many companies, which performed well before the crisis.

Africa

While the COVID-19 pandemic has increased the overall awareness of the plight of the least fortunate on a global scale, it has also laid bare global inequalities in access to healthcare, particularly in Africa. African countries dependant on resource exports will particularly be affected by the global recession resulting from measures to curb the spread of COVID-19. China, Africa's largest trading partner in commodities, has a substantial impact on economic growth on the continent. The negative impact of commodity price volatility due to slow Chinese economic growth, trade tensions and the impact of COVID-19 is set to affect growth in several African economies.

Growth in sovereign debt across the African continent is concerning while poor governance, weak institutions and corruption remain prevalent. The financial burden of the COVID-19 pandemic is set to further increase sovereign debt. In these unprecedented times, it is impossible to foresee how deep the impact of the pandemic will run. The United Nations Economic Commission of Africa has revised the continent's growth prospects for 2020 from 3.2% to 1.8%.

The African Continental Free Trade Area (AfCFTA) agreement, which came into force in 2019, will stimulate more sustainable regional growth. The AfCFTA is expected to boost economic integration, liberalise trade in goods and services (through reducing tariff but mostly non-tariff barriers to trade) and increase intra-Africa trade by 60% over the next three years. The upheaval in the global economy is likely to propel regional trade by encouraging production of a wider range of goods and improving regional supply chains.

Sub-Saharan Africa

In Sub-Saharan Africa, the COVID-19 pandemic has resulted in the first recession in 25 years. The region is forecast to contract by -3.2% in 2020, down from an average growth rate of 3.1% in 2019. Growth in 2021 is expected to rebound to 3.4%. The economic instability caused by lockdowns implemented to mitigate the devastating health impacts of the pandemic is set to increase poverty and endanger lives and livelihoods, according to the World Bank.

South Africa

In recent years, South Africa has experienced subdued levels of economic growth, a trend which continued in 2019 with GDP growth of 0.2% for the year. The South African economy is projected to contract by around 8% in 2020. On the domestic inflation front, the CPI remained within the South African Reserve Bank (SARB)'s target range over the financial year, with March 2020's coming in at 4.6%. South Africa's debt-to-GDP ratio of 62.2% in 2019, compared to 34.7% in 2010, shows a sustained year-on-year increase. In 2020/21, a fiscal deficit of a consolidated budget deficit of R761.7 billion or 15.7% of GDP is expected. Lower levels of electricity demand due to the reduced capacity of major industries have reduced the pressure on the South African electricity supply and therefore on Eskom. The South African government's support financially of state-owned companies remains a concern.

The foreign exchange rate weakened considerably during the financial period, closing at R17.84/USD from R14.48/USD at the beginning of the financial period. The deterioration of the rand dollar exchange rate has contributed to the myriad of challenges in the South African market. These challenges were counteracted to some extent by the lowering of interest rates by the SARB. As the cost of borrowing is reduced there is an incentive to borrow, yet in these uncertain times investment remains subdued.

In 2019, South Africa saw a gradual improvement in its policy environment, yet uncertainty persists in economic transformation and inclusive growth as well as policy within the energy sector. Low levels of economic growth, as well as growth in sovereign debt and declining fiscal strength, continue to undermine investor confidence in South Africa. In March 2020, the rating agency Moody's downgraded the Government of South Africa's long-term foreign-currency and local-currency issuer ratings from Baa3 to Ba1 with a negative outlook. While the downgrade was expected and priced into the market to some extent, the implication of the downgrade became dire from a market perspective, since the downgrade coincided with the emergence of the COVID-19 pandemic. These crises have had a material impact on the accessibility of liquidity in the market. In the private sector, numerous well-performing companies have come under pressure amidst the COVID-19 pandemic with unexpected impacts on liquidity, revenue generation and expenses disrupting performance outlooks. We can expect our clients to be under pressure in the new financial year.

As the country comes to grips with the current economic outlook there also exists a renewed awareness and support for the need for inclusive economic growth and the urgent need to forge social compacts between government, private sector, labour and the non-governmental sector. Poverty, unemployment, and inequality continue to afflict South African society to the point where sustainable growth is not possible without addressing these ills.

INFRASTRUCTURE DEVELOPMENT

Key to the success of the AfCFTA is creating a more connected Africa by investing in road, rail, ports and power infrastructure. According to the Secretary-General of the AfCFTA, Africa requires investment in infrastructure of over USD100 billion to bridge the current gap.

Closing the infrastructure gap is essential to accelerate the continent's economic development. Over the past 15 years, infrastructure investment across the continent has steadily increased. The World Bank estimates that by closing the infrastructural gap, Africa can increase its GDP per capita by over 2% annually. Infrastructure investments have the potential to stimulate rapid growth in developing economies. On a global scale, as we face a severe recession, large-scale infrastructure investment is being widely touted as the tried and tested way to boost economies in the short term and provide wide societal benefits in the long term. The continent, with young populations which remain excluded from the labour market to a large extent and high levels of urbanisation, needs industrialisation and infrastructure development to support it to increase employment and reduce poverty. Infrastructure development remains crucial to unlocking value and growth on the African continent as well as being pivotal to achieving the SDGs, which aim to end poverty, address climate change and ensure prosperity for all.

ENVIRONMENTAL CHALLENGES

The impacts of climate change are becoming more prevalent and more intense than many anticipated. As the COVID-19 pandemic highlighted the need to heed the warnings of our scientific community, it has emphasised the need for climate action to mitigate the impacts of yet another looming global crisis.

At the same time, there is an awareness of the need for climate action to be equitable. Economies in Africa have not had the benefit of the use of fossil fuels to grow their economies as many developed economies have had. It is therefore essential to balance the need for growth and economic development in the interest of reducing poverty and unemployment with the need to address the pressing environmental challenge. Economic growth needed to transform our societies must take place within environmental constraints. As we move towards renewable energy, for example, a Just Transition requires that we focus on creating jobs and sustaining livelihoods for those previously employed in the non-renewable energy sectors of the economy.

TECHNOLOGICAL CHANGE

The use of technology is becoming pervasive in every facet of life and played a key role in reducing the movement of people with the onset of the COVID-19 pandemic. At the same time, a lack of access to technology has increased the severity of the impact of the COVID-19 pandemic in under-resourced communities. Digital infrastructure is becoming as important for creating equal opportunities as physical infrastructure.

GOVERNANCE

Good governance is of paramount importance within governments and in business to meet stakeholder expectations in the short, medium and long term. Globally the COVID-19 pandemic has emphasised the importance of good governance and highlighted the value of strong leadership in times of uncertainty. In these unprecedented times, leaders are expected to lead under high pressure and ambiguous circumstances.

HUMAN CAPITAL

In challenging times, it is evident that people are the most resilient and adaptive resource. As we have experienced unprecedented challenges, people have come together and have shown the potential of the best of our humanity. The readiness to deal with the current challenges has been strongly related to the ability to use and adapt to new technologies. There is an increasing need to prepare our workforce for the workplace of the future, which requires an understanding of new technologies, as well as the ability to adapt to challenges that may arise.

The greatest challenge facing infrastructure development, in much of Africa, is a shortage of skills to move infrastructure development projects through the infrastructure development value chain.

OUR STRATEGY

Our strategic intent is to mobilise infrastructure development that galvanises transformation across the African continent, delivering socio-economic growth that is shared and equitable for African countries and their citizens. We will bend the arc of history through our continued multi-faceted investments in sustainable infrastructure and human capacity development.

Adverse domestic economic conditions are limiting infrastructure projects and hamper the DBSA's growth projection, slowing the DBSA's asset book growth and thus placing attention on maintaining the financial sustainability of the Bank. In this context, our strategy leverages the Bank's ability to conceptualise infrastructure projects through a programmatic approach. This approach is a powerful means of solving pressing socio-economic challenges at scale and driving the implementation of government's policy priorities.

Our corporate strategy is designed to shape the infrastructure investment market through conceptualising, catalysing and implementing sustainable infrastructure projects, capitalising on our position and expertise as well as smart partnerships.

CONCEPTUALISER

We identify and formulate development programmes that set out a coordinated approach to delivering accelerated and relevant infrastructure. Our programmatic approach, which encompasses a long-term and strategic array of individual yet interlinked projects, will achieve a meaningful, wide-reaching development impact in Southern Africa and beyond. We leverage our role as a DFI to crowd-in the public and private stakeholders needed to develop infrastructure projects, address backlogs and implement policy priorities.

CATALYSER

We elevate investment levels through innovative catalytic mechanisms that stimulate economic growth and have a material impact on GDP growth. As a state-owned DFI, we are strategically positioned to play a catalytic role between African governments, the private sector and fellow local and international DFIs, with the common objective of accelerating infrastructure development and service delivery through the mobilisation of funds.

Developing partnerships is an essential part of our strategy as it enables us to create value at a far greater scale by crowding-in private financial institutions to participate in infrastructure financing for development impact. We use our balance sheet to enhance the creditworthiness and sustainability of a project to attract and crowd-in other funders. The private sector has a vital role to play, with the key element of this strategy being to create opportunities for public private partnerships. More infrastructure is unlocked by creating opportunities for the private sector to leverage their balance sheet, resulting in earlier financial close on infrastructure projects. Through our partnerships, we seek concessionary capital, develop innovative products, and enhance due diligence and governance on projects to deliver both financial and environmental sustainability to our investments.

IMPLEMENTER

We also focus on the implementation of key priority projects to deliver tangible solutions that Build Africa's Prosperity. The Bank augments the state's capacity to execute large scale infrastructure development initiatives. Adverse domestic economic conditions in recent times have, however, limited infrastructure projects and hampered the DBSA's growth projection, slowing our asset book growth and placing attention on maintaining the financial sustainability of the Bank.

RESPONDING TO THE EVER-CHANGING ENVIRONMENT

Our strategy addresses key factors in the macro- and micro-environment while capitalising on the successes and strengths of the Bank. Our aim is to build the resilience and relevance of the Bank for the future so we can:

- Stimulate economic activity in a challenging economic climate with muted growth forecasts
- Develop solutions for the creation and implementation of infrastructure projects
- Dedicate the Bank's implementation expertise to facilitate government's economic and social transformation policies
- Capitalise on our role as a DFI to convene and co-ordinate smart partnerships
- Drive development impact beyond hard infrastructure build
- Leverage evolutionary changes brought about by technology
- Ratify environmental policy in response to climate change
- Promote the financial sustainability of the Bank
- Build on the DBSA strengths in mobilising large scale programmes that have proved successful
- Optimise our core operations to drive a development dividend that can address socio-economic growth in innovative ways

OUR KEY STRATEGIC OBJECTIVES

Underpinning our strategy are the pillars of financial sustainability, strong governance and accelerating and enhancing development impact.

FINANCIAL SUSTAINABILITY

Drive disbursements and asset growth to maintain profitability and operational efficiency thereby enabling growth in equity and fund innovative development activities.

ACCELERATING DEVELOPMENT IMPACT

Accelerating development impact by stimulating infrastructure development through a programmatic approach, which conceptualises projects for a secure and scaled development trajectory, aligning with the socio-economic challenges in the country. The Bank seeks to give effect to the government's implementation ambition through an enhanced focus on implementation of key government infrastructure priorities, including the One Plan under Local Government.

BUILDING FUTURE-FIT DBSA

We are building a future-fit DBSA by harnessing the power of 4IR to drive internal efficiencies and by maintaining our relevance through a future-fit workforce and an enabling environment.

SMART PARTNERSHIPS

SMART Partnerships are purpose-driven collaborations that co-create development solutions and enhance private sector participation in infrastructure projects that promote inclusive growth.

Our key focus areas:

We have elevated seven key focus areas that enhance the delivery of our strategy:

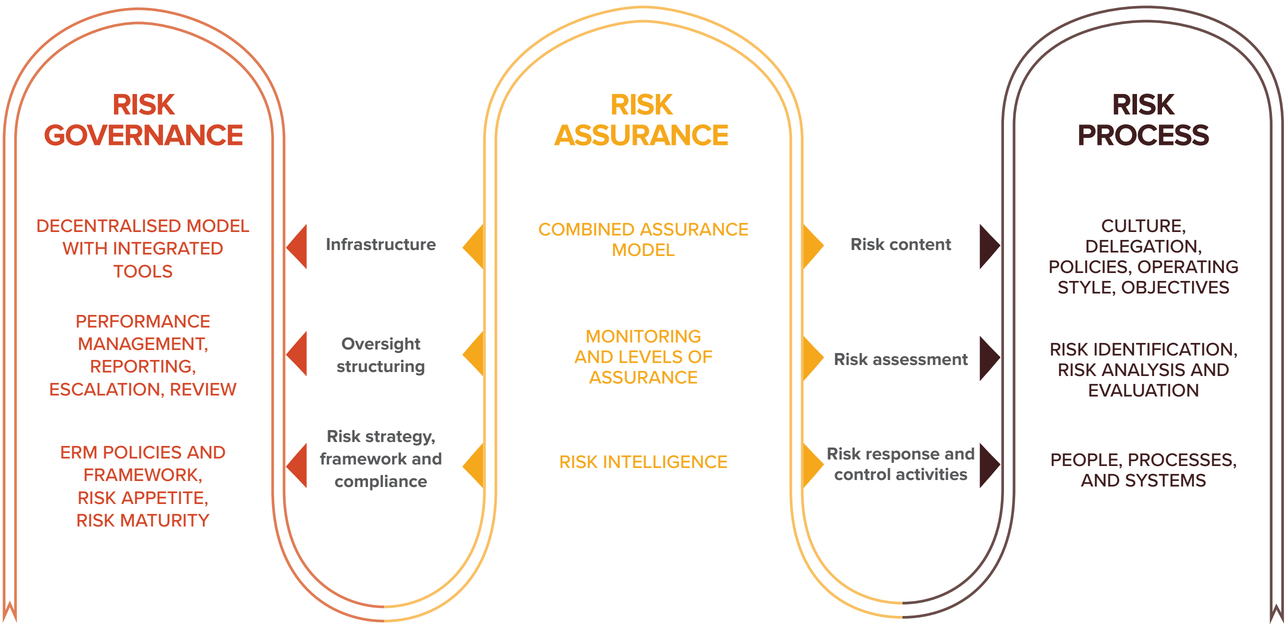
1. Building organisational sustainability by converting transactions to drive disbursements
2. Building a Digital DBSA
3. Lending a hand to government to stabilise municipalities by enhancing government's service delivery efforts across South Africa to build thriving communities
4. Catalysing connectivity by unlocking the power of connectivity to stimulate economic activity and growth relishing the potential of 5G and satellite technology
5. Revitalise township and rural economies through supporting the development of economic and social opportunities in underserviced areas such as townships, small towns and rural areas
6. Navigating the Just Transition by contributing to an equal, sustainable and prosperous South Africa
7. Promoting SA Inc within inter-Africa regional infrastructure development through bespoke credit and funding structures offered by the DBSA, the Export Credit Insurance and the Industrial Development Corporation, among others

MANAGING OUR RISKS AND OPPORTUNITIES

Delivering on our mandate requires that we proactively manage both risks and opportunities and ensure that we do so in a sustainable manner. Ultimate accountability for the effective management of risks and opportunities lies with the Board of the DBSA. In executing this responsibility, as it relates to risk, the Board has adopted an Enterprise Risk Management (ERM) framework, an approach which ensures that the DBSA takes a holistic view of the risks inherent to the Bank's strategy, business and operations. Consequently, the management of risk and opportunity is entrenched in all facets of the Bank's planning and decision-making processes. Ethical behaviour, legislative compliance and sound accounting practices lay the foundation for internal control processes and ensure effective governance of risk.

ENTERPRISE RISK MANAGEMENT

The nature of our business, as a developmental bank, requires risk management as a key capability in managing the trade-off between our development impact focus and maintaining financial sustainability.



RISK GOVERNANCE

Enables a structured environment for decision making and oversight related to the management of risk.

RISK ASSURANCE

Enables monitoring of the management of risk at the DBSA from several points of view in order to inform enhancements that will increase the adequacy and effectiveness of the internal control environment of the organisation.

RISK PROCESS

Enables the assessment of risk and informs the DBSA's responses to manage uncertainty in pursuit of strategy, business and operational objectives.

ENTERPRISE RISK MANAGEMENT

The DBSA's five-lines-of-defence combined assurance risk management model clearly defines the roles and responsibilities for the management of risk within the Bank. This emphasises the fundamental concept that risk ownership and management is everyone's responsibility from the Board to the business units.

BUSINESS UNIT	Line management and employees are responsible for the management of risk including controlling and monitoring as part of normal business operations.
GROUP RISK ASSURANCE	Group Risk Assurance comprising Compliance, Enterprise Risk Management, Business Continuity Management, Legal and Credit and Market Risk Monitoring, develop policies and adopt best practice standards for managing risk exposures.
INTERNAL AND EXTERNAL AUDITORS	Internal and external audit provide independent assurance on the effectiveness of risk management within the DBSA.
EXECUTIVE COMMITTEE	The Executive Committee is responsible for providing oversight of the DBSA activities and ensuring implementation that is consistent with the business strategy and policies as approved by the Board.
BOARD	The Board oversees the activities of the DBSA and is held accountable by the shareholder for strategy and performance of the DBSA. The Audit and Risk Committee is mandated to oversee the implementation of the DBSA's ERM framework.

RISK APPETITE

Risk appetite statement defines the amount of risk the DBSA can afford to take and prefers to take in achieving its objectives. The Board approved Risk Appetite Statement contains specific metrics with thresholds in the following areas (shown below). In general, the risks of the Bank were managed within this appetite throughout the financial year ending in March 2020 and where thresholds were exceeded momentarily, action plans were put in place.

Risk appetite pillars

- **CAPITAL ADEQUACY**
- **FINANCIAL SUSTAINABILITY**
- **CREDIT DEFAULT**
- **CREDIT CONCENTRATION**
- **LIQUIDITY AND MARKET RISK**
- **SUSTAINABILITY RISK**
- **OPERATIONAL RISK**

RISKS AND OPPORTUNITIES

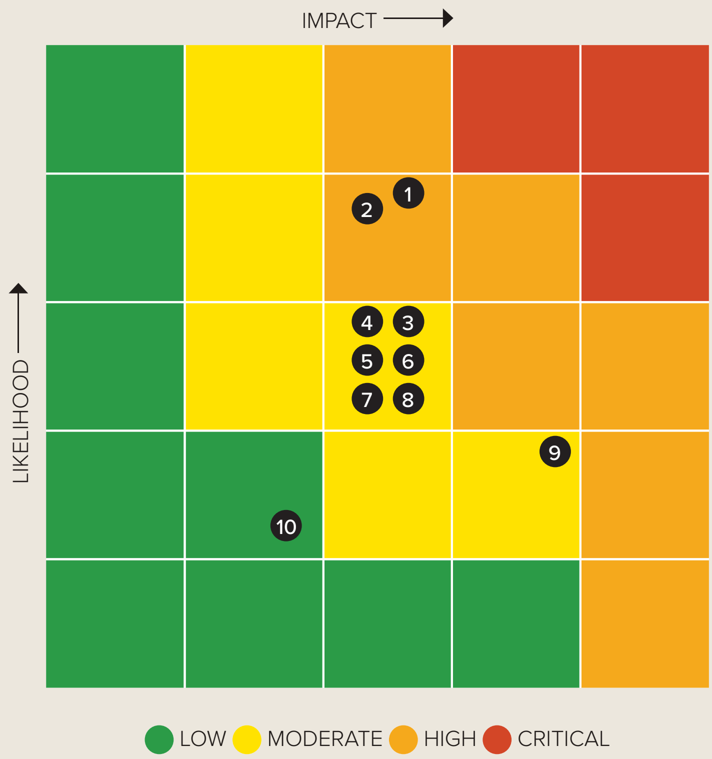
Principal risks

Principal risks are approved and monitored throughout the year and adjustments made as issues emerge. In the year under review, significant changes in our operating context, brought on by the global spread of COVID-19 and subsequent lockdowns, started in March 2020. Although the pandemic only affected the last month of the financial year under review, it is, however, expected to have an increasing impact as it unfolds in the financial year ending March 2021.

The DBSA Board and management team continuously reviews the principal risks to ensure an appropriate understanding of the overall operating environment.

The residual risks facing the DBSA are depicted on this heat map:

Principal risks are the most significant risks in the organisation and are derived through synthesis of top-down Board and Exco discussions and bottom-up risk assessments from the divisions. The principal risks reflect a prioritisation of risk rather than an exhaustive list.



Emerging changes relating to the principal risks

- Increasing potential of staff being affected by the pandemic from a health, wellness and productivity perspective
- Liquidity risk escalating due to currency volatility and rising costs of funding
- Potential increasing of non-performing loans as clients face headwinds due to the pandemic

1. Changing operating environment
Arising from the possibility of failing to respond to the changing macroeconomic environment and competitive landscape

2. Country and political risk
Arising from the possibility that there could be changes in sovereign debt sustainability and political stability

3. Credit risk
Arising from the possible failure of borrowers honouring their financial obligations to the DBSA and deterioration of the quality of assets

4. People risk
Arising from the possibility of failing to recruit, develop and retain the best talent

5. Infrastructure implementation risk
Arising from the possibility that projects may not yield desired outcomes regarding timing and cost

6. Reputation risk
Arising from the possible failure to meet the reasonable expectations of stakeholders regarding governance and performance

7. Development impact risk
Arising from lower than expected development impact in projects that are financed for preparation and implementation

8. Cyber and technology risk
Arising from accidental or malicious breaches of information security, adversely impacting the DBSA and its clients, as well as technology failures leading to service disruptions

9. Funding and liquidity risk
Arising from the chance that the DBSA will be unable to meet its obligations as they become due as a result of an inability to obtain adequate funding or liquidate assets at normal market price levels

10. Sustainability risk
Arising from the possibility of failing to support social and environmental sustainability considering uncertainties surrounding physical, social and economic phenomena associated with climate change and the Just Transition from coal to cleaner forms of energy generation

STRATEGIC OPPORTUNITIES

The opportunity landscape of the DBSA is broad and multi-layered. As such, it is useful to differentiate between macro level (strategic) opportunities that relate to the attainment of the vision and mission of the organisation and micro level (tactical) opportunities that relate to the objectives and activities of the organisation.

Below are our strategic opportunities.

JUST RECOVERY

The DBSA is well placed to play a pivotal role in the post-COVID-19 economic recovery and ensure that it is inclusive of broader groups of society through increasing the scale and rollout of the District Development Model and infrastructure development through the Infrastructure Fund and the Infrastructure Delivery Division

CATALYSATION

The DBSA is well placed to play a significant role in crowding-in private sector participation and investment in infrastructure development through taking enhanced risk positions, leveraging its reputation and capability in establishing and managing unique investments with infrastructure catalysation activities.

JUST TRANSITION

The DBSA is well placed to play a role in the repurposing of decommissioned coal power plants and funding of cleaner technologies for energy generation in a manner that assists society to transition to new methods of production and mitigate against the proliferation of ghost towns

Strategic risks, mitigation and tactical opportunities

These are risks arising from unforeseen changes in the business environment that could invalidate fundamental assumptions underlying the Bank's corporate strategy, as well as unexpected events in the development finance market that could render the Bank's operating model uncompetitive.

Related principal risks

1 Changing operating environment
2 Country and political risk
6 Reputation risk
10 Sustainable risk

Mitigation

- Continuous monitoring and adjustments made to operating processes
- Increasing diversification of the portfolio
- Unpacking the DBSA's contribution to the green economy

Tactical opportunity

- Providing a development space within underserved communities that enables access through stimulating the local economy, driving job creation, increasing access to skills of the future, innovative financing and funding platforms
- Strengthening local government capacity through the non-financing infrastructure delivery and programme implementation initiatives
- Establishment of District Development Model Programme Coordinating Office and the district hubs
- Addressing the high costs of broadband internet connectivity, services and equipment
- Enhancing ICT sector policy and institutional arrangements to increase private sector participation and effective delivery
- Implementing interventions that extend broadband penetration to bridge the "digital divide"

Business and operational risks, mitigation and tactical opportunities

These are risks arising from business decisions made in the management of funds, extension of credit and implementation of infrastructure as well as people, systems and other processes.

Related principal risks

1 Changing operating environment
2 Country and political risk
3 Credit risk
5 Infrastructure risk
7 Development impact risk
8 Cyber and technology risk

Mitigation

- Comprehensive and rigorous governance processes in the approval of deals
- Comprehensive compliance management framework
- Adoption of an enhanced Integrated Energy Sector Investment Framework which complements the existing Social and Environmental Framework

Tactical opportunity

- Increasing digitisation by harnessing the collective output of the Fourth Industrial Revolution to drive the DBSA's relevance using innovative processes, technology and enhanced people capability
- Using novel ways to structure deals

Financial risks, mitigation and tactical opportunities

These are risks arising from volatility and fluctuations in market rates, inability of the institution to meet financial obligations in a timely manner when they come due without incurring unacceptable costs or losses and failure of a counterparty to trade or investment in meeting its obligations and/or a deterioration occurring in the credit rating of a counterparty and as a result reduce the value of assets.

Related principal risks

3 Credit risk

9 Funding and liquidity risk

Mitigation

- Proactive client/business support and recovery to minimise losses from defaults
- Continuous monitoring of prudential limits
- Raising concessional credit lines in order to implement blended finance structures
- Continuous stakeholder engagement covering clients, foreign governments, the Presidency, National Treasury, pension funds, commercial banks, project sponsors and government departments

Tactical opportunity

- Playing a significant role in crowding-in public and private sector participation and investment in infrastructure development
- Using novel ways to sourcing and structuring deals

MATERIAL ISSUES

HOW WE DETERMINE MATERIALITY

Material matters have the potential to significantly affect our ability to create and sustain value for our stakeholders through the implementation of our strategy and fulfil our commitments as a state-owned company over the short, medium and long term.

In determining which matters are material to our business, we assess the external environment, consider stakeholders' interests and concerns and evaluate the key corporate risks and opportunities and how these factors affect strategy.

OUR MATERIAL ISSUES

Governance

Sound governance, as practised by the Bank's leadership, is an essential component to ensure the long-term sustainability of the Bank. Good governance safeguards our reputation and significantly impacts our financial sustainability, our ability to manage our risks and our ability to deliver the development dividend expected of us. Since corporate governance remains a key credit consideration, poor governance has a tangible impact on the availability and cost of capital, and ultimately constricts economic growth and opportunity for all. As an intermediary between public and private capital, we must encourage good governance beyond our internal structures and processes. We do this by being an exemplary partner in the investment community.

Our audit record exemplifies our commitment to good corporate governance and reflects the strength of our governance structures and processes. Every audit undertaken since the inception of the Bank has been unqualified. This stellar record is particularly significant following the considerable attention governance issues have received at other South African state-owned enterprises in recent years.

The DBSA has been proactive and transparent in recent years by undertaking a number of initiatives to further strengthen governance, even though no issues have been raised in the Bank's own governance. Board evaluation is a key pillar of ensuring that Board members exercise their fiduciary responsibilities with care and diligence. These initiatives are aimed at ensuring directors' decisions remain free from conflicts of interest and that controls around lending remain tight particularly as they relate to politically exposed persons.

A strong financial foundation

As a DFI, the financial sustainability of the Bank is fundamental to our ability to create value. Our priority is to have development impact, whilst making an overall return. The commercial activities of the DBSA must be financially sustainable. A strong balance sheet allows us to make a greater development impact, facilitates future lending, assists in attracting private funding and supports future growth.

The DBSA maintains a strong focus on profitability, generating and sustaining inflation-linked growth in equity. Over the past few years, we have implemented a capital management project to quantify the Bank's portfolio and business risks.

Creating an integrated development environment

The DBSA works to create an integrated development environment in the infrastructure development value chain. As the environment in which the Bank operates changes, the DBSA must take part in shaping the infrastructure development landscape in order to realise a prosperous, integrated and resource efficient continent. In order to respond to the rapid changes in the environment, the DBSA seeks to develop agility and adaptability in its processes. This positions the Bank to be transformative in its development approach towards sustainable infrastructure and human capacity development.

By recognising that change is constant, the leadership of the DBSA is able to create a responsive work environment that embraces change. In the long-term we must take advantage of and capitalise on this change to achieve sustainability, build resilience, re-imagine relevance, and to thrive. Building our relevance drives the transformative changes needed to adapt in an ever-changing environment.

Fluctuating operating environment

The environment we operate in is dynamic and unpredictable. As with any other bank, our sustainability and ability to have a substantial development impact is dependent on our capacity to monitor, assess and respond to the external environment. As a DFI supported by the government, our role differs from other banks to some extent as we provide countercyclical funding. We must therefore carefully consider our mandate and the development impact we must have as we respond to the persistent macroeconomic challenges facing South Africa and many other African countries.

Challenges in our operating environment do not, however, diminish the need for infrastructure development. Infrastructure development is a key part in stimulating the economy as there is a strong relationship over the long term between infrastructure spend and economic growth.

Strategic partnerships

A large part of our role in the infrastructure development space involves mobilising resources from our partners, to enlarge the pool of capital and expertise available to improve the lives of people across Southern Africa. As a DFI we provide additionality, as a collaborator rather than a competitor in the market. By developing and leveraging our strategic partnerships and relationships and providing additionality we are able to expand our presence in selected markets and geographies creating value beyond our own interest both locally and regionally.

The DBSA acts as a conduit between financial markets and local authorities, including smaller municipalities with limited access to the capital markets and private entities who find it difficult to obtain commercial financing. Our strategic partnerships provide us with a competitive advantage through access to knowledge and project funding. We remain committed to building strong strategic partnerships with local and international organisations to improve our position as a partner of choice.

Human capital

Our people are our most valuable resource, without them we would not be able to fulfil our mandate or create any value. Even through these challenging times we remain committed to attracting, developing, retaining and rewarding the best people. We do so by consistently establishing a stimulating and exciting environment, which encourages development and growth. Within the Bank, we have distinctive skills related to planning and preparing infrastructure development projects, developing innovative financing opportunities and enhancing the execution of projects that build and maintain infrastructure.

Our employees are encouraged to engage and contribute throughout our value creation process. The Bank's human capital strategy ensures that our employees' skills remain relevant in their field of expertise and as they build their careers. Ultimately, we endeavour to build a committed, proactive and innovative team. In this, our leadership and management are critical enablers.

Our stakeholders are a critical element in determining the success of our business. They are an integral part of our capital inputs and contribute throughout the value creation process. We pride ourselves on the long-standing relationships that are integral to delivering on our mandate. We place considerable value in the contribution of our partners and recognise the strategic advantage partnerships provide. As a public entity, we leverage our position as a conduit between the private and the public sectors to truly accelerate development impact.

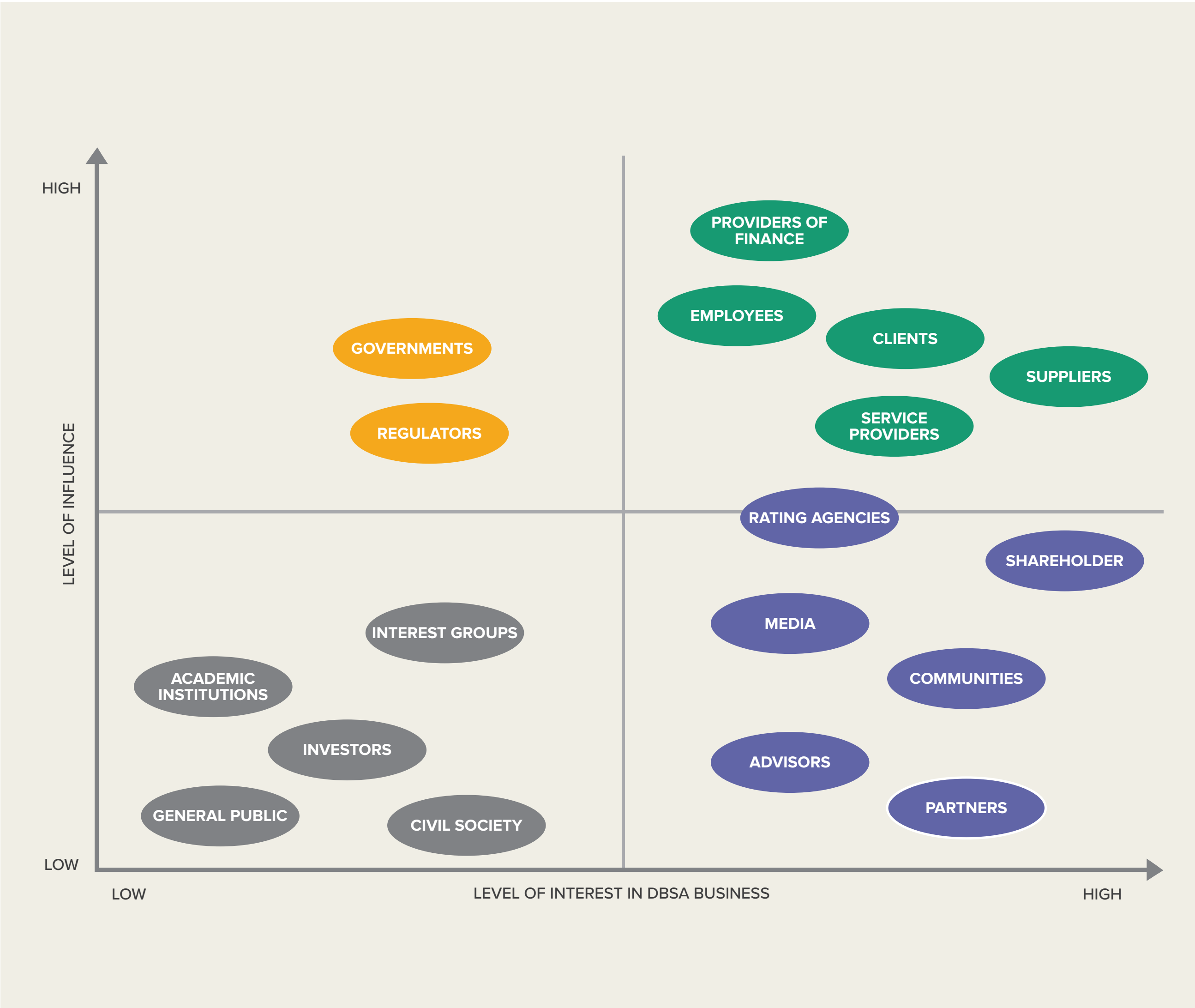
OUR STAKEHOLDERS AND STRATEGIC PARTNERS

OUR STAKEHOLDER UNIVERSE

Our commitment to a stakeholder-inclusive and customer-centric approach to business demands that we embed engagement with stakeholders into our value creation process. Our relationship with our stakeholders is the critical asset that grants us a social license to operate. Our stakeholder universe comprises of 15 stakeholder categories that impact our business directly or indirectly, as follows:

HOW WE IDENTIFY AND ANALYSE OUR STAKEHOLDERS

Thorough stakeholder identification is foundational to the Bank's stakeholder relationship management framework. We operate our business in diverse contexts in which stakeholders have varied interests and levels of influence. We identify and rank each of our stakeholders in accordance with our strategic intent, prevailing risk factors and the current business environment. The interests and influence of our stakeholders are dynamic and require continuous monitoring in line with our stakeholder matrix illustrated below.



OUR KEY STAKEHOLDER GROUPS AND HOW WE ENGAGE

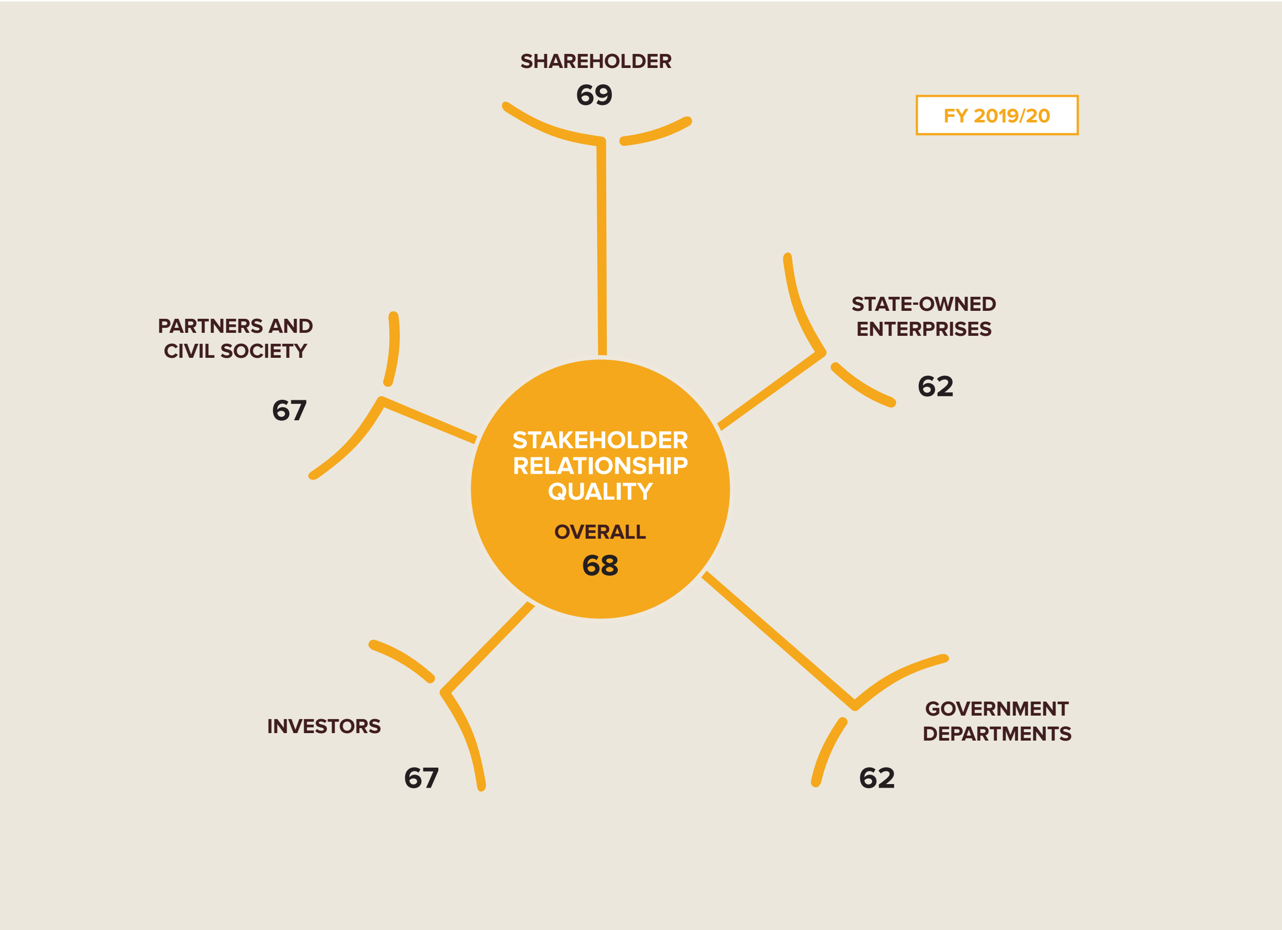
As a DFI we fulfil varied, yet integrated roles to deliver sustained value to our stakeholders across our holistic end-to-end infrastructure value chain. We pride ourselves in our stakeholder inclusive approach that balances the interests and expectations of our stakeholders in our response to material relationship issues. We determine value for our stakeholders and ourselves and address stakeholder relationship risks through our integrated business engagement processes and procedures.

	Clients	Employees and Service Providers	Investors and Funders	Community and Civil Society
VALUE FOR THE DBSA	• Clear, honest and complete information about products, services and impacts • Accessible and effective customer complaint mechanism • Improving existing relationships based on client experience and overall satisfaction	• To enhance employees' engagement and commitment as their efforts contribute to our success • Our objectives can only be achieved if we enjoy the loyal support of our suppliers • Suppliers provide the valued expertise, products and services required to maintain our business and facilitate growth	• Provide concessional and grant capital • Provide investment opportunities	• Providing fair chances for local suppliers and SMMEs • Review of supporting SDGs or local development goals • Assist in maximising development impact • Social facilitation of community participation in infrastructure delivery
VALUE FOR STAKEHOLDERS	• Product development, price negotiation, service requirements and updates • Infrastructure development programmes • Development support and quality service delivery	• Clear and fair employee and workers' contracts • Fair and equal chances for all employees and workers • Clear and fair contracts with contractors, sub-contractors, suppliers and partners	• Strategic alignment and development impact • Return on investment	• Contribution to economic, social and cultural development • Identify, prevent and address actual or potential human rights impacts in the value chain • Collaboration with universities or institutions in stimulating and providing technology at local affordable conditions
ISSUES AND RISKS	• Lack of comprehensive business/strategic plans • Rising sovereign debt levels	• Strategy • Financial performance • People development and training • Transformation and employment equity • Code of conduct • Contract and service agreements and performance	• Significant changes, particularly those with financial impact. • Financial performance • Market trends and issues • Prospects and organisational sustainability	• Investment in socio-economic development • Access to basic services • Local labour opportunities • Strengthened cooperation with civil society to enhance the Bank's work and achieve greater impact
OPPORTUNITIES	• Continuous client satisfaction improvement through feeding survey results into future stakeholder relations, marketing and communication initiatives • Use survey feedback and recommendations as measures to improve products and services in order to fulfil and exceed expectations • Heightened client centricity, enhanced client experience, becoming a trusted advisor, increased digitisation and automation and increased digital presence	• Collaboration and dialogue with independent parties representing employee / worker interests • Provide support to SMEs where possible • Implemented occupational health and safety systems • Fair policy for payment to suppliers	• Activities for stimulating improvement of infrastructure for transport, water, electricity, communication, etc	• Programme for supporting communities with essential healthcare services, access to clean water, good sanitation • Dialogue with local communities and other local stakeholders • Establishment of transparent and effective grievance and remedy mechanisms

STAKEHOLDER RELATIONSHIP QUALITY

To foster effective relationships with our stakeholders, we assess the quality of our relationship with them to identify areas of concern and craft corrective action. We consider the competing interests of various stakeholder groups. The quality of our relationships is measured based on key pillars that serve as indicators of conducive preconditions for healthy and strong relationships with stakeholders.

Our overall quality index is at 68. The index per stakeholder category in the period under review is as outlined below:



Client satisfaction

We assess client needs, align our organisational values to client values, measure client satisfaction and gather client feedback to address their issues and concerns. To this end, we conduct an annual client satisfaction survey, through an external service provider. We have realised consistent improvements in our client satisfaction score over the last three years.

Issues raised

- DBSA clients are largely satisfied with the Bank, but indicated that improved products and services and pricing would improve their overall experience in dealing with the Bank
- Strategic recommendations to enhance client satisfaction were put forward and grouped according to five strategic themes:
  - Heightened Client Centricity
  - Enhanced Client Experience
  - Becoming a Trusted Advisor
  - Increased Digitalisation and Automation
  - Increased Digital Presence

DBSA IN ACTION:

DBSA/WORLD BANK PARTNERSHIP

Objectives

- The agreement covers three pillars:
- Pillar 1: SDG Funding Gap: Research into quantifying the funding gap for infrastructure needed to reach SDG targets in South Africa
- Pillar 2: Urban Mobility: Support the improvement of urban transport by focusing on informal transit development in key cities
- Pillar 3: Smart Cities: Identify ways to create efficiencies, eliminate redundancies and improve service delivery through a Smart Cities approach to key service delivery areas

The DBSA's Role

- Develop a comprehensive and realistic understanding of what it would take for South Africa to achieve the SDGs by 2030
- Quantify the infrastructure funding needs in terms of capital expenditure and operations and maintenance to reach the SDGs
- Engage policy makers to identify cost drivers and implications of policy choices on costs and service levels
- Identify disruptive technologies that could improve outcomes, lower infrastructure costs or expedite the achievement of the SDG targets

Development Impact

- Economic development
- Spatial development
- Social development

Stakeholders and Partners

- World Bank
- National Treasury
- Statistics South Africa
- Department of Planning, Monitoring and Evaluation
- Department of Mineral Resources and Energy
- Department of Water and Sanitation
- Department of Transport
- Department of Health
- Department of Basic Education
- Department of Higher Education and Training

The DBSA and the World Bank signed a three-year Memorandum of Understanding (MoU) and Framework Agreement (FA), on 17 October 2019, marking a collaboration aimed at addressing infrastructure challenges in South Africa. This encompasses joint activities and projects as well as the sharing of knowledge in the identified sectors, namely: Energy, Water and Sanitation, Transportation and Social infrastructure.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OUR GOVERNANCE

HOW WE ARE GOVERNED

The DBSA's approach to corporate governance is to ensure that it contributes to improved strategic and operational decision making and corporate performance reducing the risk of failure and reputational damage.

We recognise that the way the Bank is structured and managed has an impact on every aspect of the Bank's key activities and investment process. We strive to create an environment that enhances access to capital, efficient allocation of capital between competing ends and competent monitoring of investments once in place. To ensure this environment the Board, in carrying its oversight responsibility, has placed considerable emphasis on creating an enabling corporate governance environment. This is achieved through the establishment of a robust governance framework and a structure that ensures efficient and effective operations. We further ensure that the framework continually evolves to anticipate and meet emerging challenges. The governance framework scrutinises the Bank's activities and questions the Bank's assumptions where necessary. Shareholder and Board oversight ensures that the Bank's practices remain in line with governance best practices, while our operations are guided by policies, legislation and regulations.

The DBSA continues to uphold the highest possible corporate governance standards which underpin the Bank's reputation and its effectiveness as an organisation. The good governance standard of the Bank is the intangible asset that has created value for the DBSA by:

- creating an environment for access to capital
- ensuring that the Bank has a reputable brand
- assuring stakeholders and clients
- growing the business of the Bank under difficult economic conditions
- ensuring that the Bank retains and attracts talent

GOVERNANCE FRAMEWORK

Key legislation

DBSA Act

Public Finance Management Act

Companies Act (where appropriate)

Governance principles

King IV (where appropriate)

Corporate Governance Development Framework

Association of African Development Finance Institutions (AADFI) Prudential Standards Guidelines and Rating System

United Nations Global Compact

Governance partnerships

SADC Development Finance Resource Centre (DFRC)

Corporate Governance Development Framework

SADC Working Group

Policies and procedures in place

Board Charter	Code of Ethics	Appointment of DBSA Nominee Directors and Private Equity Advisory Committee Member Policy	Delegation of Authority	Directors' Policy on Conflict of Interest
Employees' Policy on Conflict of Interest	Board and Subcommittees' Terms of Reference	Gift and Hospitality Policy	Whistleblowing Policy	Ethics Hotline

GOVERNANCE STRUCTURE

During the year under review, the Bank's Board and management team remained stable. The process of appointment of the Chairman of the Board was finalised in September 2019, in accordance with the DBSA Act. Independent Non-executive Director, Gugu Mtetwa resigned to take up a full-time executive position at another financial services company.

Ministry of Finance (Sole Shareholder)					
Minister Tito Mboweni					
DBSA Board					
Chairman: Enoch Godongwana					
	ARC	**BCIC**	**HRNC**	**SEC**	**IDKC**
Board Committee	**Audit and Risk Committee**	**Board Credit and Investment Committee**	**Human Resources and Nomination Committee**	**Social and Ethics Committee**	**Infrastructure Delivery and Knowledge Management Committee**
Non-executive members	Martie Janse van Rensburg (Chairman)	Anuradha Sing (Chairman)	Patience Nqeto (Chairman)	Zanele Monnakgotla (Chairman)	Mark Swilling (Chairman)
	Anuradha Sing Zanele Monnakgotla Blessing Mudavanhu Patience Nqeto Bulelwa Ndamase	Martie Janse van Rensburg Blessing Mudavanhu Zanele Monnakgotla Bulelwa Ndamase Mark Swilling Enoch Godongwana	Blessing Mudavanhu Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Anuradha Sing Enoch Godongwana	Mark Swilling Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Patience Nqeto Bulelwa Ndamase	Malijeng Ngqaleni Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Enoch Godongwana Patience Nqeto Martie Janse van Rensburg
Executive members[1]		Patrick Dlamini Boitumelo Mosako		Patrick Dlamini	Patrick Dlamini
Responsibilities	Oversees the DBSA's internal control framework, reviews and evaluates the integrity of financial and other statutory reporting, financial strategy, budget, capital expenditure, treasury strategies, loan impairments, ERM processes (including ICT risks) and compliance with laws and regulations.	Reviews credit strategy, credit risk management policy and programme, trends in portfolio quality and adequacy of provision for credit losses.	Covers the implementation of the human capital strategy, the nomination of directors and remuneration for the DBSA.	Oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationship.	Oversees the implementation of the strategic mandate and infrastructure delivery programmes, as well as the policy, advisory and knowledge management function.
For further detail	See pages 108 - 110 for the Audit and Risk Committee report.	See pages 112 - 113 for the Board Credit and Investment Committee report.	See pages 136 - 137 for the Human Resources, Remuneration and Nomination report.	See pages 124 - 125 for the Social and Ethics Committee report.	See pages 118 - 119 for the Infrastructure Delivery and Knowledge Management Committe report.

[1] *Chief Executive Officer is a standing member of BCIC, SEC and IDKC and he attends other Board subcommittee meetings by invitation whilst the Chief Financial Officer is a standing member of BCIC and she attends other Board subcommittee meetings by invitation.*

DBSA Executive Management Committee				
Chairman: Patrick Dlamini				
Steering Committee	**Asset and Liability Management Committee**	**Supply Chain Management Committee**	**Investment Committee**	**Infrastructure Delivery and Knowledge Management Committee**
	Boitumelo Mosako (Chairman)	Boitumelo Mosako (Chairman)	Mpho Kubelo (Chairman)	Michael Hillary (Chairman)

ENSURING EFFECTIVE GOVERNANCE AND GOOD CORPORATE CITIZENSHIP

BOARD INDEPENDENCE + **QUALIFICATION AND EXPERIENCE** + **ROTATION** + **ACTIVE PARTICIPATION** = **EFFECTIVE GOVERNANCE LEADERSHIP**

EFFECTIVE GOVERNANCE LEADERSHIP

AADFI PSGRS rating:

A+ (2019: A+)

The Principles of King IV:

The principles of King IV are adopted and applied by the Bank as disclosed in Annexure A on pages 146 – 149.

Accredited as a **Green Climate Fund**

Bi-annual Board effectiveness review conducted in 2019 and Shareholder initiated Board appraisal conducted and concluded post financial year in 2020.

DIVERSITY

Male	**38% (5)**
Black male	30% (4)
White male	8% (1)

Female	**62% (8)**
Black female	54% (7)
White female	8% (1)

BOARD INDEPENDENCE

Executive directors

15% (2)

Non-executive Directors
(shareholder representative)

8% (1)

Independent
Non-executive Directors

77% (10)

The Minister of Finance in consultation with Cabinet appoints members of the Board following recommendations from HRNC

13 Board members

The Chairman is an Independent Non-executive Director

One shareholder representative

Majority Independent Non-executive Directors
All committees (ARC, SEC, BCIC, HRNC and IDKC) are comprised of majority Independent Non-executive Directors

Declaration of interest at each meeting

AGE

60 - 65 years	50 - 59 years	40 - 49 years	30 - 39 years
5	2	5	1

ACTIVE PARTICIPATION

Annual General Meetings	Scheduled Board Meetings	Special Board Meetings	Board Strategy Sessions	Attendance at Board Meetings
1	4	1	1	>90%

The contract terms for each of the directors are on page 14 of the Annual Financial Statements.

ROTATION

Appointed for **three-year** term

Maximum number of terms: **3**

Left the Board during 2020: **1**

Appointment and reappointed to the Board during 2020: **3**

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

- STRATEGIC LEADERSHIP
- FINANCE, BANKING AND CREDIT RISK
- GOVERNMENT-INTERGOVERNMENTAL RELATIONS
- ECONOMICS
- SOCIAL AND SUSTAINABLE DEVELOPMENT
- ENGINEERING
- LEGAL
- HUMAN CAPITAL
- INFRASTRUCTURE DEVELOPMENT
- INFORMATION TECHNOLOGY
- BUSINESS ADMINISTRATION

TENURE OF NON-EXECUTIVE DIRECTORS

0-3 years **7**

3-6 years **4**

More than 6 years **0**

OUR BOARD

Our Board applies sound corporate governance structures and processes that are considered pivotal to delivering sustainable growth in the interests of all stakeholders. The Board acknowledges that good governance embraces, preserves and protects the DBSA brand. The Board demonstrated its commitment to exemplary corporate governance by ensuring adherence to the highest level of governance practices. The Board in carrying out its responsibility is supported by robust structures spanning Board committees, a strong executive team, rigorous risk management, internal audit and compliance functions as well as strong operating procedures. The Board provides oversight on strategic direction and ensures a sound strategic framework. The Board monitors overall performance against targets. There are robust deliberations and considerations in taking investment and mandate decisions. The CEO and management are held to account for financial performance, development outcomes and controls.

The Board is ethical in its dealings. The building of an ethical culture in the Bank is a strategic imperative for the Board as endorsed in the King IV Report and the Companies Act. The Board's Social and Ethics Committee is responsible for exercising oversight control over ethical initiatives. The committee seeks to promote the ethics opportunities and interventions to mitigate the ethics risks in the Bank. In the reporting period, an Ethics Risk Assessment was conducted which considered the ethical landscape of the Bank. The intended outcome of the assessment is for the Bank to enhance its responsible corporate citizenship internally in the Bank and to the society at large.

The Board is considered to be generally effective and well functioning.

MANAGING RISKS OF POLITICALLY EXPOSED PERSONS

The definitions of Politically Exposed Persons (PEPs) are wide ranging. According to the Financial Intelligence Centre (FIC), PEP is the term used for an individual who is or has in the past been entrusted with a prominent public or private sector position.

The FICA Amendment Act sets out two categories of PEP, that is, foreign prominent public officials and domestic prominent influential persons. PEPs are considered to be high risk as they hold positions of power and influence that may be abused for private gain or to benefit family members or close associates. Due to these risks, it is imperative that the Bank takes steps to identify whether a client or prospective client is a PEP and ensure that the necessary enhanced due diligence (EDD) and enhanced monitoring processes are applied. By setting up these processes, the DBSA will ensure that it is able to appropriately manage any legal and reputational risks that may arise from entering into business relationships with PEPs.

It will also ensure compliance with various guidelines and directives issued by FIC that are aimed at combatting money laundering and the prevention and detection of fraud and other corrupt practices including the financing of terrorist activities.

The DBSA is not precluded from doing business with a PEP. Therefore, the identification of a PEP does not on its own create an automatic reason to decline or reject an application for funding.

However, when a PEP is identified, an EDD should be conducted prior to a decision on whether to establish a business relationship or not. The DBSA has adopted a PEP Policy in order to mitigate reputational risk, operational and legal risk, based on internationally accepted best practice, standards and guidelines on the management of PEPs, while simultaneously meeting regulatory compliance standards as imposed by the FIC Act.

This policy applies to all PEPs who may have an interest in obtaining any form of financing from the DBSA. The policy also applies to any employees of the Bank that are PEPs as well as prospective suppliers and/or service providers.

During the 2019/20 financial year, the DBSA approved 7 projects (1 trust and 6 private entities) involving PEPs.

Entity Type	Sector	Domestic or Foreign PEPs	Amount Approved
Private Equity Fund	Logistics	Domestic	$10 million
Private Entity	Infrastructure	Domestic	R77.8 million*
Private Entity	Water	Domestic	R200 million
Private Entity	Energy	Domestic	$318 969
Private Entity	Energy	Foreign	R1.5 billion**

** Loan approved in 2007. Additional PEPs identified in respect of amended shareholder structure.*
*** Loan approved in 2018/2019 financial year. Additional PEPs identified in respect of amended shareholder structure.*

BOARD AND COMMITTEE RECORD OF ATTENDANCE

		ARC	BCIC	HRNC	SEC	IDKC	IVC
	DBSA Board	**Audit and Risk**	**Board Credit and Investment**	**Human Resources, Remuneration and Nomination**	**Social and Ethics**	**Infrastructure Delivery and Knowledge Management**	**Investment Valuations Committee[1, 2]**
Number of meetings							
Scheduled	4	4	10	4	4	4	2
AGM	1						
Strategy	1						
Rick focused		1					
Other/special	1						
Independent Non-executive Directors							
Enoch Godongwana[3] (Chairman)	7		9	3		4	
Mark Swilling[4] (Deputy Chairman)	7	1	9	3	1	4 (Chair)	1
Martie Janse van Rensburg	6	5 (Chair)	8			4	2 (Chair)
Zanele Monnakgotla	7	5	9		4 (Chair)		2
Gugu Mtetwa[5]	2	3	3	2			1
Blessing Mudavanhu	6	5	10	4			2
Bulelwa Ndamase	7	5	10		3		2
Lufuno Nematswerani	7			4	4	4	
Letlhogonolo Noge-Tungamirai	6			4	4	4	
Patience Nqeto	6	5		4 (Chair)	4		2
Anuradha Sing	6	5	7 (Chair)	4			2
Non-executive directors							
Malijeng Ngqaleni	3					4[6]	
Executive directors							
Patrick Dlamini (Chief Executive Officer)	5	4[6]	7	3[6]	3[6]	3	2[6]
Boitumelo Mosako (Chief Financial Officer)[6]	5	5[6]	5				2[6]

1 The Investment Valuations Committee meets twice a year to consider new investment valuations
2 BCIC and ARC members are Investment Valuations Committee members
3 Enoch Godongwana was appointed as a member of the Board from 1 April 2019 and Chairman of the Board from 27 September 2019
4 Mark Swilling was appointed as a Deputy Chairman from 27 September 2019
5 Resigned as a board member from 31 August 2019
6 By invitation

BOARD OF DIRECTORS

Mr Enoch Godongwana (63)
Director of the New Development Bank

Independent Non-executive Director effective 1 April 2019
Chairman of the DBSA Board as from 27 September 2019

Expertise:
Strategic leadership, economics, finance and labour relations

Academic qualifications:
- Master of Science: Financial Economics, University of London

Other directorships:
- New Development Bank: Non-executive Director
- Mondi Plc: Non-executive Director

Prof Mark Swilling (60)
Divisional Head: Sustainable Development, University of Stellenbosch

Independent Non-executive Director effective 1 August 2014
Deputy Chairman of the DBSA Board as from 27 September 2019

Expertise:
Research, policy analysis, sustainable development, energy transition, urban development and governance

Academic qualifications:
- PhD, Department of Sociology, University of Warwick, UK
- Bachelor of Arts Honours, Department of Political Studies, Wits University
- Bachelor of Arts, Wits University

Other directorships:
- Member of the International Resource Panel (IRP) and Convenor of the Cities Working Group of the IRP, convened by the United Nations Environment Programme, 2007 - 2020
- Fellow of the World Academy of Arts and Science
- Co-ordinator of the State Capacity Research Group
- Director, Friends of Sustainability Education (Non-Profit Company)
- Senior Advisor, SystemIQ Plc (London)
- Director, Teif IQ (Pty) Ltd (Stellenbosch and Addis Ababa)

Mr Patrick Dlamini (50)
Chief Executive Officer and Managing Director DBSA

DBSA staff member and CEO effective 1 September 2012

Expertise:
Strategic leadership, human capital development and finance

Academic qualifications:
- Master of Science in Global Finance (MSGF), HKUST-NYU Stern
- Advanced Executive Programme, Kellogg School of Management, USA
- EDP, University of the Witwatersrand's Business School
- Advanced Specialist Financial Management Programme, Business Studies Unit, Natal Technikon
- BCom, University of KwaZulu-Natal

Other directorships:
- BOPHYLD: Director
- Lanseria Group: Non-executive Director
- Morgan Cargo Group: Director
- Interloc Freight Services: Director
- Siba Advisory Services

Ms Boitumelo Mosako (42)
Chief Financial Officer
DBSA

DBSA staff member and Group Executive effective: 1 April 2018 and Executive Director as of 1 June 2018

Expertise:
Auditing, financial management and strategy

Academic qualifications:
- Advanced Management Programme, Harvard Business School
- Chartered Accountant (SA)
- Higher Diploma in Auditing, Accounting Professional Training Ltd
- Post Graduate Diploma in Accounting, University of Cape Town
- BCom Accounting, University of Cape Town

Other directorships:
None

Ms Martie Janse van Rensburg (63)
Director of companies

Independent Non-executive Director effective: 1 January 2019

Expertise:
Finance, treasury, project finance, infrastructure delivery and strategy

Academic qualifications:
- Executive Programme in Strategy and Organisation, Stanford University Business
- Chartered Accountant (SA)
- BCompt Hons, UNISA
- BCom, University of the Free State

Other directorships:
- Sephaku Holdings Limited: Non-executive Director and Chairman of the Audit and Risk Committee, member of Remuneration and Nominations Committees
- Etion Ltd – AltX listed: Non-executive Director and Chairman of Audit and Risk Committee, member of Remuneration, Nominations and Social and Ethics Committees
- Ivanhoe Mines Ltd – TSX listed: Non-executive Director
- Independent Regulatory Board for Auditors (IRBA): Non-executive Director, Chairman
- First Rand Bank: Non-executive member of the International and Specialised Finance Wholesale Credit Committee
- Ashburton Investments: Non-executive member of Investment Credit Committee

Ms Zanele Monnakgotla (49)
Managing Director of Freewi technologies

Independent Non-executive Director effective: 1 August 2017

Expertise:
Business management, project finance, development finance, legal, corporate finance and risk management

Academic qualifications:
- Masters in finance, Wits Business School
- Management Advanced Programme, Wits University
- LLM in Tax, Wits University
- LLB, Rhodes University
- BCom, Rhodes University

Other directorships:
- SASOL Khanyisa: Non-executive Chairman of Sasol Khanyisa Public Limited
- SASOL South Africa: Non-executive Director
- Member of Rhodes University Board of Governors
- Philafrica (Pty) Ltd: Non-executive Director
- Ecobank Transnational Incorporated: Non-executive Director

BOARD COMMITTEES

ARC	Audit and Risk Committee
BCIC	Board Credit and Investment Committee
HRNC	Human Resources, Remuneration and Nomination Committee
SEC	Social and Ethics Committee
IDKC	Infrastructure Delivery and Knowledge Management Committee
IVC	Investment Valuation Committee

BOARD OF DIRECTORS *(CONTINUED)*

Dr Blessing Mudavanhu (48)
Founder and President of Dura Capital Ltd

Independent Non-executive Director effective: 1 August 2017

Expertise:
Banking, director risk management, business management and development finance

Academic qualifications:
- Ph.D. Mathematics, University of Washington, USA
- M.S. Financial Engineering, University of California at Berkeley, USA
- M.S. Applied Mathematics, University of Washington, USA
- B.S. Honours Mathematics, University of Zimbabwe

Other directorships:
- Dura Capital: Executive Director
- CBZ Holdings Limited: Executive Director

Ms Bulelwa Ndamase (49)
Managing Director of Ndamase Incorporated

Independent Non-executive Director effective: 1 August 2017

Expertise:
Legal and risk compliance, corporate governance and business development

Academic qualifications:
- LLM, Georgetown University, USA
- LLB, University of Natal,
- BA, University of Cape Town

Other directorships:
- Petroleum and Gas Company of South Africa: Non-executive Director

Mr Lufuno Nematswerani (50)
Director of companies

Independent Non-executive Director effective: 1 August 2017

Expertise:
Human resource management, strategic management

Academic qualifications:
- MBA, MANCOSA
- Postgraduate Diploma (Management) MANCOSA
- Honours (Human Resources Development) Southern Business School

Other directorships:
- NLSA: Non-executive Director and Chairman of REMCO
- GFC Board member and Chairman of REMCO
- National Arts Council as Human Resources Specialist to the REMCO Committee

Ms Malijeng Ngqaleni (61)
Deputy Director General: Intergovernmental Relations, National Treasury

Non-executive Director effective: 1 January 2019 (Shareholder Representative)

Expertise:
Economics, policy, development finance and intergovernmental relations

Academic qualifications:
- MSc. Agricultural Economics: University of Saskatchewan, Canada
- BA Economics: National University of Lesotho

Other directorships:
None

Ms Letlhogonolo Noge-Tungamirai (38)
Strategic Advisor

Independent Non-executive Director effective: 1 August 2017

Expertise:
ICT, human capital solutions, business strategic management

Academic qualifications:
- MBA, Wits Business School
- Postgraduate Diploma in Management, Wits Business School Management
- Advancement Programme, Wits Business School
- Master Network Engineering Diploma, Torque-IT
- IT Programming Diploma, CTU Training Solutions
- Levels, International School of South Africa (ISSA)

Other directorships:
- Boxing South Africa (BSA): Non-executive Director
- Isimangaliso Wetland Park: Non-executive Director
- Community Schemes Ombud services: Non-executive Director
- Mangosuthu University of Technology: Non-executive Director
- The South African Nuclear Energy Corporation: Non-executive Director
- National Library of South Africa: Non-executive Director

BOARD COMMITTEES

ARC	Audit and Risk Committee
BCIC	Board Credit and Investment Committee
HRNC	Human Resources, Remuneration and Nomination Committee
SEC	Social and Ethics Committee
IDKC	Infrastructure Delivery and Knowledge Management Committee
IVC	Investment Valuation Committee

BOARD OF DIRECTORS *(CONTINUED)*

Ms Patience Nosipho Nqeto (62)
Director of companies

Independent Non-executive Director effective: 1 August 2017

Expertise:
Business management, strategic management, people management, financial management, policy management and administration

Academic qualifications:
- MBA, University of Charles Sturt, Australia
- Honours (Economics), University of South Africa
- BCom, University of Transkei

Other directorships:
- Bongo Strategic Compass (Pty) Ltd: Non-executive Director

Ms Anuradha Sing (48)
Executive: Strategic Business Operations MTN Group

Independent Non-executive Director as from: 1 August 2014.

Expertise:
Finance, business investment and strategy

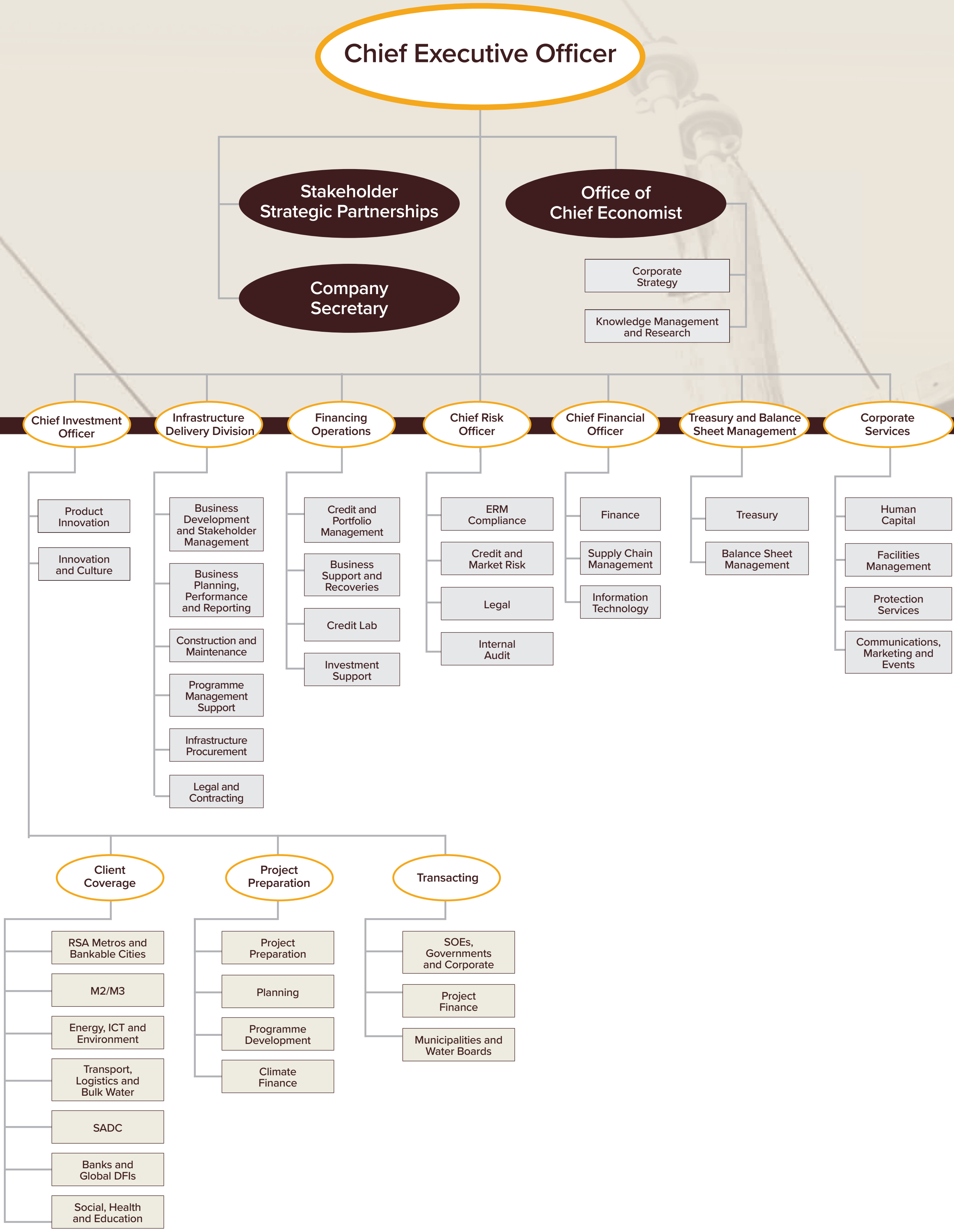
Academic qualifications:
- Being a Director part 1 & 2, Institute of Directors
- Advanced Management Programme, Insead
- MBA, Wits Business School
- BSc Eng. (Mechanical), University of Natal (Durban)

Other directorships:
None

BOARD COMMITTEES

ARC	Audit and Risk Committee
BCIC	Board Credit and Investment Committee
HRNC	Human Resources, Remuneration and Nomination Committee
SEC	Social and Ethics Committee
IDKC	Infrastructure Delivery and Knowledge Management Committee
IVC	Investment Valuation Committee

MANAGEMENT OVERVIEW



EXECUTIVE COMMITTEE

Mr Paul Currie (58)
Chief Investment Officer

DBSA staff member and Group Executive effective 17 May 2010

Academic qualifications:
- Advanced Management Programme, INSEAD
- MBA (with distinction), Institute of Financial Management,
- Manchester Business School and University of Wales
- Chartered Accountant (SA)
- Postgraduate Diploma in Accountancy, University of Port Elizabeth
- BCom (Accounting), University of Port Elizabeth.
- BSc (Physiology), University of Cape Town

Other directorships:
None

Mr Ernest Dietrich (57)
Group Executive: Treasury and Balance Sheet Management

DBSA staff member effective:
2 January 2001
Group Executive effective
1 January 2016

Academic qualifications:
- CFA Charter
- MBA, University of Cape Town
- MSc (Mathematics), University of Western Cape
- HDE, University of Western Cape

Other directorships:
None

Mr Michael Hillary (50)
Group Executive: Financing Operations

DBSA staff member and Group Executive effective 1 October 2012

Academic qualifications:
- MBA, University of Witwatersrand.
- BCom Hons, University of Witwatersrand
- CAIB (SA), Institute of Bankers

Other directorships:
- Chairman: Old Mutual Housing Impact Fund: (DBSA nominee)

Mr Mpho Kubelo (42)
Chief Risk Officer

DBSA staff member effective 1 November 2007 and Group Executive effective 6 October 2017

Academic qualifications:
- MS Risk Management, Stern Business School, New York University
- Executive Development Programme, GIBS
- MBA, University of Witwatersrand: Business School
- CFA Charter
- Post Graduate Diploma in Business Administration, University of KwaZulu-Natal
- BSc Electrical Engineering, University of Witwatersrand

Other directorships:
- Development Bank of Zambia (Non-executive, DBSA nominee)

Ms Zodwa Mbele (48)
Group Executive: Transacting

DBSA staff member from 10 October 2016
Group Executive from 1 October 2017

Academic qualifications:
- Advanced Management Programme, Harvard Business School
- Executive Development Programme, University of Stellenbosch Business School
- Management Advanced Programme, WITS Business School
- Certificate in International Treasury Management ACT (UK)
- Chartered Accountant (SA)
- Bachelor of Accounting Science Honours Unisa
- Baccalaureus Paedonomia, University of Zululand

Other directorships:
- Stanlib Infrastructure Fund: Credit Committee
- Vodacom Insurance and Life Assurance Companies
- Vergenoeg Mining (Pty) Ltd

Ms Sheila Motsepe (51)
Group Executive: Human Capital

DBSA staff member and Group Executive effective 1 February 2019

Academic qualifications:
- MBA, Gordon Institute of Business Science (GIBS), University of Pretoria
- Master of Science (Clinical Psychology), Sefako Makgatho Health Sciences University
- Bachelor of Science Honours (Psychology) (Cum Laude), Sefako Makgatho Health Sciences University
- Bachelor of Social Sciences (Social Work), North West University

Other directorships:
None

EXECUTIVE COMMITTEE *(CONTINUED)*

Mr Mohale Rakgate (46)
Group Executive:
Project Preparation

DBSA staff member effective
1 December 2007
Group Executive effective
1 October 2017

Academic qualifications:
- Master of Science in Global Finance, HKUST-NYU Stern
- Project and Infrastructure Finance Programme, London Business School
- Advanced Management Programme, Harvard Business School
- Post-Graduate Certificate in International Management, University of London
- Bachelor of Commerce (Accounting), University of Limpopo

Other directorships:
- Director: Proparco: (DBSA nominee)

Mr Chuene Ramphele (46)
Group Executive:
Infrastructure Delivery

DBSA staff member effective
1 June 2010
Group Executive effective
1 November 2018

Academic qualifications:
- MBL, UNISA Graduate School of Business Leadership
- Baccalaureus Technologiae: Public Management, UNISA
- Advanced Management Development Programme, University of Pretoria
- National Diploma: Public Management and Administration, Technikon Northern Transvaal

Other directorships:
- Supplier Development Facility (Pty) Ltd: Non-executive Director
- Ecocars Traders (Pty) Ltd: Non-executive Director

Mr Mohan Vivekanandan (47)
Group Executive:
Client Coverage

DBSA staff member and Group Executive effective 24 March 2014

Academic qualifications:
- Master of Science in Global Finance (MSGF), HKUST-NYU Stern
- MBA, Kellogg School of Management, USA
- Project and Infrastructure Finance Programme, London Business School
- Bachelor of Arts (Honours) in Economics and Mathematical Methods in the Social Sciences (MMSS), Northwestern University, USA

Other directorships:
- One and Only: (DBSA nominee)

COMPANY SECRETARY

Ms Bathobile Sowazi (48)
Company Secretary

DBSA Company Secretary
from 1 May 2010

Academic qualifications:
- LLB, Rhodes University
- BA Law, University of Swaziland
- Advanced Banking Law, University of Johannesburg
- Project and Infrastructure Finance Programme, London Business School
- Transition to General Management Programme, Insead

Other directorships:
None

DBSA IN ACTION:

GENDER MAINSTREAMING

Objectives

The DBSA's gender mainstreaming programme operates across four pillars:

- Promoting investments in women-owned projects
- Adapting strategies, policies and procedures to enable gender mainstreaming across the DBSA
- Providing capacity building and knowledge sharing
- Building partnerships with public and private partners who share our vision for gender equality

The DBSA's Role

- Building financial products to promote gendered financing solutions
- Embedding gender mainstreaming into the DBSA loan approval process
- Entrenching gender mainstreaming into DBSA operational culture
- Building partnerships to promote gender equity and catalyse gendered finance solutions
- Responsibility for implementing the programmatic gender mainstreaming activities lies across the business. Fluid and functional teams have been established to promote and lead activities with the overall aim of contributing to mainstreaming gender into the DBSA service offering and organisational culture

Development Impact

- Economic development
- Social development
- Equality

Stakeholders and Partners

- International DFIs such as AFD, KfW, JICA
- African Development Bank
- UN Women
- International Development Finance Club
- Women-focused investment companies
- Commercial banks
- Global Climate Fund
- Global Environmental Facility
- Henley Business School
- Gordon Institute of Business Science at the University of Pretoria
- Bertha Centre, University of Cape Town
- NGOs
- IDC and the Land Bank
- Government departments
- Networks of women-owned businesses in our mandated sectors

Gender mainstreaming has been embraced internationally as a strategy towards realising gender equality. It involves the integration of a gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and spending programmes, with a view to promoting equality between women and men, and combating discrimination.

Refer to pages 134 – 135 for further details.

OUR PERFORMANCE

Patrick K. Dlamini

Chief Executive Officer

The need for catalytic infrastructure investment that will accelerate long-term growth and address spatial disparities, transform the economy and create much needed jobs has never been so pressing.

The COVID-19 pandemic and the resultant recession of enormous proportions have brought the infrastructure deficits into sharp relief. Achieving the sustainable and inclusive growth we need to accept that addressing the triple challenges of poverty, unemployment and inequality in South Africa is more challenging than ever. However, as an organisation I believe we are well prepared.

CEO'S REVIEW

The stature and recognition of the Bank globally continues to grow. Added to the wealth of experience and the partnerships that have been forged over time, our active interrogation of our strategy and how we remain relevant as a DFI over the last few years have prepared us for the challenges ahead. Catalysation, the crowding-in of investment, is now embedded in the DBSA investment process and continues to be a driver of the DBSA's role in infrastructure development. We are well positioned to effect growth that is not just environmentally sustainable, but also economically empowering while promoting economic development, human resource development and institutional capacity building.

We are, to quote Theodore Roosevelt, "the man in the arena". The DBSA has played a pivotal role in delivering development infrastructure in South Africa and the rest of the African continent for more than three decades. We are the man "...who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause."

Our development agenda is centred in Southern Africa, and the wider continent's transformation. The infrastructure support for regional integration is vital to achieve efficient, seamless, integrated and cost-effective cross-boundary infrastructure networks and services that will enable economic development, market integration and industrial development. The DBSA supports the South African government's commitment to various binational and continental trade agreements with countries across the continent to support broader regional integration. This is in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa (PIDA) and AU Africa 2063. Our regional development and integration strategy is largely aimed at SADC, and it broadly includes countries outside of SADC for selected Regional Economic Communities as well as corridor development.

Looking back on the year under review, it is once again evident that we are reaping the fruits of our new operating model, which offers a holistic end-to-end solution across the infrastructure value chain. We delivered a pleasing growth in disbursement levels. This speaks to the heart of our business disbursements and the quality thereof give rise to interest income, which underpins the financial sustainability of the Bank thus enabling us to deliver measurable development outcomes. Disbursements also represent the extent to which we are making a difference on the ground, to the people of Africa. Our improved performance in this regard, after a few years of subdued performance, reflects a commendable achievement in that we surmounted the challenges we previously experienced with translating approval commitments to disbursements. A strong focus on this by our infrastructure financing team has paid off. In the preceding couple of years, the emerging economic difficulties and challenges in the region were impacting confidence of project sponsors but in the year under review our team was able to adapt and successfully bring projects to financial close. As a DFI, our primary focus is development. Projects reaching financial close mean a stimulation of economic activity which heralds job creation and improved services.

FINANCIAL PERFORMANCE

Our financial sustainability is the springboard from which we achieve our mandate and accelerate our development impact. In the year under review, the Bank performed well, weathering the difficult macroeconomic landscape of 2019 prior to the outbreak of the COVID-19 pandemic. The Bank achieved a net profit for the year of R504 million (2019: R3.1 billion). Income statement impact of the expected credit losses increased by R2.2 billion to R3.6 billion compared to R1.4 billion in the previous year. Operating costs remain under control, with cost-to-income ratio at 28% (2019: 23%). Net interest margin of 5.1% reflects a 0.4% decrease compared to the prior year's margin of 5.5%. The foreign exchange gains as a result of the ZAR depreciating against the USD, amounted to R1.2 billion (2019: R744 million).

The Bank's total assets increased by 12.3% to R100.5 billion (2019: R89.5 billion), while development loans increased by 14% on the back of high disbursements and the benefit from the depreciation of the Rand. Net cash generated from operations decreased by 5% to R3.6 billion compared to R3.8 billion in the prior year.

The COVID-19 crisis was exacerbated by the market's reaction to Moody's downgrade as well as a level of uncertainty emanating from the performance of other state-owned companies. The impact of the challenging macroeconomic climate and the sovereign rating downgrade on our access to capital during the year was significant. To ensure that we manage liquidity pressures as efficiently as possible, we have created a subcommittee to deal with managing loan disbursements and addressing various scenarios that may arise.

National Treasury remains committed to the DBSA. Various initiatives underway in partnership with key government departments such as National Treasury and COGTA reflect a high degree of confidence in the Bank. Two such initiatives, the Infrastructure Fund and the District Development Model are driven by the Investment and Infrastructure Office in the Presidency.

Plan and Prepare

Highlights of the year

R2.4 billion
in value of projects prepared and committed for funding

R1.4 billion
infrastructure unlocked exceeding R800 million target, which will translate to service delivery in electricity, water and sanitation

R11.2 billion
infrastructure development catalysed exceeding R7 billion target

USD100 million
Embedded Generation Investment Facility signed with the Global Climate Fund

R400 million
Project Preparation Fund signed with National Treasury

Pipeline provision for the government's Infrastructure Fund underway

Enhanced mobilisation of partnerships with memorandum of understanding embedded

Increased participation of black-owned businesses

SA Connect - Signed MOU with Department of Communication and Digital Technologies

A key focus is under-resourced municipalities, which rely on grants from the fiscus but do not have the resources to produce the requisite plans necessary to access the grants. The value of infrastructure projects unlocked in this sector during the year was R1.4 billion compared to R916 million in the previous year.

The Student Housing Infrastructure Programme (SHIP) is well underway. The Bank in partnership with the Department of Higher Education and Training (DHET) embarked on a programme to accelerate the rollout of 300 000 student beds at the 26 universities and 50 Technical Vocational Education and Training (TVET) colleges over a 10-year period. The programme is aimed at providing safe, accessible, affordable and decent student accommodation. Going forward we intend to mobilise private sector investment in the rollout of student housing programme.

During the year we strengthened our partnership with the Green Climate Fund (GCF) signing an agreement that will boost climate investments in Southern Africa, with USD4 billion Green Climate Facility signed in October 2019 and the establishment of a specialised Climate Finance Facility, which was the culmination of a year-long process. Both parties will make commitments of USD56 million. Together we will use financial tools such as credit enhancements to drive investment into projects that mitigate climate change. The programme which will initially target South Africa, Namibia, Lesotho, and Eswatini has a strong potential to be replicated in other developing countries to rapidly scale up private sector climate investments. We are thrilled to see South Africa's Climate Finance Facility move forward. The facility is the first of its kind to use the Green Bank model in a developing country and sets the stage for others to take advantage of this innovative and cost-effective method to drive investment into clean projects and take action against climate change.

During the year, the DBSA developed a pipeline of potential blended finance programmes and projects for the Infrastructure Fund, to the potential value of R700 billion. The programmes and projects were identified through an extensive process of engagement with the Presidential Infrastructure Coordination Commission, government departments and SOEs. The pipeline contains programmes and projects at different stages of development conceptual stage, project preparation stage and implementation stage. An initial R100 million was allocated by National Treasury for the preparation of four of the large programmes and projects in the pipeline, and this preparation work was underway by the end of the financial year.

Highlights of the year

Exceeded disbursement targets
in a very challenging and competitive economic environment

Secured new long-term assets,
improving the quality our loan book

Provided long-term funding
for good quality assets to highly rated Metros

Provided long-term funding
to large blue-chip state-owned entities

Making inroads
in the social sector with student housing and affordable private healthcare funding

Total approvals amounted to R31.5 billion (2019: R39.7 billion) and commitments amounted to R27.2 billion (2019: R17 billion). Disbursements for the year totalled R15.4 billion (2019: R9 billion), including R2 billion (2019: R3 billion) to metros, R0.5 billion (2019: R0.4 billion) to intermediate cities, R7.5 billion (2019: R3.7 billion) to the economic and social infrastructure sector in South Africa and R2.1 billion (2019: R1.3 billion) in SADC countries excluding South Africa. Disbursement to non-SADC countries amounted to R3.3 billion (2019: R0.4 billion). Funds catalysed for the year amounted to R13.6 billion (2019: R3.1 billion).

We will continue to strike a balance in different financial structures to grow our balance sheet while also enhancing transformation and our development agenda. Small- to medium-sized deals for example, often yield transformative change in smaller towns and deliver a bigger development impact. However, during the year we also added large long-term funding to our loan book, which materially improved the quality of the loan book and therefore the sustainability of the Bank.

The municipal sector makes up 33% of the total loan book of the DBSA and is therefore a critical market segment. While the focus of our lending activity remains on the funding of capital expenditure programmes, given the constrained economic environment and the municipal debt capacity, there is a need for the municipalities to diversify their revenue sources as well as prioritise the projects for funding. Municipalities tend to emphasise their funding on social transformation capital expenditure projects in line with national priorities such as service delivery backlogs and increasing access to services, whilst having a limited capacity to identify and structure economic projects. The DBSA's approach prioritises off-balance sheet or limited recourse programmes and projects by focusing on developing innovative project finance and other structuring solutions. We aim to capacitate the municipalities through the creation of Project/Programme Management Units (PMUs), providing revenue enhancement and capacity support, infrastructure maintenance and project implementation support.

The support for under-resourced municipalities focuses on various initiatives both financial and non-financial. In addition to establishing project management units in targeted municipalities, we also provide much-needed capacity building support. We established five PMUs, within municipalities in Limpopo, Eastern Cape, Northern Cape, Western Cape and Mpumalanga. Our intention is to partner with the private sector to resource the PMUs in provincial Cooperative Governance and Traditional Affairs (COGTA) departments and to support lending and non-lending products and services in municipalities. Leveraging the synergies derived from collaboration will enhance the resources and delivery capacity underpinning the success of the programmes/projects.

We also support secondary municipalities through credit enhancement and crowding-in the private sector to increase project scale and accelerate infrastructure development. We provide the risk capital required to attract private sector investment.

We are assisting COGTA with the District Development Model through establishing and resourcing the ProgrammeCoordinating Office (PCO). This includes augmenting accountability by developing an information management system for monitoring and reporting on the rollout of the model. We are investing R67 million for the assessment of 42 district municipalities and seven metros. The project includes the establishment of a Programme Implementation Unit as well as the setting up of District Hubs in three pilot sites. The District Development Model's programmatic approach is well suited to facilitating local government support to ensure accelerated infrastructure development through adequately resourced PIUs. The overall objective is the creation of a single spatially integrated government plan that guides strategic investment spending, project delivery across government, and forms the basis for accountability.

During the year under review, the Bank provided a R3.5 billion short-term government guaranteed loan to South African Airways (SAA) to provide stability for the business rescue process following a request by the business rescue practitioners, the Department of Public Enterprises and National Treasury to provide bridging finance. This funding has enabled the preservation of value in the national carrier as evidenced by the overwhelming support that the business rescue plan received.

Build and Maintain

Highlights of the year

186
projects reached practical completion

6
projects achieved practical completion

83%
of expenditure paid to B-BBEE companies procured of which 50% have women ownership of >30%

34%
of expenditure towards local SMMEs and subcontractors – 1 219 people employed, including 95 women owned SMMEs

R5.36 billion
funds under management (R24.9 billion since 2014)

R4.1 billion
value of infrastructure delivered (R19.3 billion since 2014)

R18.3 billion
funds catalysed (R31.1 billion since 2017)

R207 million
cost recovery revenue (R1.13 billion since 2014)

R17.8 million
retained earnings (R47.5 million total since 2014)

During FY2020, the value of total infrastructure delivered of R4.1 billion was slightly above the target of R4 billion, and a marginal increase from R3.8 billion in the previous year. The value of funds under management of R5.4 billion surpassed targets of R4.2 billion and the value of funds catalysed by IDD was R18.3 billion, up from R4 billion in the previous year. 83% of the procurement spend for third-party funds was on black-owned suppliers. The cost-to-income ratio was 89% which outperformed the benchmark of 95%.

Our infrastructure delivery team worked hard at bolstering their financial management and delivering and unlocking projects, assisting the government in addressing the challenges of service delivery. This was achieved in a difficult environment across the political lines in local government and in collaboration with the various departments and municipalities. Working in the local government space requires navigating a multitude of risks, such as corruption, governance challenges and occupational health and safety issues. We implement the highest levels of risk control, internal controls and measures to ensure we minimise those risks to a reasonable extent. As a policy instrument of the state it is vital that we contribute to this sector. In terms of accelerating development impact, we take great pride in our success in enabling and facilitating service delivery and the tangible difference we make to communities, especially in rural and semi-rural areas.

ENHANCING OUR ORGANISATIONAL COMPETENCIES

The Bank was very active in human capital development during the year under review. For me, a personal highlight of the year was witnessing the enthusiasm and the numbers of our DBSA employees who embrace opportunities to enhance their skillsets and their competencies. This was evident across the board at every level, from executives down through the organisation. Our team truly applied and pushed themselves to the limit. Human capital development is vital to make the DBSA a higher learning institution that is able to bring about innovation and better solutions to our market. This is the type of human capital we need to accelerate development and achieve our mandate. We are committed to continuing this learning trajectory making sure that we drive our values of high performance. This culture must be underpinned or supported by ongoing investment in the development of our people.

THE IMPACT OF THE COVID-19 PANDEMIC

The Bank, like the wider society has been adversely impacted by the COVID-19 pandemic, with increased cost of capital, loss/reduction of several lines of liquidity and an increase in non-performing loans and ECL. Our team is actively engaging key clients to understand their funding requirements and align it with DBSA funding availability.

The DBSA, with COGTA and Municipal Infrastructure Support Agent (MISA), has been involved in the implementation of short-term interventions to counter the impact of COVID-19 on vulnerable communities in identified hot spot areas with the provision of potable water (solar powered boreholes), water tankers, restoration of existing boreholes and repairs of pump stations. The DBSA approved R41 million for the implementation of these interventions.

OUTLOOK

Adverse domestic economic conditions prior to the pandemic, were limiting infrastructure projects and hampering the DBSA's growth projection. Slowing of growth in the DBSA's asset book requires that we increase our focus on maintaining the financial sustainability of the Bank. To address this, our strategy extends the Bank's role to conceptualise infrastructure projects through a programmatic approach that is needed to solve pressing socio-economic challenges at scale and drive the implementation of government's policy priorities.

However bleak the external environment seems in the midst of the pandemic, I believe there also lies opportunity to do things differently. Every organisation across the globe has felt the impact of COVID-19. The challenge is to play a countercyclical role as a DFI in providing funding to stimulate economic recovery. For the Bank, there is no room to observe and be spectators before funding infrastructure. The nature of infrastructure is that it needs to be in place way ahead of sufficient demand. Thus, initiatives like the Infrastructure Fund and District Development Model provide greater opportunity to support government in spearheading the post COVID-19 recovery plan, at an accelerated trajectory. The signing of the Infrastructure Fund's MoA on 17 August 2020, is an inflection point for infrastructure development in South Africa. The overarching aim of the fund is to fundamentally transform the state's approach to the financing of infrastructure projects, reduce the current fragmentation of infrastructure spend, and thereby ensure more efficient and effective use of resources and improve the speed and quality of delivery. This is where the real work begins for the Bank. We will pull out all stops to make sure the fund achieves what we have set out to do, while embodying transparency, responsibility, cost effectiveness and accountability.

The other challenge for the Bank is to meet the clients' financing requests/proposals which were agreed to during the pre-COVID-19 phase, with the same conditions whilst capital markets have dislocated resulting in higher funding costs. This requires intense negotiations delicately balanced with stakeholder management.

GRATITUDE

I would like to thank our Board for their valuable guidance during the year, our executives and all our staff for their dedication to the Bank and to achieving our vision, especially in the face of the prevailing uncertainty and unease that we are all experiencing as a result of the COVID-19 pandemic.

Patrick K. Dlamini
Chief Executive Officer and Managing Director

Financial capital

Our financial capital is our equity, debt and funding from investors and clients.

The DBSA derives financial capital from multiple sources including local and international financial markets in addition to internally generated profits. The profits which we generate from our operations are reinvested in the business, which supports the financial sustainability of the Bank. When we source funding, we aim to negotiate favourable rates to the benefit of our clients.

Financial capital inputs

R37.6 billion
capital and reserves

R3.6 billion
cash generated from operations

R0.5 billion
net profit

R61.9 billion
financial market liabilities

Value created for stakeholders

R504 million
profit for the year

R751 million
employee remuneration and benefits

R531 million
suppliers' expenses

R76 million
social responsibility project expenses

Refer to page 8 of the Sustainability Review for a Value-added statement, reflecting how the DBSA's financial capital was earned and distributed in the past two years.

The Bank uses its strategic position between the private and public sectors to establish public private partnerships and to leverage the Bank's balance sheet to increase financial capital for multiple stakeholders. As a State-owned company we have access to high risk capital available to support investments in models that are new or where the benefits are not yet clearly defined. We aim to crowd-in more risk averse private capital, expand loan syndication and develop innovative, structured solutions to remove the obstacles to critical infrastructure development. We are therefore well positioned to take the lead in accelerating development and inclusive growth in South Africa and the rest of the continent through directing investments towards projects that enable the best course towards shared prosperity.

The Bank also manages third-party funds, which are mobilised for project preparation and concessionary capital and enable access to funding and technical assistance for our clients.

Key factors impacting the Bank's financial capital

The Bank's access to financial capital is impacted by South Africa's credit profile, the macroeconomic climate including interest rates and foreign exchange movements.

Associated key risks
Changing operating environment
Country and political risk
Credit risk
Funding and liquidity risk
Sustainability risk

Our strategic response
Diversify our funding sources both locally and internationally
Building organisational sustainability by converting transactions to drive disbursements

Governance oversight

Oversight of financial capital management is delegated to:

BOARD LEVEL OVERSIGHT

Audit and Risk Committee

The Audit and Risk Committee oversees and advises the Board on income, expenditure and capital budget requirements, treasury arrangements and fund mobilisation strategies, transfer pricing policies, development loan impairments, management of assets and liabilities and the DBSA's overall financial health and sustainability. The committee oversees the internal control framework and reviews and evaluates the integrity of financial reporting, risk management processes and the internal and external audit functions.

Board Credit and Investment Committee

The Board Credit and Investment Committee is responsible for the approval of all transactions that would result in the DBSA's aggregate exposure that is above the approval limits of the Investment Committee.

EXECUTIVE MANAGEMENT OVERSIGHT

Investment Committee

The executive management level Investment Committee is responsible for approving transactions that would result in the aggregate exposure to a single obligor being below the approval limits delegated by the Board Credit and Investment Committee. Portfolio risks are monitored through the Investment Committee. Based on loans and equities portfolio reports received from management, the monitoring of the loan and equities portfolio is considered adequate.

Asset and Liability Management Committee

The Asset and Liability Management Committee is a committee established to assist the Chief Executive Officer (CEO) in ensuring the prudent and effective management of the Bank's treasury, balance sheet activities and other associated activities. The Bank's treasury and balance sheet activities include funding, liquidity management, settlements, interest rate risk management, foreign currency risk management, funds transfer pricing and capital management.

FIVE-YEAR KEY FINANCIAL INDICATORS

		2020	2019	2018	2017	2016
Financial position						
Cash and cash equivalents	R million	3 459	2 923	3 742	2 299	2 085
Financial market assets[1]	R million	2 599	2 594	2 661	1 915	2 429
Investment in development activities[2]	R million	93 545	83 044	81 873	78 768	77 064
Other assets	R million	862	927	936	671	768
Total assets	**R million**	**100 465**	**89 488**	**89 212**	**83 653**	**82 346**
Financial market liabilities[3]	R million	61 918	51 283	53 573	50 613	51 791
Other liabilities	R million	969	1 033	1 318	1 009	1 290
Total liabilities	**R million**	**62 887**	**52 316**	**54 891**	**51 622**	**53 081**
Total equity	**R million**	**37 578**	**37 172**	**34 321**	**32 031**	**29 265**
Financial performance						
Interest on development loans	R million	7 628	7 799	7 192	6 911	6 052
Interest on investments	R million	658	611	559	462	489
Total interest received	**R million**	**8 286**	**8 410**	**7 751**	**7 373**	**6 541**
Interest expense	R million	3 863	3 915	3 905	3 704	3 355
Net interest income	**R million**	**4 423**	**4 495**	**3 845**	**3 669**	**3 186**
Operating income[4]	R million	4 882	4 828	4 278	4 722	3 596
Operating expense[5]	R million	1 270	1 063	906	837	975
Sustainable earnings/(loss)[6]	**R million**	**(587)**	**2 324**	**2 767**	**3 564**	**1 385**
Profit/(loss) for the year	**R million**	**504**	**3 097**	**2 283**	**2 821**	**2 577**
Financial ratios						
Total capital and reserves to development loans	%	43.6	49.0	45.7	44.8	42.1
Long term debt/equity (excluding callable capital)	%	164.9	138.1	156.2	158.1	177.8
Debt/equity (including callable capital)[7]	%	107.6	89.8	98.7	97.4	152.7
Cash and cash equivalents to total assets	%	3.4	3.3	4.2	2.7	2.5
Total capital and reserves to assets	%	37.4	41.5	38.5	38.3	35.5
Financial market liabilities to investment in development activities	%	66.2	61.8	65.4	64.3	67.2
Non-performing book debt as a % of gross book debt	%	7.2	4.9	4.5	3.3	3.7
Return on average total equity	%	1.3	8.7	6.9	9.2	9.7
Return on average total assets	%	0.5	3.5	2.6	3.4	3.4
ROE based on sustainable earnings	%	-1.6	6.5	8.3	11.6	5.2
Interest cover	Times	2.1	2.1	2.0	2.0	1.9
Net interest income margin[8]	%	5.1	5.5	4.9	4.9	4.6
Cost-to-income ratio	%	28.4	22.9	21.7	18.8	28.7

1. *Financial market assets include investment securities and derivative assets held for risk management purposes*
2. *Development activities include development loans, development bonds and equity investments*
3. *Financial market liabilities comprise medium- to long-term funding debt securities, medium- to long-term funding lines of credit, funding under repurchase agreements and derivative liabilities held for risk management*
4. *Operating income excludes net foreign exchange gain/(loss), net gain/(loss) from financial assets and liabilities and impairments*
5. *Operating expense comprises personnel expenses, general and administration expenses and depreciation*
6. *Sustainable earnings/(loss): net profit/(loss) before adjustments to foreign exchange movements and revaluations of financial assets and liabilities, but includes revaluations on equity investments*
7. *Measure includes R20 billion (2019: R20 billion) callable capital*
8. *This ratio is calculated as net interest income (interest income less interest expense) as a percentage of average interest-bearing assets*

CHIEF FINANCIAL OFFICER'S REPORT

The Bank presents its 2019/20 financial results under extraordinary circumstances. The Bank's financial results were negatively impacted by the domestic and international macro-economic environment. The effects of COVID-19, which started as a global health pandemic, has caused unprecedented havoc in the global economy, and South Africa and the Bank have not been spared from this economic disruption. The downgrade of the country's sovereign credit rating to sub-investment grade by Moody's in March 2020 further deepened the economic turmoil brought on by the pandemic.

Through these adversities the Bank has remained resilient, with a strong and stable financial position growing its total assets by 12.3% to R100.5 billion (2019: R89.5 billion), reporting a profit and exceeding its disbursement target, reaching a total of R15.4 billion (2019: R9 billion) in the year under review. This notable performance in disbursement demonstrates the Bank's dedication to accelerating its development impact through the execution of its strategy regardless of the challenges that arise in this pursuit. The same dedication was witnessed in the infrastructure unlocked for under-resourced municipalities, where the Bank has exceeded its target of R800 million by unlocking infrastructure of R1.4 billion. Furthermore, the Bank has increased the value of infrastructure delivered to R4.1 billion (2019: R3.5 billion) against a target of R4 billion.

Although the Bank has delivered on its commitment to accelerate development impact, the challenging circumstances facing its clients have undoubtedly affected its balance sheet with its non-performing loans ratio increasing to 7.2%. The impact of COVID-19 was particularly hard felt since it came at the end of the financial year and subsequently impacted expected credit losses due to the application of IFRS 9. Nevertheless, the Bank weathered the storm as it ended the year with a strong balance sheet and remains adequately capitalised.

Financial performance

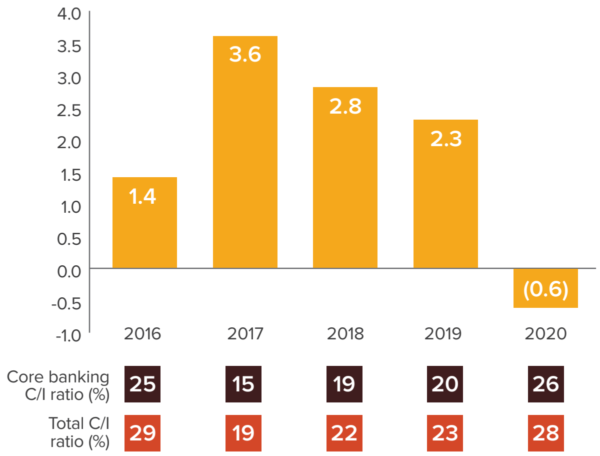
Profitability

The DBSA's net profit decreased by 84% to R504 million (2019: R3.1 billion) mainly due to expected credit losses of R3.6 billion (2019: R1.4 billion) and unfavourable equity investments fair value adjustment of R371 million (2019: R41 million gain). An increase in non-performing loans, as well as deterioration of the credit ratings of several clients led to a high expected credit loss charge in the year under review. The Bank's operating income increased by 1% to R4.9 billion (2019: R4.8 billion). Sustainable earnings (net profit adjusted for foreign exchange movements and revaluation of financial instruments) amounted to a loss of R0.6 billion (2019: R2.3 billion).

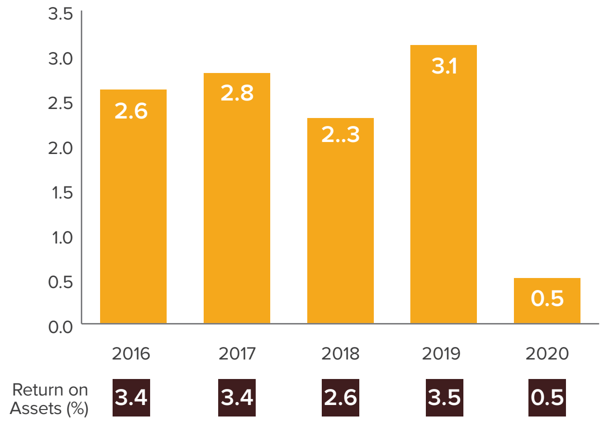
Statement of financial performance for the year ended 31 March 2020

in thousands of rand	2020	% change	2019
Interest income calculated using the effective interest rate	8 019 931		8 157 805
Other interest income	266 386		252 034
Total interest income	**8 286 317**	**-1**	**8 409 839**
Interest expense calculated using the effective interest rate	(3 392 585)		(3 344 288)
Other interest expense	(470 229)		(571 101)
Total interest expense	**(3 862 814)**	**-1**	**(3 915 389)**
Net interest income	**4 423 503**	**-2**	**4 494 450**
Net fee income	255 513	32	193 380
Other operating income	202 617	45	139 773
Non-interest revenue	**458 130**	**38**	**333 153**
Operating income	**4 881 633**	**1**	**4 827 603**
Depreciation and amortisation	(29 321)	50	(19 579)
Development expenditure	(47 192)	130	(20 505)
Expected credit loss on financial assets	(3 632 679)	152	(1 441 056)
Grants	(28 654)	56	(18 318)
Personnel expenses	(751 070)	0	(751 300)
Project preparation	(41 539)	2856	(1 405)
Revaluation of Development Loans – unrealised	(77 482)	100	-
Revaluation of equity investments – unrealised	(371 312)	-996	41 457
Other expenses	(489 738)	67	(292 403)
Sustainable profit	**(587 354)**	**-125**	**2 324 494**
Net foreign exchange gains	1 171 519	58	743 713
Net revaluation of financial instruments	(80 233)	-382	28 488
Profit from operations	**503 932**	**-84**	**3 096 695**

Sustainable Earnings (R billion)



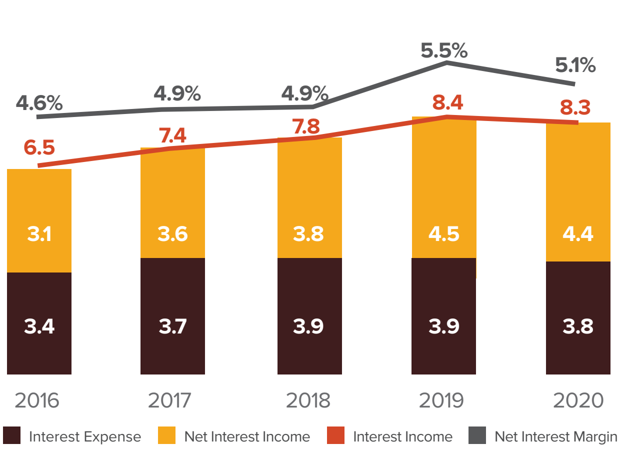
Net Profit (R billion)



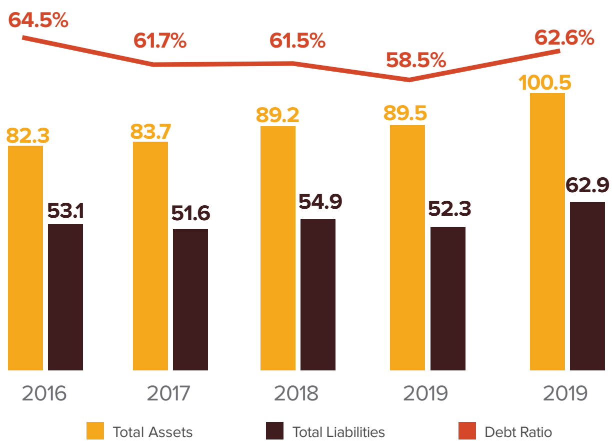
Net interest margin management

The net interest margin has decreased year-on-year by 0.4% to 5.1%, mainly due to the increase of the DBSA's debt ratio from 58.5% in 2019 to 62.6% in 2020. Net interest income for the year totalled R4.4 billion (2019: R4.5 billion).

Net interest margin on interest bearing assets (R billions) (%)



Debt ratio (R billions)



Cost optimisation and efficiency

The Bank contained its cost-to-income ratio to a favourable 28% (2019: 23%) within its budget of 36%. The increase to the cost-to-income ratio is mainly due to R150 million provision for COVID-19 interventions. Overall, the Bank's operating expenses increased to R1.3 billion (2019: R1.1 billion), remaining within its budgeted amount.

Expected credit losses charge

Expected credit loss increased to R3.6 billion (2019: R1.4 billion). The increase is primarily due to increases in stage 3 impairment provision of R1.6 billion as a result of some clients moving to non-performing loan status and is also attributed to exposures moving from stage 1 to stage 2. The Bank has adjusted the expected credit loss for the COVID-19 impact in the year ended March 2020.

Currency risk management

The foreign exchange rates experienced high volatility during the year under review. The Bank benefitted from the depreciation of the Rand during the year from R14.48/USD on 31 March 2019 to R17.84/USD on 31 March 2020 given its foreign exchange net asset open position. This increased the Bank's net profits by R1.2 billion (2019: gains of R744 million). The Bank's derivative portfolio ensures that it minimises the downside of foreign exchange movements while benefitting on the upside.

Balance Sheet Strengthening

Statement of financial position as at 31 March 2020

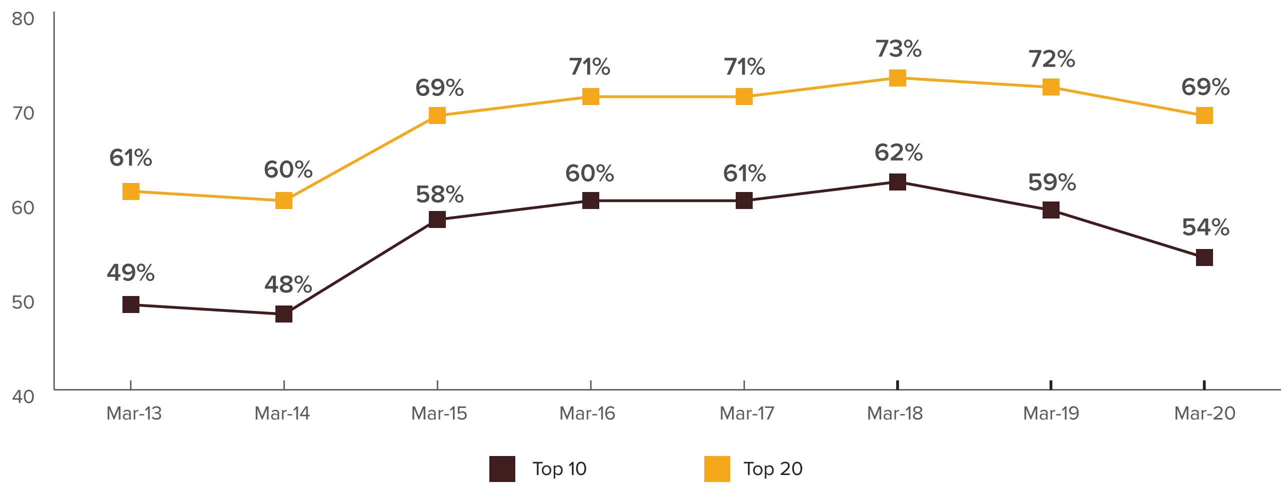
in thousands of rand	2020	% change	2019
Assets			
Cash and cash equivalents at amortised cost	3 458 836	18	2 922 876
Trade receivables and other assets	328 069	-10	365 579
Investment securities	1 787 361	-5	1 880 502
Derivative assets held for risk management purposes	812 053	14	713 304
Other financial assets	36 152	-17	43 732
Development loans held at fair value through profit or loss	22 413	100	-
Equity investments held at fair value through profit or loss	5 993 951	1	5 937 578
Development bonds at amortised cost	1 288 278	0	1 290 179
Development loans at amortised cost	86 240 264	14	75 816 506
Property, equipment and right of use of assets	417 518	-4	435 020
Intangible assets	80 220	-4	83 133
Total Assets	**100 465 115**	**12**	**89 488 409**
Equity and Liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	696 324	3	678 991
Repurchase agreements at amortised cost	587 338	100	-
Derivative liabilities held for risk management purposes	784 835	164	297 798
Liability for funeral and post-retirement medical benefits	42 885	-4	44 484
Debt funding designated at fair value through profit or loss	1 505 805	-77	6 469 451
Debt funding held at amortised cost	59 040 495	33	44 516 190
Provisions and lease liabilities	229 856	-26	309 010
Total liabilities	**62 887 538**	**20**	**52 315 924**
Equity			
Share capital	200 000	0	200 000
Retained earnings	23 005 253	1	22 717 877
Permanent government funding	11 692 344	0	11 692 344
Reserve for general loan risk	2 488 231	10	2 268 456
Other reserves	191 749	100	293 808
Total equity	**37 577 577**	**1**	**37 172 485**
Total liabilities and equity	**100 465 115**	**12**	**89 488 409**

Development loans

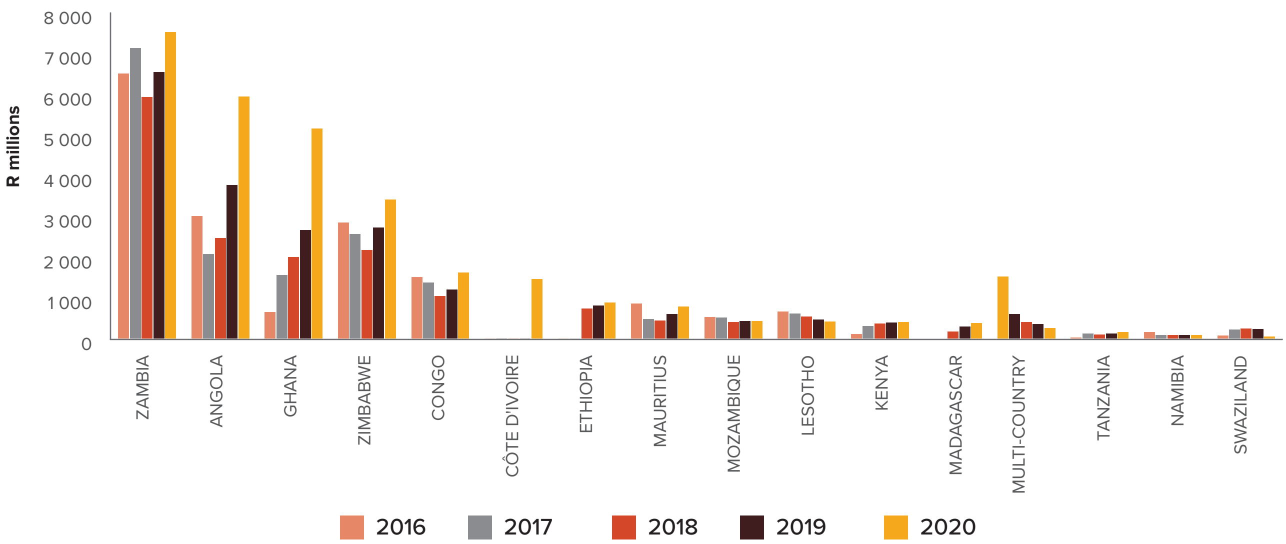
The Bank's total assets increased by 12.3% to R100.5 billion (2019: R89.5 billion) mainly due to an increase in development loans by 14%. The increase in development loans came on the back of high disbursements of R15.4 billion, exceeding its target by R1.9 billion and being well above the capital loan repayments of R6.2 billion.

As detailed in the following graph, the top 10 and top 20 exposures comprised 54% (2019: 59%) and 69% (2019: 72%) of the total loan book respectively.

Top 10 and Top 20 Clients as % of Total Book

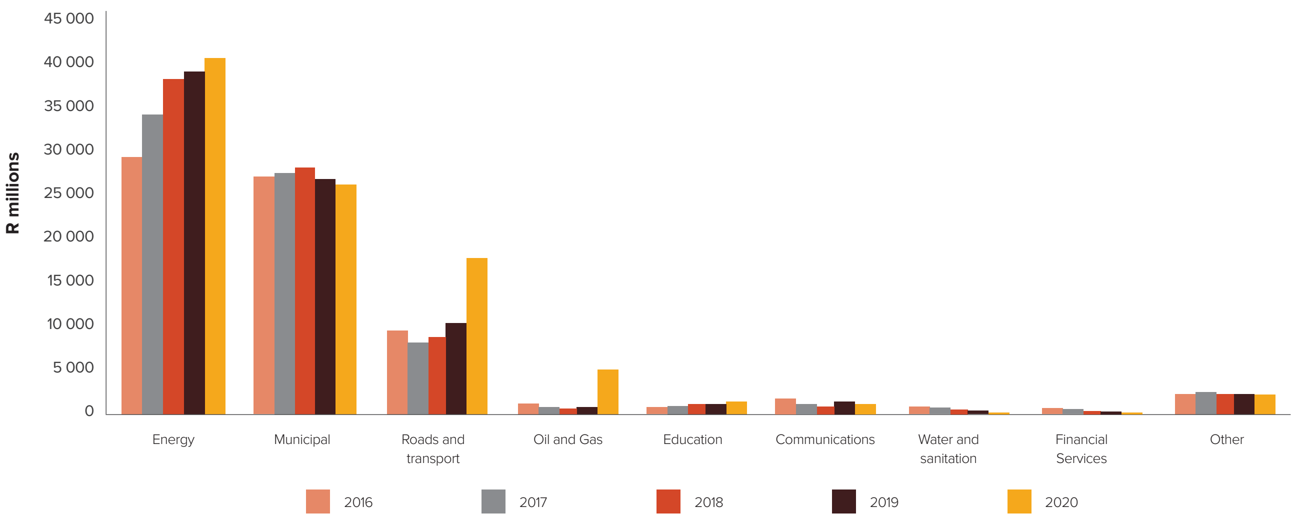


Country Exposures (excluding South Africa)



The Bank's total exposure outside South Africa increased to R28.9 billion (2019: R20.6 billion). The top three countries (Zambia, Ghana and Angola) constitute 57% (2019: 63%) of the rest of Africa exposure. Most of the other country exposures remained fairly constant over the year.

Exposure by Sector



The DBSA's exposure to the energy sector (excluding municipalities) increased to R41 billion (2019: R39 billion), representing 43% (2019: 48%) of the total portfolio. In the year under review, the direct loan exposure to municipalities, excluding bonds remained fairly constant at R26 billion (2019: R26 billion). Exposure to the roads and transport sector increased to R18 billion (2019: R9.9 billion).

Quality of the loan book

The development loan book continued to show its strength and quality as 61.1% of the book is in stage 1 and 31.6% is in stage 2. The recoverability of the loan book is assessed regularly, in line with the credit review process. The higher estimated expected credit loss charge for the year is on the back of deteriorating macroeconomic conditions, the COVID-19 pandemic and the increase in the stage 3 loans experienced during the year. Based on the detailed assessment conducted, the development loans in stage 3 increased to R6.9 billion (2019: R4.0 billion), 7.2% (2019: 4.8%) of the gross development loan book. The total balance sheet expected credit losses provision increased by 64.4% to R10.2 billion (2019: R6.2 billion) in line with the aforementioned challenges under the expected credit losses charge.

Provisions against stage 3 loans increased to R4.4 billion (2019: R2.7 billion) and the stage 3 loans coverage ratio decreased to 62.8% (2019: 67.5%). The stage 3 coverage ratio is a measure of the amount of stage 3 impairment provision held against the stage 3 loans. Management expects to recover the unimpaired portion through the realisation of securities and other recovery methods.

Provisions against stages 1 and 2 increased to R5.8 billion (6.5% of the stage 1 and 2 book) from R3.5 billion (4.4% of the stage 1 and 2 book) in 2019.

Equity investments

The DBSA's equity investments marginally increased by 1% (2019: 7%) to R6 billion (2019: R5.9 billion). The Bank continues to monitor the equity investments portfolio closely to ensure that losses emanating from the decline in the value of the investments are recognised as soon as they are detected.

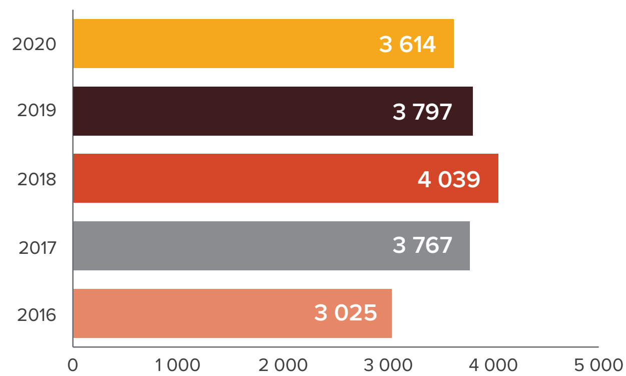
Funding

The Bank's funding liabilities increased by 20% to R61 billion (2019: R51 billion) owing to high disbursements and the depreciation of the Rand. Total equity grew by 1%. Accordingly, the Bank's debt to equity ratio (including callable capital) increased to 108% (2019: 90%).

Statement of cash flows for the year ended 31 March 2020

in thousands of rand	2020	% change	2019
Net loss adjusted for non-cash items and items separately disclosed	(1 020 270)		(745 769)
Interest received	8 125 500		8 178 603
Interest paid	(3 524 482)		(3 728 298)
Dividends received	33 010		92 241
Net cash generated from operating activities	**3 613 758**	**-5**	**3 796 777**
Development loan disbursements	(15 641 352)		(8 807 786)
Development loan principal repayments	6 254 667		9 967 309
Equity investments disbursements	(80 104)		(168 966)
Equity investments repayments	500 718		303 822
Grants, development and project preparation expenditure paid	(70 193)		(19 723)
Net advances from/(to) National Mandates	19 652		(58 004)
Net cash (utilised in)/generated from development activities	**(9 016 612)**	**-841**	**1 216 652**
Purchase of property and equipment	(11 545)		(26 667)
Disposal of property and equipment	649		528
Purchase of intangible assets	(8 629)		(1 176)
Disposal/(purchase) of financial market instruments	52 162		(317 923)
Net cash generated from/(utilised in) investing activities	**32 637**	**-109**	**(345 238)**
Gross financial market liabilities repaid	(19 520 116)		(18 618 727)
Gross financial market liabilities raised	25 358 796		13 102 081
Net cash generated from/(utilised in) financing activities	**5 838 680**	**-206**	**(5 516 646)**
Net increase/(decrease) in cash and cash equivalents	**468 463**		**(848 455)**
Effect of exchange rate movement on cash balances	67 497		29 478
Movement in cash and cash equivalents	**535 960**		**(818 977)**
Cash and cash equivalents at the beginning of the year	2 922 876		3 741 853
Cash and cash equivalents at the end of the year	**3 458 836**	**18**	**2 922 876**

Cash Generated by Operating Activities (R billion)



Net cash generated from operations has generally increased over the past 5 years.

Compliance

The Bank has policies and procedures in place to ensure compliance with IFRS and all relevant legislation, including the PFMA, National Treasury Regulations published in terms thereof, and the relevant sections of the Companies Act.

Outlook

The year ahead will be particularly challenging due to the uncharted territory the COVID-19 pandemic has led the Bank to, particularly in terms of liquidity and performance. Although the Bank expects subdued financial performance, it is poised to remain financially sustainable.

This crisis, along with its myriad of challenges has brought significant opportunities to the fore, particularly in the South African context. People are waking up to the fact that not all South Africans have access to basic necessities including water, electricity, health services and quality education and have limited means to change their prospects due to unacceptably high levels of poverty and unemployment. These facts are known to us all, but the crisis has shed light on the day to day realities faced by so many in our society. We cannot afford to sweep these challenges under the rug any longer. The crisis is changing the way we work and creating an opportunity to address inequality and accelerate infrastructure development within the country at a rate never seen before.

By focusing on remaining sustainable and on delivering strategic initiatives such as the District Development Model, the Infrastructure Fund and offering support to under-resourced municipalities, the Bank will play its part in changing the status quo within the country. The Bank has a strong pipeline in the infrastructure delivery value chain and remains confident that it will be able to further accelerate its development impact in the year ahead.

Appreciation

I would like to express my gratitude to all our stakeholders who remain committed, as we are, to accelerating our collective development impact.

Boitumelo Mosako
Chief Financial Officer

TREASURY AND BALANCE SHEET MANAGEMENT OVERVIEW

Funding

Total new debt raised during the year ending 31 March 2020 amounted to R25.3 billion equivalent. With debt redeemed amounting to R19.5 billion, this resulted in net new borrowings for the year of R5.8 billion.

JSE listed bonds amounting to R12.0 billion were redeemed and a total of R7.4 billion new bonds were issued during the year, bringing the outstanding amount under the Bank's DMTN programme to R25.4 billion as at 31 March 2020.

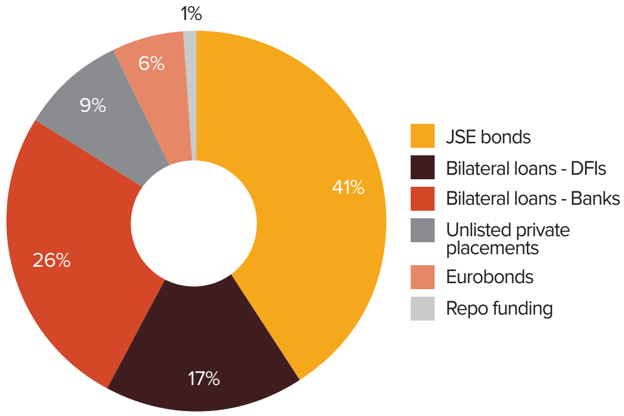
New bilateral loans with commercial banks and development finance institutions (DFIs) totalling R12.3 billion were raised and R5.0 billion was repaid during the year, resulting in net new bilateral loans of R7.3 billion for the year.

Private placements with domestic fund managers totalling R5.1 billion were issued and R2.5 billion were repaid during the year, resulting in net new private placements of R2.6 billion for the year.

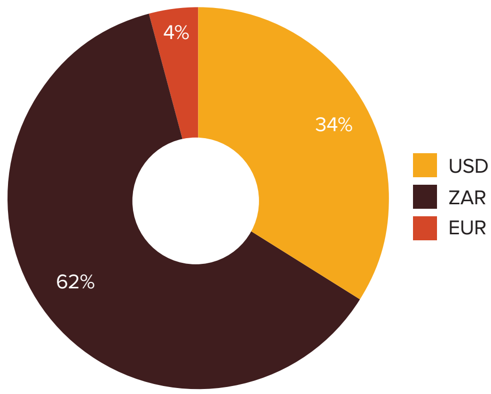
In addition, bond repo funding of R587 million was raised during the year. The following charts depict the Bank's outstanding debt by source and by currency respectively, as at 31 March 2020.

With domestic market liquidity rapidly evaporating in the face of the global COVID-19 pandemic, the Bank was forced to cancel a planned bond auction scheduled for March 2020. Following on this extensive dislocation of the domestic debt markets, the Treasury embarked on a concerted drive to buffer the Bank's liquidity through a series of bilateral loans with commercial banks and DFIs. A prolonged market contraction is therefore likely to see a significant increase in the Bank's funding through bilateral instruments, relative to market issuance.

Outstanding Debt by Source as at 31 March 2020



Outstanding Debt by Currency as at 31 March 2020



Liquidity

Liquidity levels and ratios were maintained within the Bank's Board approved policy parameters, with liquid assets held primarily in the form of call deposits, money market investments, and government and municipal bonds. Total liquidity excluding undrawn committed facilities as at 31 March 2020 amounted to R4.7 billion.

The Bank complements its liquid asset holdings with committed facilities from commercial banks, this in addition to sector specific lines of credit from international DFIs. As at financial year end, undrawn committed facilities from commercial banks amounted to R1.1 billion, with those from DFI lines totalling R5.0 billion equivalent.

Capital adequacy

The Bank's capital adequacy is prescribed by the DBSA Regulations made by the Minister of Finance under Section 17 of the DBSA Act, through the maximum allowed gearing limit. In terms of the Regulations, the Bank can raise debt of up to 2.5 times its capital and reserves, including callable capital. As at 31 March 2020, the Bank had on balance sheet equity of R37.5 billion as well as callable capital of R20 billion.

Total available capital for gearing, therefore, amounted to R57.5 billion. The unweighted on balance sheet capital to assets ratio as at 31 March 2020 stood at 37%.

With outstanding debt of R61.1 billion, the gearing ratio excluding callable capital as at financial year end stood at 1.6 times, and including callable capital, at 1.1 times, well within the Bank's regulatory 2.5 times threshold.

Exchange rate risk management

The net of foreign currency liabilities naturally hedged through offsetting foreign currency assets, and prior to derivatives hedges the Bank has a long open foreign currency position amounting to USD284 million equivalent. The derivatives positions entered to hedge this open position, however, reduce the Bank's earnings sensitivity to movements in the exchange rate of the Rand by some 73%.

Credit ratings

The Bank's credit ratings were downgraded during the year, equivalent to, and in tandem with those of the sovereign. The table below depicts the DBSA credit ratings as at 31 March 2020.

Agency	Issuer rating type	Short term	Long term	Outlook
Moody's	Foreign currency	NP	Ba1	Negative
	National scale	P-1.za	Aa1.za	Negative
Standard & Poor's	Foreign currency	B	BB-	Stable
	Local currency	B	BB	Stable

AUDIT AND RISK COMMITTEE REPORT

For the year ended 31 March 2020

We are pleased to present our report for the financial year ended 31 March 2020. Through the Audit and Risk Committee Charter, the Audit and Risk Committee has adopted appropriate formal terms of reference and has regulated its affairs in compliance with this charter. Accordingly, the committee has discharged its responsibilities as contained therein in the year under review.

The fundamental role of the Audit and Risk Committee (ARC) is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting. The ARC remains focused on the DBSA's organisational resilience in an ever-expanding risk universe, with traditional risks such as credit, market, operational, capital and liquidity risks being impacted by externally driven trends. These trends include adverse geo-political and macro-economic risks as well as the new major non-financial risks, i.e. cyber, conduct, crime/corruption, change, climate and COVID-19 risks.

Membership and meetings held

Members of the Audit and Risk Committee and their attendance at meetings are reflected on page 75 in the summary governance report.

The Committee met five times in the past year. The Committee comprises six members, all of whom are Independent Non-executive Directors. In compliance with Treasury Regulations 27.1.3 and 27.1.4, the Chairman is an Independent Non-executive Director and has the requisite business, financial and leadership skills for the position. All the committee members are financially literate, with all being Independent Non-executive Directors. No external advisors were invited to committee meetings during the year.

Impact of King IV

King IV recommends disclosing the date of the first appointment of the external auditor (which was 27 September 2019). King IV recommends that the Audit and Risk Committee take responsibility for oversight of the independence of the auditor as recommended by the Independent Regulatory Board for Auditors and assess factors that may influence the independence of the auditor. The Committee applies the independence test to the external auditor annually to ensure that reporting is reliable, transparent and fair representation for the use of stakeholders. The committee has satisfied itself of the auditor's independence.

Responsibility

The function of the Audit and Risk Committee is regulated by the PFMA and Companies Act. The Committee oversees the internal control framework and reviews and evaluates the integrity of financial and other statutory reporting, risk management processes, compliance with laws and regulations and ethics management. It oversees the internal and external audit functions and reviews the internal audit plan and the annual assessments of significant risk exposures.

The Committee oversees and also advises the Board on income, expenditure and capital budget requirements, treasury arrangements and funds mobilisation strategies, transfer pricing policies, development loan impairments, management of assets and liabilities and the DBSA's overall financial health and sustainability.

Key focus areas

During the year under review, the Committee continued in its quest to ensure that the requisite risk management culture, practices, policies resources, and systems are in place and are functioning effectively.

Combined assurance

The Bank applies a combined assurance model to ensure coordinated assurance activities. During the year under review, the Committee oversaw the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that the Bank's financial and non-financial objectives are achieved. The Committee is satisfied that the assurance activities resulted in an adequate and effective control environment and integrity of reports for better decision making.

Assurance by management

During the year, the Committee:

- Received and reviewed the reports from management regarding the adequacy of impairments on development loan and equity valuations
- Received and reviewed the accounting policies, practices, judgements and estimates adopted in the preparation of the Annual Financial Statements and found those to be appropriate
- Reviewed reports from management regarding the going concern assessment and financial sustainability of the organisation
- The continued preparation of the Annual Financial Statements on a going concern basis was adopted

Assurance by Group Risk Assurance (GRA)

The Board considers risk management to be a key business discipline designed to balance risk and reward and therefore, through the Audit and Risk Committee, oversees the approved ERM approach to the management of risk exposures. The Audit and Risk Committee delegated to management the responsibility to design, implement and monitor the risk management plan. To this end, the following internal management committees exist that monitor and report on various components of risk to the Audit and Risk Committee:

- Treasury related risks are monitored through an internal Asset and Liability Management Committee

- Portfolio risks are monitored through the Investment Committee. Based on loans and equities portfolio reports received from management, the monitoring of the loan and equities portfolio is considered adequate
- Operational risks are addressed by the ERM framework

Internal assurance from the GRA function was obtained through quarterly ERM reports and dashboards prepared independently of management and in accordance with the ERM framework.

Operational risk management is facilitated by the GRA function and reported through the ERM reports to the Audit and Risk Committee. These risks are considered in relation to assurance reports from other sources.

Assurance by internal audit

Internal audit is a key internal assurance provider and provides the Board with a report of its activities which, along with other assurance provider sources is used by the Board in reporting on and assessing the system of internal control and risk management. The Committee:

- Considered and recommended for approval to the Board the one and three-year internal audit plans and monitored internal audit's adherence to these plans
- Received and reviewed reports from Internal Audit concerning the effectiveness of internal controls, systems and processes as well as the adequacy and appropriateness of management's corrective action plans
- Considered all material forensic reports and established whether appropriate action was taken by management

Assurance by the independent external auditor

During the year, the Committee:

- Reviewed and approved the external audit plan, including the proposed scope and audit fee and determined the nature and scope of non-audit services
- Received and reviewed external audit reports pertaining to the Annual Financial Statements for the year ended 31 March 2020 and the interim results for the six months ended 30 September 2019

Fraud and corruption

The Audit and Risk Committee provides oversight over the fraud and corruption prevention controls and mechanisms within the DBSA's operating environment. To this end:

- Risk incidents are logged in an operational risk register and monitored
- There is sufficient forensic capability in internal audit, with an appointed forensic specialist
- The DBSA has a toll-free whistle-blowing hotline operated by Whistleblowers and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices

IT governance

The Board places considerable emphasis on ICT as it is integral to the strategy, performance and sustainability of the DBSA. The Audit and Risk Committee exercises oversight over the governance of the Information and Technology function of the Bank. The Bank's areas of focus in this regard were improving employee productivity through the implementation of the modern workplace platform, improving accessibility and availability of systems as well as securing the DBSA's information assets. The Committee is satisfied that there were no major incidents during the reporting period and that gaps identified concerning information and cybersecurity were addressed through ICT monitoring processes in place. For 2021, the Committee will provide oversight on the acceleration of the digital Bank capabilities and initiatives for both internal and external stakeholders.

The effectiveness of internal controls

Based on the information and explanations given by management and internal audit and discussions with the independent external auditor on the results of their audits and the status in addressing the matters raised, nothing significant has come to the attention of the Audit and Risk Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Audit and Risk Committee is therefore of the opinion that the financial records may be relied upon for preparing the Annual Financial Statements, and that accountability for assets and liabilities is maintained.

The quality of management and quarterly reports submitted in terms of the PFMA

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared by the management of the DBSA.

Annual review of the CFO, finance and internal audit functions

The Committee has assessed and is satisfied with the expertise, resources and experience of the CFO, finance and internal audit functions.

Evaluation of the Integrated Annual Report, Annual Financial Statements and Sustainability Review

The Audit and Risk Committee has:

- Reviewed the Integrated Annual Report and Sustainability Review Report
- Reviewed and discussed the audited Annual Financial Statements with the independent external auditor and the Accounting Authority

- Reviewed the Independent External Auditor's Management representation letter and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed significant adjustments resulting from the audit

Ensuring and protecting value in 2020

- Considered and recommended to the Shareholder the appointment of the Auditor-General of South Africa as external auditors for the 2020 financial year
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence
- Approved the external auditors' 2020 audit plan and related scope of work, confirming suitable reliance on Internal Audit and the appropriateness of key audit risks identified
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters
- Reviewed the 2020 audited Annual Financial Statements and related disclosures and recommended them to the Board for approval
- Reviewed reports from management, the Chief Internal Auditor and the external auditors, and considered the effectiveness of the internal financial controls
- Ensured that the Internal Audit Unit performs an independent assurance function and monitored the effectiveness of the Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal audit findings
- Assessed compliance with all statutory requirements in terms of the Companies Act of 2008, King IV, JSE Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Public Audit Amendment Act 5 of 2018

In terms of organisational resilience in 2020, the Audit and Risk Committee:

- Monitored the DBSA's risk universe heat map and risk trends, as well as the DBSA's top ten principal risks and performed oversight of various themes which included, *inter alia*:
  - Cyber resilience, including independent benchmarking
  - Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT) and Sanctions
  - Conduct risk
  - Climate risks
  - Pandemic risks
  - Market risk management
  - People risk (operational risk)
  - Oversight of the following principal risks:
    - Concentration risk
    - Operational risk
    - Liquidity and funding risks
    - Capital risk
    - Regulatory risk
    - Insurance risk
- Reviewed reporting across all the three Lines of Defence in the DBSA's Risk Governance structure (Line 1: Business; Line 2: Independent Group Risk; Line 3: Independent Assurance from Internal Audit and External Audit)
- Ensured the DBSA's Enterprise Risk Management Framework remained 'fit for purpose' including monitoring the evolution/ maturity of the newer major non-financial risks and other emerging risks
- Monitored that the Board-approved 2019 Risk Strategy and Risk Appetite (per 2019–2021 Group Business Plan), and top 10 risks (for 2019) were successfully managed in all material respects
- Encouraged Management's evolution of combined assurance
- Reviewed the DBSA's Balance Sheet Management risks, and in particular, oversight of the sound outcomes across Capital Management, Liquidity and Funding, and Interest Rate Risk in the Banking Book

Future areas of focus

- Continue focus on ensuring that the DBSA's financial systems, processes and internal financial controls are operating effectively
- Review and consideration of Management's plans in respect of future changes to the International Financial Reporting Standards (IFRS) and other regulations
- Monitor the implementation of the amended JSE listing requirements, in particular the requirements regarding internal financial controls
- In the wake of challenging external macro-economic and geo-political environments (including volatile financial markets), a thematic on the balance sheet management risks and stress/scenario testing, including the DBSA's strategic portfolio and risk appetite
- Updated policies on AML, CFT and sanctions, cyber, climate and conduct risks, with a focus on strategic execution risk and the fast-emerging digital/ technology risks, and ultimately organisational resilience
- Continue to watch closely the risk universe heatmap and changing risk trends or new emerging risks and Management's response
- Implementation of the 2020 Risk Strategy and Risk Management Plan in conjunction with the Board-approved risk appetite
- Oversee and manage the impact of the Market Crisis 2020/ COVID-19 with specific focus on how these events affect the DBSA's top 10 risks. This will include concentrated efforts on the health and safety of staff and clients, operational resilience, people risks as well as capital and liquidity risks

Martie Janse Van Rensburg
Chairman of the Audit and Risk Committee

BOARD CREDIT AND INVESTMENT COMMITTEE REPORT

For the year ended 31 March 2020

We are pleased to present our report for the financial year ended 31 March 2020.

The Board Credit and Investment Committee (BCIC) has adopted appropriate, formal terms of reference as its Board Credit and Investment Committee Charter. The Committee has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

Membership

The BCIC members and attendance are reflected on page 75 in the summary governance report.

The Committee met ten times in the past year. The Committee comprises nine members, including seven Independent Non-executive Directors and two executive directors. No external advisors were invited to committee meetings during the year.

Impact of King IV

In terms of King IV's 'risk and opportunity governance', the Board is stretched to utilise integrated thinking to exercise caution not to take excessive risks that may lead to organisational failure. Risk and opportunity governance set the tone for organisations to realise that risk management should cover both the negative and positive potential governance outcomes. The Board is responsible for setting the risk tolerance levels relevant to the organisational strategy and objectives.

Responsibility

The BCIC is a subcommittee of the Board and supports the Board in the execution of its duties. Due to the mandate given to the Committee, the Committee consists of two-thirds of the constituted Board of Directors. The Committee is accountable to the full Board to properly consider and evaluate any matter that it has been mandated. The BCIC takes approval decisions relating to the DBSA investments (credit instruments, equity, and development) on behalf of the Board. The Committee also assesses management portfolio reporting.

The Committee approves all credit and investment proposals where counterparty exposures exceed amounts set out in the table below.

The Committee has reviewed the credit strategy, credit risk management programme, trends in portfolio quality, the adequacy of provision for credit losses and the credit risk management policies approved by the Board. The committee approves all credit and investment proposals where counterparty exposures exceed amounts set out in the table below.

SOUTH AFRICA	MS1 – MS10	HIGHER THAN MS10	HIGHER THAN MS13
Public Sector	R1 000 million	R500 million	BCIC
Private Sector	R250 million	R125 million	BCIC
State Supported Programmes	R500 million	R250 million	BCIC

REST OF AFRICA	MS1 – MS10	MS11 – MS13	HIGHER THAN MS13
Low and Medium Risk Ratings	R1 000 million	R300 million	BCIC
Higher Risk Rating	BCIC	BCIC	BCIC

PROJECT PREPARATION	MS1 – MS10	HIGHER THAN MS10
South Africa and Common Monetary Area	<R15 million	>R15 million
International (Outside of Common Monetary Area)	<USD2 million	>USD2 million

Note: The DBSA uses the following rating scale to measure risk: MS1 to 7: low risk; MS 8 to 13: medium risk; and MS14 and above: high risk. Linked to country rating with a 10% variation allowance for movement in foreign exchange.

Key focus areas

To improve the quality and efficiency of investment decision-making, during the year the Committee ensured that the Bank continued to adhere to sound due diligence processes, procedures and governance which the DBSA Board strongly advocate and upholds. The Committee is satisfied that adequate checks and balances have been incorporated into the investment decision-making process to mitigate potential reputational risks to the DBSA.

Summary of new loans approved

The total value of new loans approved during the year is detailed in the table below. It reflects the value of loans and bonds approved by the executive Investment Committee (IC) and by the BCIC in terms of their respective authority limits, together with the percentage thereof approved at BCIC.

In millions	Approved by IC	Approved by BCIC	Total	BCIC approval %
South Africa				
Municipal clients	R1 335	R7 643	R8 978	85%
Non-municipal clients	R375	R5 222	R5 597	93%
SADC	-	R10 636	R10 636	100%
Rest of Africa	-	R6 265	R6 265	100%
TOTAL	**R1 710**	**R29 765**	**R31 476**	**95%**

Note: These loans are new loans only and do not include any restructuring of existing loans.

Future areas of focus

Ensure that the DBSA continues to adopt the best investment practices to improve the quality and efficiency of investment.

Anuradha Sing
Chairman of the Board Credit and Investment Committee

Intellectual capital

Our intellectual capital is our brand, innovation capacity and industry specific expertise and experience in infrastructure.

Our intellectual capital is derived from our institutional knowledge and our reputation built over decades and based on extensive experience in infrastructure financing in Africa. Our track record has resulted in deep due diligence and project development expertise, which underlies the sustainability of our investments and has garnered respect from our peers. Our relationships with global DFIs expose us to best practice and technical skills through knowledge sharing.

As we continuously focus on the future and seek more innovative ways to increase our impact, we challenge what we know and take our intellectual capital to new heights. We must actively drive innovation and breakthrough thinking by focusing on our own organisational culture. The rapidly changing environment we find ourselves in also requires that we constantly review our organisational capacity and capability in response. Through a culture of innovation and the pursuit of optimal capacity and capability, we remain relentless in developing new financial products and concepts to drive our impact.

As our environment changes, we have become more and more aware of the impact of technology on the rate of development in our areas of operation. Significant development is possible in Africa, through investment in new generation technologies that have the potential to 'leapfrog' older technologies. There is considerable potential to drive development impact by addressing the large infrastructure, technology, and policy gaps in Africa.

Intellectual capital inputs

- A leading African DFI
- Over 37 years' experience in infrastructure development
- Strategic partnerships nationally, regionally and globally
- Knowledge derived from due diligence, project development, credit granting and post-investment processes
- Identifying and managing risk
- Development of enabling financial products

Value created for stakeholders

- DLabs
- High impact infrastructure investments
- Angel investment for the previously disadvantaged
- Investment in 4IR technology and alternative infrastructure
- Post DLabs financial and non-financial support interventions

Key factors impacting the Bank's intellectual capital

- Financial sustainability
- Strong governance structures
- Enterprise and risk management

Associated key risks:
- Changing operating environment
- People risk
- Development impact risk
- Cyber and technology risk
- Funding and liquidity risk
- Sustainability risk

Our strategic response:
- Building a Digital DBSA
- Lending a hand to government to stabilise municipalities by enhancing government's service delivery efforts across South Africa to build thriving communities
- Catalysing connectivity by unlocking the power of connectivity to stimulate economic activity and growth relishing the potential of 5G and satellite technology
- Revitalise Township and Rural Economies through supporting the development of economic and social opportunities in underserviced areas (townships, small towns and rural areas)
- Navigating the Just Transition by contributing to an equal, sustainable and prosperous South Africa

Governance oversight

The Board's oversight of the management of our intellectual capital is delegated to the:

Infrastructure Delivery and Knowledge Committee
This committee oversees strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region. This includes the knowledge and research programmes of the DBSA that establish the Bank as a centre of excellence in infrastructure development.

CHIEF INVESTMENT OFFICER'S REPORT

In Africa and Southern Africa, there is a great need for investment in infrastructure. As the needs of the continent grow, regardless of the challenges that arise, infrastructure development is vital. As a DFI, we accelerate development by providing additionality, which fills the gap between other forms of capital. The returns we unlock through our capital resources are both financial and developmental.

Through the strong strategic partnerships we foster, we are also able to catalyse and crowd-in funding for infrastructure projects. Beyond our involvement in the financing of infrastructure development projects, we offer support throughout the infrastructure development value chain in planning and preparation as well as in building and maintaining infrastructure that together contributes towards realising the developmental position of the Bank.

Everything we do is focused on accelerating our development impact.

As the economy and our society changes due to the impact of the COVID-19 pandemic, so must our role. As a bank, we must remain relevant as developmental shifts take place. We must now, more than ever, be part of addressing some of the pressing developmental issues we have not yet been able to as a young democracy. At the same time, we must acknowledge the limitations of our own ability and the sphere of influence in which we operate. We must work with our stakeholders to accelerate our impact in infrastructure development. Our extensive network of strategic partners in South Africa, other African countries and abroad, enables us to have a greater developmental impact than we could ever have on our own. Read more about our strategic partnerships on pages 62 – 67.

While we address the impacts of the pandemic, we must accelerate our effort to reduce poverty and inequality in parallel. We will do so by enhancing our catalytic development role, focusing on improvements throughout the infrastructure delivery value chain. As a Development Finance Institution, we are positioned between the public and private sector and are able to fulfil a different role than our partners by taking on early-stage risk and providing long-term loans. By doing this we mobilise capital from third-party investors such as private parties and commercial financial institutions.

Improvement throughout the infrastructure delivery value chain

Our operating model review, which resulted in the Bank offering end-to-end solutions across the infrastructure delivery value chain, is starting to deliver results. Our ability to find and develop infrastructure development opportunities has evolved tremendously as evident through the pipeline we continuously build. We have also developed in our ability to convert approvals to commitments and ultimately to disbursements. At present we have the largest project pipeline we have ever recorded, and our management of the infrastructure delivery value chain has enabled us to record disbursements for the year exceeding our targets by 14%. By focusing on the entire infrastructure delivery value chain, we can accelerate our development impact.

Innovation programme

Our Innovation Programme includes several Moonshot programmes. In these challenging times, whilst ensuring the sustainability of the organisation, amendments have been made to the short-term rollout plans of the Moonshot programmes. We do, however, continue to believe that these programmes and concepts are essential, especially given the toll the COVID-19 pandemic has had on both our society and our economy. Moonshot programmes focus on the acceleration of both the formal and informal economies and have the potential to support the medium- and longer-term economic regeneration programmes being implemented nationally.

Infrastructure fund

In the year under review, significant work was done to conceptualise the blended finance platform which is aimed at catalysing institutional private sector investment in infrastructure. To this end, a Memorandum of Agreement (MOA) was signed between the Bank, National Treasury, and the Infrastructure Investment Office in the Presidency. We intend to accelerate the implementation of the Infrastructure Fund as we believe it is a key initiative with the potential to support South Africa's post-lockdown response. The Infrastructure Fund will be integrated into the national infrastructure ecosystem covering projects and programmes targeting blended finance solutions.

During the year, we carried out extensive engagements and consultations regarding options for increasing private sector investment in public infrastructure with commercial banks (directly and through the Banking Association South Africa and Institutional Investors through the Association of Savings and Investment South Africa). The model for the Infrastructure Fund draws on the outcomes of these engagements and the best elements of other models, including similar international entities and local models such as the IPP Office in South Africa.

In terms of the MoA, the DBSA will create a new division for the Infrastructure Fund. This division will provide a support function to project owners across the public sector to prepare blended finance projects. The relevant Executive Authorities will retain their executive authority over their projects, and ownership of infrastructure assets will always vest with the project owners. The support to be provided by the Infrastructure Fund Division will include identifying and developing appropriate funding structures and sources of revenue (such as grants, capital contributions, user-pay mechanisms, interest rate guarantees or a combination of these), financial models, and financial delivery mechanisms and incentives for the projects. Where appropriate (depending on the project or programme), the Infrastructure Fund will also engage with financial institutions and the markets to develop financial instruments that will enable investments in the projects by investors.

High impact development fund

The High Impact Development Investment Portfolio, which was established in 2015, with funding of R2 billion, has supported the development of several financial products and concepts, some of which became market ready in the year under review.

- BitPesa reached financial close and the first disbursement of USD5 million will be made early in the new financial year. The company plays a critical role in enabling trade under the COVID-19 lockdown and USD liquidity challenges being experienced across many African countries
- The DBSA is well advanced in negotiations with Silicon Kingdom Holdings Limited regarding the various legal agreements and the conditions required for the first disbursement. The company has successfully raised stage 1 funding of USD1.5 million. This, combined with the DBSA's first tranche, puts the funded commitments at 12% of the total equity required. The balance of up to USD15 million is made up of the commitments from DBSA and Cofra Holdings
- The Infrastructure Multiplier Product was approved and has now been rolled out for implementation. The DBSA is in discussion with the Eswatini Ministers of Finance and Transport to discuss the concept and explore a list of qualifying projects

DLabs precincts

The DLabs, as social impact organisations, provide a space to enable communities and particularly the youth to develop skills of the future and to access economic opportunities that they would not otherwise have been able to. In the year under review, we have committed investments for the first five DLab precincts. As the Bank manages the liquidity and sustainability of the organisation post-COVID-19, we will only be able to focus on the implementation of two of the five approved sites, Jabulani in Soweto and Westridge in Mitchells Plain. The DLabs are envisioned to become self-sustaining structures over a three-to-five-year period.

The DLabs have been developed in partnership with key stakeholders to co-produce sustainable platforms that have the potential to yield impactful development solutions and create an environment for participation, economic development and to mobilise communities that embody resilience and regeneration, offering a sense of purpose and empowerment as we address the various socio-economic challenges the country faces.

Thus far the DLabs have been integrated as part of the Presidential Youth Intervention as well as the COGTA District Development Model One Plan strategy and continues to be part of the public private growth intervention. As the country grapples with the response to the pandemic as well as the resultant economic impact, the DLabs are pivotal programmes for post-lockdown economic acceleration within the informal sector.

Innovation Hub and Off-Grid Campus

The Innovation Hub and off-grid campus are part of our Moonshot programmes and exemplify how we embrace new ideas. The Innovation Hub is an on-site DLab which will be located on the DBSA's off-grid campus. Upon completion, the Innovation Hub will consist of a disruptors' den, an incubator and collaborative working spaces.

In FY2020 a service provider was appointed for the design of the space and in FY2021 a construction contractor will be appointed. Considering the impact of the COVID-19 lockdown project plan dates will need to be adjusted, but we remain confident that substantial progress will be made to build the space in FY2021.

The off-grid campus will also contribute to the management of our natural capital and drive cost efficiencies.

Refer to page 128 for more information on our off-grid Campus initiative

Enabling economic growth while building climate resilience/ensuring a Just Transition

Developmental initiatives aimed at addressing climate change must ensure a Just Transition. Those most adversely affected by climate change are often the most vulnerable and are the ones who contributed the least to the crisis.

The DBSA has embarked on several initiatives as part of the Green Climate Fund to ensure a Just Transition. These include the Climate Finance Facility and the Embedded Generation Investment Programme.

Refer to pages 128 – 129 for more information on the Green Climate Fund

The DBSA's innovation and culture journey

In times of crisis, our people are our most resilient resource and the culture we foster as an organisation will undoubtedly determine our success. Our people, their resilience and their ability to innovate will see us through this unprecedented time. As we continue the journey, we started in 2016, to foster a culture of innovation at the Bank, we appreciate that in this time we will need this mindset more than ever to accelerate our development impact. We must leverage the ability of our people to ideate and implement as we continue to build on the cultural foundation that we have laid in recent years.

We have seen this convergence of this 5-year journey of culture, ideation and organisational renewal. We have staff across the organisation who question the way we do things and push to find better solutions to the grand challenges we face. We will continue to foster this way of thinking and offer the commitment and support as we strive to create platforms for transcendent and sustainable change.

Refer to pages 130 – 135 for more information on how we manage our Human Capital

INFRASTRUCTURE DELIVERY AND KNOWLEDGE COMMITTEE REPORT

For the year ended 31 March 2020

We are pleased to present our report for the financial year ended 31 March 2020.

The Infrastructure Delivery and Knowledge Committee (IDKC) has adopted appropriate, formal terms of reference as its Infrastructure Delivery and Knowledge Management Committee Charter. The Committee has regulated its affairs in compliance with this charter and has also discharged its responsibilities as contained therein.

The Board delegated to the IDKC the oversight responsibility for the Bank's Infrastructure Delivery, Knowledge Management and Non-financing Infrastructure Delivery Support and Programme Implementation. The Committee is accountable to the Board to properly consider and evaluate any matter that it has been mandated to deal with. It includes accepting strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region. The Committee monitors existing mandates, approval and monitoring of key infrastructure projects and overseeing the knowledge and research programmes of the Bank in line with the philosophy that the Bank is a centre of excellence in infrastructure development.

Membership and meeting held

The IDKC members and attendance are reflected on page 75 in the summary governance report.

The Committee met four times in the past year. The Committee comprises seven members, i.e. five Independent Non-executive Directors, one non-executive director and one executive director. No external advisors were invited to committee meetings during the year.

Impact of King IV

King IV recommends organisations to proactively engage with regulators, legislators and industry associations. The Board would have to understand the compliance and regulatory universe of the DBSA to fulfil this King IV recommendation. The committee does not envisage any insurmountable obstacles in this quest.

Responsibility

As a subcommittee of the Board of Directors the IDKC supports the Board in the execution of its duties. The committee must properly consider and evaluate any matter that it has been mandated to deal with and is accountable to the Board. The Board has ultimate responsibility in controlling the business and directing the operations of the DBSA. This includes accepting strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region, monitoring existing mandates, approval and monitoring of key infrastructure projects, and overseeing the knowledge and research programmes of the DBSA in line with the philosophy that it is a centre of excellence in infrastructure development.

Key focus areas

Key activities during the year included noting, approval and or recommending the following for approval by the Board.

The strategy of the DBSA is centred on ensuring financial sustainability and strong governance while moving onto a trajectory of accelerated and enhanced development impact. To this end, the Committee's focus was to ensure that the Bank has a development position that forms the departure point from which the DBSA seeks to deliver on its mandate. The development position of the DBSA was approved by the Board.

Non-financing infrastructure delivery support and programme implementation (strategic mandates):

- Approved implementation of the Project Management Office (PMO), which forms part of Phase 2 of the Student Housing Infrastructure Programme (SHIP)
- Considered Single and Integrated Revenue Management Framework
- Approved the rollout out of the District Development Model (DDM)
- Reviewed quarterly progress reports on the execution of Moonshot Initiatives/High Impact Investment
- Reviewed quarterly progress reports on the execution of the Infrastructure Fund Initiatives
- Reviewed quarterly Local Government Support Report
- Reviewed quarterly report on the Emfuleni Schools Sanitation Corporate Social Investment (CSI) Programme
- Considered World Bank Study on the Costs on Achieving the SDGs from a Local Perspective by 2030
- Reviewed the IDKC Terms of Reference
- Concept Note on the Just Transition

Infrastructure delivery

- Reviewed the overall performance of infrastructure delivery in the Bank
- Reviewed the Infrastructure Delivery's framework for the acceptance of new mandates

- Approved new strategic mandates and programmes for implementation by the Infrastructure Delivery Division (IDD) of the DBSA
- Reviewed IDD quarterly report on the implementation of the approved mandates and programmes
- Considered Development Indicators for the elevation of the DBSA reporting on development impact

Knowledge management
- Approved the Knowledge Management Strategy and Research Agenda for the 2020/21 financial year
- Reviewed quarterly reports on the implementation of the Bank's knowledge management and research Agenda
- Considered 2019/20 DBSA Youth Challenge Report
- Considered an Integrated Energy Investment Framework supporting the Bank's energy sector strategy

Future areas of focus

Focus areas for the forthcoming year include:
- Driving the Bank's sustainability through innovative solutioning and remaining financially sustainable whilst accelerating development outcomes
- Driving DBSA's contribution to realising a Just Transition
- Invitation of sector specialists on topical issues and/or strategic matters (under the oversight of the IDKC) affecting the Bank

Mark Swilling
Chairman of Infrastructure Delivery and Knowledge Management Committee

Social and Relationship capital

Social and relationship capital is our relationships with our clients, funders, partners, and governments that are central to supporting infrastructure development.

As a state-owned DFI focused on infrastructure development we are a trusted advisor to government, state-owned companies, and the private sector. By leveraging our position as the conduit between the private and public sectors we accelerate development impact. Our position further enables us to meaningfully contribute to infrastructure related policy development, unlocking infrastructure development and fast-tracking service delivery.

We actively engage with and manage our stakeholder relationships through our stakeholder engagement programme, which facilitates open dialogue. Stakeholder dialogue is vital for the effective execution of our mandate. Furthermore, we believe open dialogue and the development of strategic partnerships are essential in ensuring responsible corporate governance and is an invaluable source of information which guides our operations.

We further seek out and nurture strategic partnerships that are advantageous in achieving our mandate. These strategic partnerships include building relationships with organisations in the infrastructure space, which also has the benefit of enhancing our reputation as one of the leading African DFIs. Our strong relationships with strategic investment partners nationally, regionally and internationally enhance the development and growth of the Bank's infrastructure development pipeline and enables the mobilisation of resources for lending and non-lending opportunities.

The DBSA aims to allocate 1% of net profit after tax to corporate social investment initiatives in education and health. We pro-actively identify flagship projects and engage with various stakeholders in the relevant sectors and affected communities to cater to needs of the communities in which we operate.

Social and relationship capital inputs

- 16 countries in which we have active exposures
- 87 municipal clients
- Relationships with government, DFIs, private financers providing inputs to policy formulation

Value created for stakeholders

- Access to cheaper finance
- Technical skills and knowledge exchange
- Partnership opportunities
- Deal flow
- Market opportunities

Key factors impacting the Bank's social and relationship capital

Associated key risks:

- Changing operating environment
- Infrastructure implementation risk
- Reputation risk
- Development impact risk
- Sustainability risk

Our strategic response:

- Building organisational sustainability by converting transactions to drive disbursements
- Building a Digital DBSA
- Lending a hand to government to stabilise municipalities by enhancing government's service delivery efforts across South Africa to build thriving communities
- Catalysing connectivity by unlocking the power of connectivity to stimulate economic activity and growth relishing the potential of 5G and satellite technology
- Revitalise Township and Rural Economies through supporting the development of economic and social opportunities in underserviced areas (townships, small towns, rural)
- Navigating the Just Transition by contributing to an equal, sustainable and prosperous South Africa (off the back of the transition out of fossil fuels)
- Promoting the SA Incorporated Agenda with a focused SA Inc approach to inter-Africa regional infrastructure development through bespoke credit and funding structures offered by DBSA, Export Credit Insurance, and Industrial Development Corporation amongst others

Governance oversight

The Board's oversight of the management of our social and relationship capital is delegated to the:

Social and Ethics Committee

The committee monitors stakeholder relations and CSI. The committee is further responsible for ensuring that management cultivates a culture of ethical conduct and monitors adherence to the ethics related policies like the Conflict of Interest Policy, Code of Ethics, Gift and Whistleblowing Policies.

STRATEGIC PARTNERSHIPS

We pride ourselves on long standing and well-established relationships with various government departments for partnering in the delivery of social and economic infrastructure. Development of strategic investment partnerships is a key element of the DBSA's partnership strategy. We forge partnerships with entities that can deliver bankable project pipelines for co-financing with commercial financial institutions and DFIs, project sponsors such as South African metros, intermediate cities, SOEs and key influential regional entities, including SADC, the East African Community (EAC) and the New Partnership for Africa's Development (NEPAD). Partnerships are critical to driving our programmatic approach. We will partner with the private sector as well as government agencies and departments to drive the collaboration needed for project success. Strategic partnerships enable the co-creation of fit-for-purpose solutions which are both scalable and sustainable.

Our Coverage Division is focused on building and maintaining key partnerships. It has established partnerships with investors and funders that enable the Bank to provide blended funding solutions for infrastructure financing. The DBSA continues to maintain its position as a leader in the market and as a key driver of infrastructure service delivery in this space, a strength that the Coverage Division is actively expanding.

Our partnership footprint is in line with our geographic mandate spanning local, continental and global geographic regions. We leverage our expertise and balance sheet to form strategic partnerships to achieve a greater development impact. Our partnerships also position the Bank to capitalise on attractive opportunities emanating from the size of some African economies. In doing so, the Bank mitigates the current risks of continued sovereign downgrades, changes in the government subsidy/grant allocations and regional economic downturns resulting from fluctuating commodity prices.

Many African countries are not sufficiently economically diversified to withstand the impact of external shocks. There is considerable potential for the Bank to provide meaningful solutions that will reduce the impact of external shocks and increase economic growth.

This positions our Coverage Division as a key role player and regional integrator for infrastructure project financing and establishes the DBSA as a thought leader in infrastructure development in an intra-funding partnership role.

TRANSFORMATION

Through economic transformation the DBSA strives to improve the level at which our mandate and value chain of activities effects change in our society, in line with national policy frameworks. The Bank uses several levers to advance economic transformation within infrastructure development including:

- The B-BBEE rating, including preferential procurement, skills development, employment equity, and supplier/enterprise development
- Direct lending to black owned businesses
- Direct impact through third-party funds managed by the DBSA
- Indirect economic impact through guidelines and conditions set for clients
- Gender mainstreaming
- A number of transactions have been identified to support black-owned entities in student housing, human settlements, health and captive energy sectors
- Initiating a B-BBEE Equity Financing instrument to facilitate meaningful participation by black-owned enterprises in infrastructure projects

The DBSA promotes transformation in South Africa through the Bank's core infrastructure development activities spanning planning, preparing, financing, building and maintaining as demonstrated by the funds disbursed and infrastructure delivered set out below. In addition, the Bank's internal transformation initiatives span employment equity (refer to page 133) procurement and enterprise development.

		2020	2019	2018	2017	2016
Transformation analysis						
Value of funds disbursed to B-BBEE entities	R million	548	981	62	341	220
Value of infrastructure delivered by B-BBEE entities	R million	3 377	2 500	1 800	1 781	1 650
- B-BBEE entities	R million	2 429	1 964	1 436	1 332	940
- SMMEs and subcontractors	R million	948	536	364	449	710
Value of procurement spend by DBSA to B-BBEE entities	R million	117	83	66	47	41
Number of SMMEs and subcontractors benefitted	Number	1 219	1 097	717	500	665

Supplier development for micro, small and medium enterprises

The Bank has identified Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) as the key stakeholders to drive sustainable market access for emerging black-owned suppliers. We employ a default strategy to set aside the provision of goods and services as far as possible to EMEs and QSEs that hold a minimum B-BBEE Level 2 rating. In 2017, we embarked on a black women enterprise development intervention which saw the absorption of our kitchen staff, who in the past worked on a contract basis via a service provider, setting up as a cooperative supplying services directly to the Bank. The initiative is geared at promoting the participation of young black women as business owners through incubation interventions. In June 2019, we embarked on a second enterprise development initiative which saw the absorption of our gardening and landscaping staff setting up as a cooperative supplying services directly to the Bank. This initiative will follow similar incubation with a view to empowerment and growth.

Our enterprise development programme supports our sustainable development and black economic empowerment agendas. It also assists beneficiary enterprises to access opportunities stipulated in the Black Economic Empowerment Act whose main thrust is to compel large companies in particular, to transform their supply chains from exclusively white-owned suppliers to black-owned ones. The Bank as a recipient of services from our kitchen and landscaping enterprises, serves as an incubator helping our beneficiary enterprise/cooperatives with the requisite infrastructure and technology as well as the quality outputs which will fast track their market participation.

SOCIAL AND ETHICS COMMITTEE REPORT

For the year ended 31 March 2020

We are pleased to present our report for the financial year ended 31 March 2020.

The Social and Ethics Committee (SEC) was constituted in the year under review and adopted appropriate formal terms of reference as its SEC Charter.

The DBSA is committed to genuine organisational transformation by creating an empowering and ethical culture and delivering innovative client experiences. The DBSA conducts its business responsibly and ethically. Its ethics philosophy underpins a relationship of trust with its internal and external stakeholders and the Bank's actions demonstrate that it acts in their best interests.

Membership and meetings held

The SEC members and attendance are reflected on page 75 in the summary governance report.

The committee met four times during the year. The committee comprises of the six Independent Non-executive Directors and one Executive Director. No external advisors were invited to the committee meetings during the year.

Impact of King IV

King IV recommends that the governing body should lead ethically and effectively and should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. The Social and Ethics Committee actively exercises oversight over the ethics management of the Bank.

Responsibility

The committee ensures that management cultivates a culture of ethical conduct and sets the values to which the DBSA adheres. In this respect the committee:

- Monitors the activities, having regard to relevant legislation and codes of best practice, in respect of social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and sound labour and employment practices
- Reviews the DBSA's values and considers for recommendation to the Board the ethics-related policies like the Conflict of Interest Policy, Code of Ethics, Gift and Whistle-blowing Policies
- Considers and recommends for approval to the Board the ethics management programme

Key focus areas

Key activities during the year included noting and/or recommending the following for approval by the Board:

- The Committee commissioned an Ethics Risk Assessment (ERA), approved the Ethics Strategy, considered a framework for lifestyle audits on both the Board and staff of the DBSA, reviewed the Social and Ethics Committee Terms of Reference, adopted the Social and Ethics Committee Annual Agenda Plan and noted the Employment Equity Submission to the Department of Labour and conducted a benchmark exercise with two of the Bank's corporate and DFI peers in order to understand how Gender Mainstreaming has been undertaken in other environments
- The Committee also considered the quarterly Ethics Reports, Stakeholder Relations Reports, Environmental and Sustainability Reports, Employment Equity Procurement Transformation Reports, Human Capital Reports, Corporate Social Investment Reports, Gender Mainstreaming Reports and DBSA and IDD Occupational Health and Safety Reports.
- In-Committee meetings were held on a quarterly basis where the report on forensic investigations and summary of legal cases the Bank was involved in were discussed

Ensuring and protecting value in 2020

- Conducted an in-depth review of the governance and institutionalisation of ethics within the DBSA
- Commissioned The Ethics Institute to conduct an ERA in DBSA
- Monitored the implementation of recommendations from The Ethics Institute's ERA conducted in the DBSA
- Oversaw and tracked progress of employee wellbeing initiatives
- Reviewed shifts in the DBSA's culture agenda using the Barrett Survey results and plans to address areas of vulnerability
- Oversaw delivery on the Bank's purpose through referencing the SDGs as measures of such delivery
- Oversaw the Bank's response to climate change from an operational perspective
- Monitored the Bank's Media and Corporate Social Investment activities
- Oversaw the Bank's establishment of Gender Mainstreaming within the organisation
- Monitored the B-BBEE transformation in respect of DBSA's procurement policies and appointment of service providers and contractors

Future areas of focus

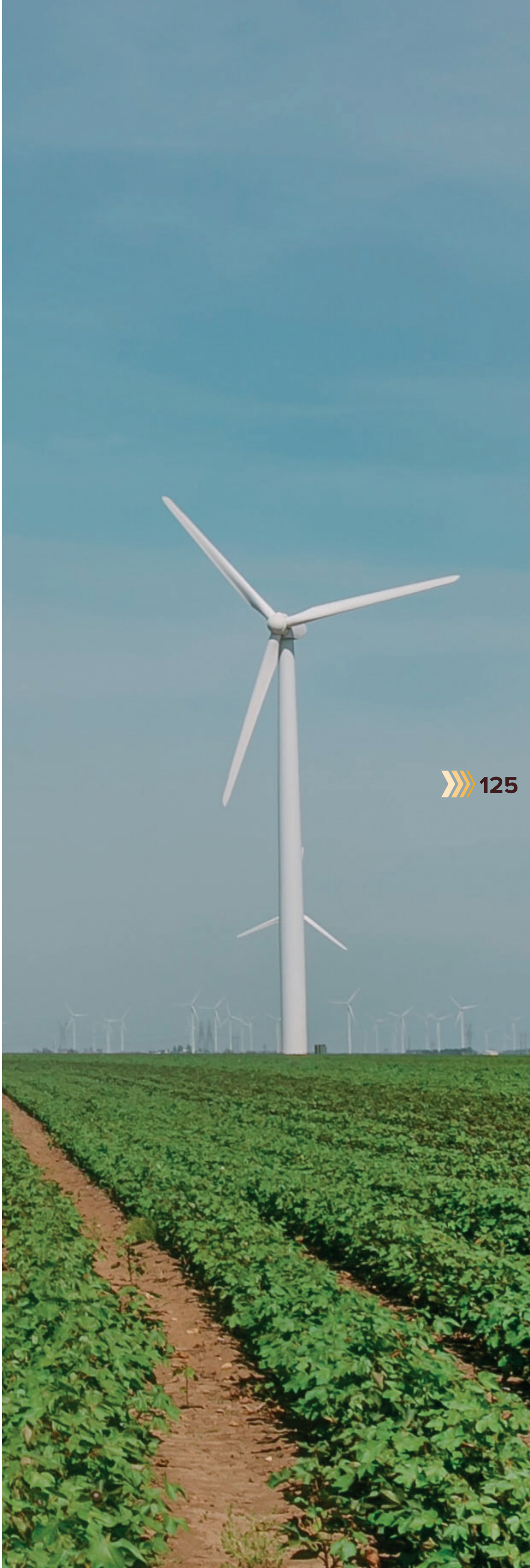
Strategic focus areas:

- Supporting the national agenda to bring about transformation
- Adopting a collaborative approach to ethical leadership, having a commonly accepted and lived set of values, effective governance, and effective risk and compliance management

In addressing these, the Committee will:

- Continue its oversight and guidance to enhance the culture of ethics and ethical leadership at the DBSA
- Continue monitoring benchmarking of the DBSA's ethics management against best practice, and oversee completion of the ERA, including implementation of recommendations from The Ethics Institute of SA
- Continue working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view on transformation
- Continue monitoring B-BBEE transformation in the Bank's procurement activities
- Continue to oversee and monitor employee wellbeing in 2020
- Continue to oversee the Bank's approach to the measurement, assessment and disclosure of its financial exposure to climate-related risks
- With a growing focus on stakeholder capitalism we will continue to ensure our corporate governance mechanisms seek to align our goals with those of our broad base of stakeholders in fulfilling our purpose of using our financial expertise to do good

Zanele Monnakgotla
Chairman of the Social and Ethics Committee



MANAGING OUR MANUFACTURED AND NATURAL CAPITAL

Manufactured and Natural capital

Our manufactured capital represents our business structure and operational processes, including our physical and digital infrastructure while our natural capital represents the natural resources we use in our operations and business activities.

Our natural capital use includes natural resources such as land, water, and power. In this report we have decided to report on our manufacture and natural capital together since the management of our manufactured capital, particularly our physical infrastructure is closely related to our use of natural capital. Our use of natural capital resources through our operations primarily leads to the destruction of natural capital. We endeavour to mitigate our impact through various initiatives that relate to both our manufactured and natural capital.

As a bank, we also recognise that the scale at which we use these resources in our own operations does not have as significant an impact on our collective natural capital and manufactured capital as our decisions and influence within the infrastructure development value chain has. We therefore contribute to the preservation of these capitals through the development of products that promote environmentally responsible practices and through our support of financial initiatives related to climate action.

Manufactured capital inputs

- The DBSA campus

Natural capital inputs

- 2.8 megawatts of electricity consumed
- 7.5 kilolitres of water consumed

Value created for stakeholders

- Access to climate financing
- Awareness of the need for a Just Transition

Key factors impacting the Bank's natural capital

Associated key risks:

- Changing operating environment
- Infrastructure implementation risk
- Reputation risk
- Development impact risk
- Sustainability risk

Our strategic response:

- Lending a hand to government to stabilise municipalities by enhancing government's service delivery efforts across South Africa to build thriving communities
- Navigating the Just Transition by contributing to an equal, sustainable and prosperous South Africa (off the back of the transition out of fossil fuels)
- Promoting the SA Inc. agenda with a focused SA Inc. approach to inter-Africa regional infrastructure development through bespoke credit and funding structures offered by DBSA, Export Credit Insurance, and Industrial Development Corporation amongst others

Governance oversight

The Board's oversight of the management of our social and relationship capital is delegated to the:

Social and Ethics committee
The committee monitors the Bank's environmental impact.

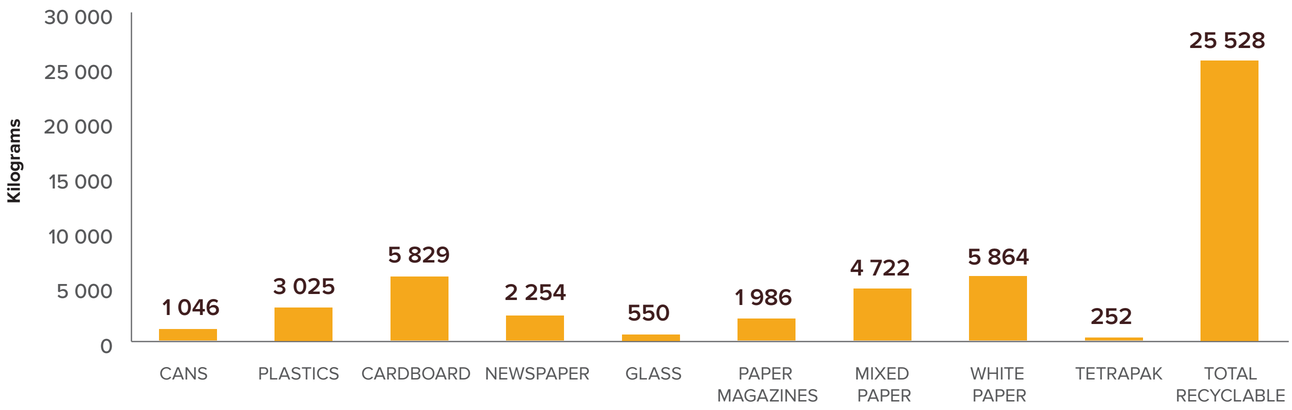
NATURAL CAPITAL INITIATIVES IN OUR OPERATIONS

The DBSA's approach to environmental appraisal and due diligence is outlined by its Environmental Appraisal Framework (EAF) and Environmental and Social Safeguard Standards (ESSS). These initiatives ensure that our environmental appraisals are consistent in supporting and enhancing the Bank's decision-making processes to consider natural capital. They mitigate and manage environmental risk, while also facilitating sustainable development impact.

The Bank is reducing the impact of its operations, including greening its site and buildings by:

- Energy demand management and generation of energy from renewable energy sources
- Business travel management including its carbon footprint through energy use and S&T emissions
- Office paper use and recycling
- Solid waste management and recycling
- Water consumption reduction
- Sustainable campus management (maintenance of the natural vegetation on the campus)
- Grassland and wetland biodiversity conservation

These initiatives culminate in a reduction of the Bank's carbon emissions, water use, waste generation and enables us to maintain a sustainable campus.



Off-grid campus

The DBSA off-grid campus was developed to provide a space where technology can be showcased, and solutions developed that have the potential to accelerate development. By taking the campus off-grid, the Bank can efficiently manage its water and waste and provide a platform to showcase innovations within the DBSA's mandated sectors.

The R10 million off-grid campus feasibility study, which was approved by our executive committee in the previous financial year, commenced in the year under review, but was not concluded due to service provider performance issues. The project is continuously monitored, and options are being explored to progress the project in the new financial year.

The Off-grid campus will also house a DLab, the Innovation Hub. For more information on the initiative refer to page 117.

Construction of the fence around the land adjacent to the DBSA campus began in November 2019, with 3.5 kilometre of the fence constructed to date. The proximity of the fence to a wetland portion of the land parcel required authorisation from the Department of Water and Sanitation, after our application conditional approval was received. We continue to engage with the Department of Water and Sanitation as well as the Gauteng Department of Agriculture and Rural Development to ensure that the necessary environmental management procedures are followed in the construction of the fence.

NATURAL CAPITAL INITIATIVES IN THE INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

As a DFI, we recognise that the biggest influence we could have on our collective natural capital is to fund programmes and initiatives to respond to the most pressing environmental issues of our time. We are already able to see the impacts of climate change and it is therefore imperative that we act by supporting and investing in initiatives aimed at climate change mitigation and adaptation.

Green Climate Fund

The Green Climate Fund is a global funding mechanism set up by the United Nations Framework Convention on Climate Change (UNFCC) to support developing countries in responding to climate change. The DBSA was accredited to the Green Climate Fund in March 2016, to implement micro to large projects nationally and within sub-Saharan Africa. As such the Bank is involved in a pipeline of projects for financing, most notably the Climate Finance Facility and the Embedded Generation Investment Portfolio.

The Climate Finance Facility

The Climate Finance Facility, based on the Green Bank model, is a lending facility adapted for emerging market conditions, which aims to increase climate-related investments in Southern Africa. The Bank's involvement in the Climate Finance Facility supports eight SDGs and contributes to the South African Government's Nationally Determined Contributions under the Paris Agreement.

The DBSA was awarded funding to the value USD55.6 million from the Green Climate Fund in 2018 to establish a R2 billion Climate Finance Facility. The Bank provided R650 million to the facility and included local institutions in the provision of the balance of funds needed. Ultimately the facility aims to address market barriers and accelerate the private investment required to meet the Paris climate commitments by filling market gaps in funding and crowding-in private investment.

The Climate Finance Facility currently has six projects in its pipeline related to renewable energy, water use efficiency and waste recycling, among others. These projects are self-sustaining and full repayment of debt funding is expected. This year the pipeline includes projects in South Africa and Namibia, although the facility is also able to extend financing to projects in Eswatini and Lesotho as they form part of the common monetary area.

Embedded Generation Investment Programme

The Embedded Generation Investment Programme utilises funding from the Green Climate Fund to develop a guarantee facility, to be used as a credit support mechanism to support non-sovereign backed power purchase agreements for renewable energy projects in South Africa. This will include renewable energy projects implemented by private sector entities and local government entities. The programme intends to crowd-in funding from various funders to open a market for embedded generation in South Africa.

Municipal Solid Waste Management Programme

The Municipal Solid Waste Management Programme aims to support the implementation of organic waste treatment solutions in six pilot municipalities in South Africa and upscale the concept to another 24 municipalities. A programmatic approach will be adopted to allow subsequent sub-projects to learn from the first six pilot municipalities and replicate the solutions in a cost efficient manner. Organic waste treatment will result in significant methane reductions which will contribute to South Africa's climate change mitigation efforts.

Public private Sector Energy Efficiency Programme

A detailed feasibility study is being conducted to evaluate the optimal financial and institutional model for a Public Private Sector Energy Efficiency Programme in South Africa. Additionally, Project Preparation funding will be used to prepare a full concept feasibility study and application to the Green Climate Fund, and to conduct gender impact and environmental and social safeguard studies.

Lesotho Readiness Project

Based on the DBSA experience with the Green Climate Fund in recent years, we are assisting Lesotho to develop capacity to enable them to also access funding. By sharing our experience and expertise we can assist a neighbouring country to better manage their natural capital.

Human capital

Our human capital includes our people, their development, and the culture we foster.

Our human capital is predominantly represented by our employees and in these challenging times they have proven to be our most resilient resource. They are complemented by our partners, customers, and suppliers. The strength of our human capital is also demonstrated in the availability of appropriate skills.

Our overall performance and the sustainability of our business is primarily driven by our employees.

Our management at senior operational level is instrumental in our value creation process and in the long-term sustainability of the organisation.

Human capital inputs

- 610 permanent employees
- R24.3 million training and development spend

Value created for stakeholders

- Job creation
- Training and development
- Knowledge exchange

Key factors impacting the Bank's human capital

Associated key risks:

- Changing operating environment
- People risk
- Infrastructure implementation risk
- Reputation risk
- Development impact risk
- Sustainability risk

Our strategic response:

- Building organisational sustainability by converting transactions to drive disbursements.
- Building a Digital DBSA

Governance oversight

The Board's oversight of the management of our human capital is delegated to the:

Human Resources, Remuneration and Nomination Committee

The committee oversees the human capital strategy, training and development and the culture change programme as well as performance against scorecards. The committee oversees employment equity and other human capital statutory reports. The committee oversees remuneration in terms of the annual staff salary increase, bonuses and the quantum of incentive pool for executives of the DBSA. It is also responsible for ensuring that there are adequate processes, policies, systems and procedures to ensure sound corporate governance.

Audit and Risk Committee

The committee provides oversight over the IT systems, automated controls and mechanisms within the DBSA's operating environment.

EMPLOYEE OVERVIEW

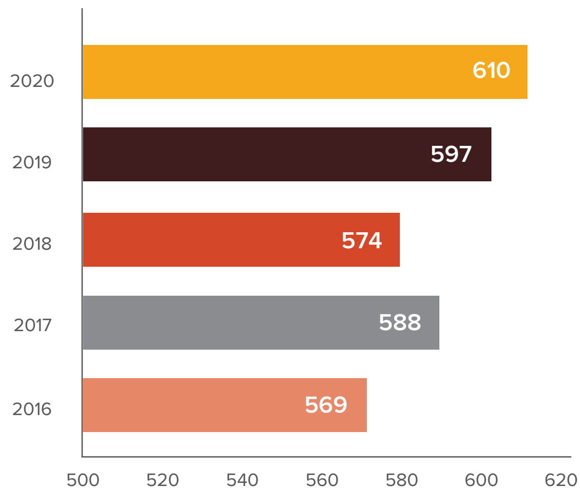
In the year under review, we strived to maintain a stable work environment for our employees despite challenges towards the end of the year brought about by the COVID-19 pandemic which changed the way we work.

Key initiatives in human capital management

- Continued focus and investment in building and attracting the right capability for current and future skills requirements
- Building and investing in a strong leadership team
- Emphasis on achieving diversity and inclusion in the workforce
- Investment in Human Capital Technology to enable an agile workforce
- Alignment of performance management practices
- Focus on employee wellness and safety

At year end, the DBSA employed 610 (2019: 597) permanent and fixed term contract employees.

No. of Employees



Staff retention is a crucial focus area and DBSA successfully has managed to keep its controllable turnover below 5%.

INVESTING IN OUR PEOPLE

It has become a way of life at the DBSA to continue to skill and reskill employees to adapt their roles as the organisational landscape requires as well as building operating model flexibility. The DBSA has on an ongoing basis set aside 5% of the salary bill towards training and development in the following programmes or schemes. In the past financial year the allocation was used as follows:

67
Employees enrolled on the Tertiary Education Scheme

43
Employees children enrolled on the Tertiary Education Scheme

28
Employees on Learnerships Programmes

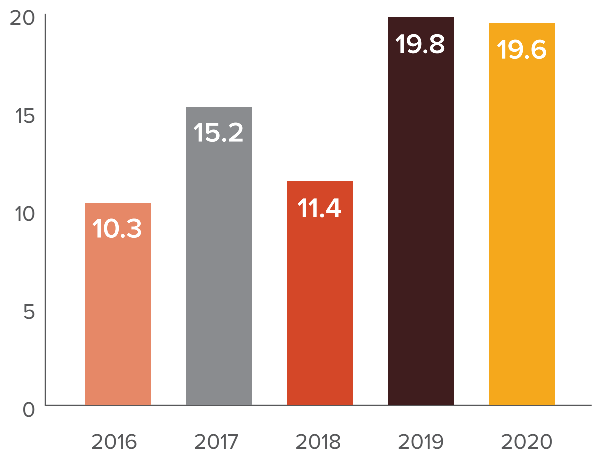
68
Employees on Leadership and Management Development Programmes

602
Employees on targeted Training and Development courses / programmes

19
Internships and Unemployed Youth on Development Programmes

In the 2019/2020 financial year, the DBSA invested R30 million in skills development (R19.6 million in training and R10.5 million in tertiary education, internships and employee development).

Training Spend (R million)



We are committed to creating and maintaining an environment which provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups.

Youth unemployment, employee internship and learnership programmes

Youth unemployment is increasing every year in South Africa and the DBSA has started to focus on assisting with addressing youth unemployment. This provides youth with the opportunity to obtain work experience and learn new skills so that they too can be employed in the broader labour market.

Learnerships, both for currently employed and unemployed, remain a strategic imperative across the DBSA given the need to establish a solid talent foundation at entry level positions. It focuses on developing skills in core occupational areas related to Audit, ICT and administration resourcing, administration, project management and generic management. The focus on learnerships going forward will be on incorporating the skills of the future into the curricula as well as in providing an outstanding learner experience.

EMPLOYEE WELLBEING

The DBSA provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health with aim of ensuring that our employees are healthy and motivated. These benefits amongst others include:

PRIMARY HEALTH CARE	Onsite Clinic for staff
24-HOUR WELLNESS ASSIST	Wellness Service Provider to assist families in respect of all wellness matters
EMPLOYEE BENEFITS	Medical Aid Retirement Benefits Insurance and Illness Benefits

A company-wide assistance programme is provided to all employees. This value-added benefit entitles employees and their immediate families to a broad range of services, namely emergency medical assistance, personal health and financial advisory services, trauma and assault assistance, HIV protection services and funeral cover. It is supported by a 24-hour call centre.

DIVERSITY, INCLUSION AND TRANSFORMATION

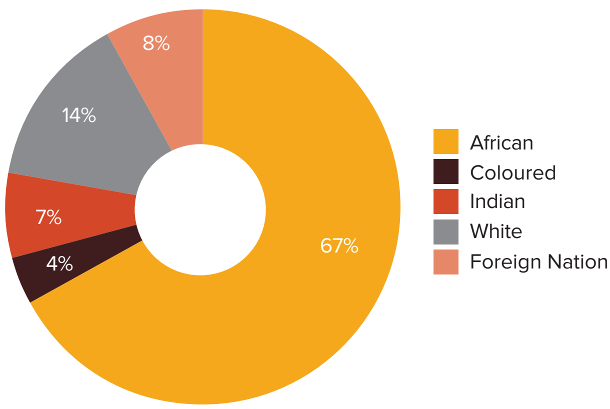
Employment equity

The principles of empowerment and diversity are entrenched into the ethos of the DBSA. The tables below reflect our employment equity statistics.

Our workforce reflects our focused employment equity philosophy. Accordingly, the DBSA has an overall 78% black representation with the balance made of 14% white and 8% foreign representation.

The main challenges in employment equity remain in the areas of senior management and black disabled employees. The DBSA Learning and Development continually assists in facilitating and fast tracking the development of our employees' skills, enabling our development pipeline.

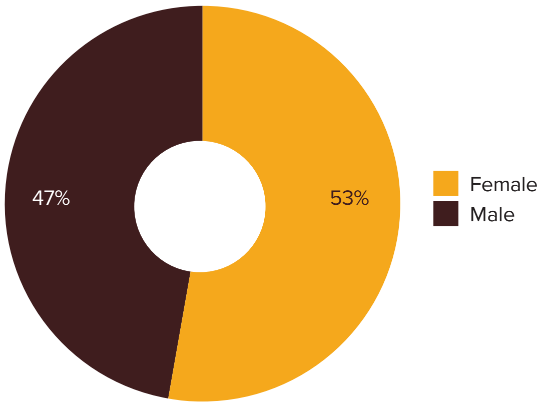
Employment Diversity



Gender diversity

At the DBSA, we manage gender diversity to ensure that our employee composition is representative of the society in which we operate. In the year under review 53% of our staff were female. Beyond gender diversity internally we also focus on improving gender diversity beyond our own operations through gender mainstreaming as detailed below.

Employment Diversity (Gender %)



Gender mainstreaming at the DBSA

The first year of gender mainstreaming at the DBSA has seen highlights across the four pillars of the programme. In 2018, the Board approved the four pillars, which include:

- Promoting investments in women-owned projects
- Adapting strategies, policies and procedures to enable gender mainstreaming across the DBSA
- Providing capacity building and knowledge sharing
- Building partnerships with public and private partners who share our vision for gender equality

This section of the report will provide an update on the initiatives behind each of these pillars.

Investments in women-owned projects

The DBSA's mandate allows it to finance large scale infrastructure of significant quantum. In working with female groups in the sectors we focus on, namely energy, ICT, transport and water and sanitation, it has become evident that women-owned or women-led businesses operate in smaller projects at lower quantum. In order to achieve our objective of financing women-owned projects, a cross-functional team has worked to redefine the DBSA's lending and technical assistance processes for smaller projects, redefining our key performance indicators from size of project to number of projects in order to finance sufficiently across the DBSA's value chain.

Towards the end of the financial year, the Board approved a KPI that calls for a specific number of projects to be financed throughout the infrastructure development value chain. This initiative is aligned to the DBSA's transition to a focus on development impact and social change. Furthermore, the DBSA's association with the Global Climate Fund (GCF) and the Global Environmental Facility (GEF) coupled with its Environmental and Social Safeguard Standards (ESSS) ensure that gender assessments and Gender Action Plans (GAP) are included in applications for project finance.

Strategies, policies and procedures to enable gender mainstreaming

At present, policies and procedures at the DBSA tend to be gender neutral. To enable gender mainstreaming we will examine the relevant policies and procedures that need to be adapted to ensure that women-owned businesses have an opportunity to enter our value-chain and obtain finance and technical support. Adapting procedures and policies is, however, a lengthy process through relevant official channels. As a result, we approach it as a long-term project.

The DBSA's sector strategies have already been adapted to include opportunities for women beneficiaries and women-owned businesses. Each mandated sector is aimed to be gender-smart by the end of the next sector strategy cycle. The Board's support of gender mainstreaming across the DBSA's value-chain has ensured our commitment to adapting the strategies to meet all gender equality requirements within the infrastructure space.

Capacity building and knowledge sharing

This pillar has seen great results in the year under review. The DBSA has established partnerships with Henley Business School and the Gordon Institute of Business Science (GIBS) at the University of Pretoria to present an in-house leadership training programme for staff. The GIBS programme is focused on building a pipeline of women for management at the DBSA, while the Henley programme prepares a mixed group of staff for leadership positions.

The DBSA's success in gender mainstreaming is evident through the awards we received in 2019. The Bank entered the awards for the first time in the year under review and we applaud the cross functional team that enabled the nominations. The Bank was a finalist in two categories:

- Mainstreaming Gender and Disability
- Investing in Young Women

Our knowledge sharing on gender mainstreaming has extended beyond the borders of South Africa to Namibia and Zambia. The Development Bank of Namibia and the Development Bank of Zambia requested assistance with their gender mainstreaming processes. The DBSA's role as a thought leader in this regard was well received as we aimed to share our experience and knowledge in gender mainstreaming with other member institutions throughout the Southern African Development Community (SADC) Development Finance Resource Centre (DFRC).

Gender-lens or gender smart investments have been a topic of discussion at two DBSA-hosted workshops during the year. The objective of these workshops was to create an ecosystem of financiers who support women-owned projects. Discussions on strategy were held with Women in Oil and Energy in South Africa and Women and Water partners to bring stakeholders together to move the debates on financing infrastructure sectors.

Partnerships with public and private partners who share our vision for gender equality

Our main partners in gender mainstreaming have been the African Development Bank, government departments linked to our mandated sectors, international DFIs, JICA, UN Women, women-focused investment companies, the Bertha Centre at the University of Cape Town, NGOs, the IDC and the Land Bank. Currently, the DBSA is deepening its partnership with Global Climate Fund and the Global Environmental Facility and SADC.

We have forged links with networks of women-owned businesses in our mandated sectors and are engaging in national and global debates on women's access to finance for infrastructure development. One partnership that goes across all SDGs, including SDG 5, gender equality, is with the International Development Finance Club (IDFC), a consortium of 26 development banks from around the world. The DBSA is a key partner in the Gender Equality working group aiming to promote women's development across the members' contexts.

The Bank has entered a partnership with the Unemployment Insurance Fund (UIF) to obtain funds to develop women service providers along the infrastructure value-chain. This project will ensure that female engineers, quantity surveyors, lawyers and architects have access to municipal projects financed through the DBSA.

The DBSA has strong private sector partnerships such as the 30% Club and Business Engage, an organisation focused on increasing the number of women on boards and on highlighting best practice for gender mainstreaming. In 2019, the DBSA was the only State-Owned Institution recognised for its gender mainstreaming programme at the annual Business Engage Gender Mainstreaming Awards. We encourage other DFIs to enter the competition in 2020.

The DBSA has various initiatives exploring ways through which women-owned businesses could be brought into the infrastructure value chain, either as small businesses providing services and components in our mandated sectors or as project sponsors in larger projects. The DBSA is committed to making infrastructure work for our suppliers and our beneficiaries.

The year under review has been one of building and preparing a strong foundation for when the Bank embarks on financing women-owned projects. Our focus for the year to come will be to finance projects and to test our new models of doing business for sustainable development and development impact.

ENHANCING HUMAN CAPITAL IN INFRASTRUCTURE

Infrastructure Fund

Most public sector bodies have not been designed to have the capacity to prepare and structure blended finance infrastructure programmes and projects on their own. Structuring blended finance solutions requires scarce expertise, and the Infrastructure Fund will be established in the DBSA as a central repository of this expertise, to make it accessible to project owners. The Infrastructure Fund division will provide support to public sector bodies in structuring innovative blended finance mechanisms and solutions for public infrastructure projects which fall into the blended finance category, in order to unlock the current shortage of bankable blended finance projects being presented to the private sector for funding.

The Pan-African Capacity Building Programme

The Pan-African Capacity Building Programme (PACBP) is a skills development agency that offers targeted training and skills development for African public sector professionals. This enhances the delivery of public sector institutions' infrastructure development mandates and equips them with the skills of the future. Established in 2009, the programme was co-funded by the DBSA and the Industrial Development Corporation (IDC) until March 2019, after which the DBSA continued as the sole funder. To date, the DBSA continues its involvement as the sole funder and implementing agent of the programme.

HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE REPORT

For the year ended 31 March 2020

We are pleased to present our report for the financial year ended 31 March 2020. The Human Resources, Remuneration and Nomination Committee (HRNC) has adopted appropriate formal terms of reference as its HRNC Charter has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

The primary functions of the Committee are to consider, monitor and report to the Board on key issues such as remuneration, nomination and related matters, compliance with King IV, the DBSA Act and Regulations and any additional corporate governance requirements of DBSA.

Membership and meeting held

The HRNC members and attendance are reflected on page 75 in the summary governance report..

The Committee met four times in the past year. The Committee comprises seven Independent Non-executive Directors. The CEO and the Group Executive: Human Capital attended by invitation. During the year under review, the Committee utilised the services of independent advisors on matters relating to the remuneration trend.

Impact of King IV

King IV recommended that the accounting authority should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. HRNC, amongst others, is responsible for reviewing and monitoring the implementation of the organisation's Human Capital Strategy and Plan. The DBSA has adopted a total reward approach, which has both financial and non-financial elements of reward.

Responsibility

The Board of Directors has established the HRNC to support it in the execution of its duties concerning the implementation of the human capital strategy, nomination of directors, executive remuneration for the DBSA, board/directors' affairs and governance issues. The Board of Directors is the focal point of the corporate governance system in the DBSA. The Committee is accountable to the Board of Directors to properly consider and evaluate any matter that it has been mandated to deal with.

Key focus areas

Key activities during the year included noting and/or recommending the following for approval by the Board:

- Reviewed the Board tenure database with a focus on the imminent expiration of directors' terms, existing vacancies and composition of skills and experience and other qualities required for the effectiveness of the Board Committees
- Recommended to Board candidates for appointment on the role for Chairman and Deputy Chairman into the DBSA Board
- Recommended to Board the approval of Board Sub-Committee membership review
- Monitored implementation of the 2018/19 Board evaluation action plan
- Considered Governance Report on themes emerging from the South African Commissions of Enquiries
- Recommended to the Board the approval of the reviewed Board of Directors' Conflict of Interest Policy
- Recommended to Board for approval of the Board training/development plan to enhance director competencies
- Reviewed the performance of the CEO
- Reviewed of the HRNC Terms of Reference

Remuneration

- Considered for approval by the shareholder Chairman and the non-executive directors' fees in line with market trends and prevailing legislation
- Oversaw the setting and administering of remuneration at all levels, the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance
- Reviewed performance against agreed strategic objectives as set out in the corporate plan and balanced scorecard to facilitate effective performance monitoring, evaluation and corrective action
- Recommended to Board approval of annual increase envelope for employees and executives
- Considered and recommended to Board the approval of the 2019/20 quantum of incentive pool for executives and staff of the DBSA
- Assessed the corporate and CEO performance for 2019/20 against the approved corporate and CEO scorecard
- Recommended to Board approval of the short-term incentive (STI) pool for employees and executives
- Reviewed the DBSA remuneration practices specifically in terms of gender and pay equality perspective

- Monitored the progress regarding employment equity and that the DBSA filed the appropriate reports to the Department of Labour
- Monitored and reviewed the key Human Capital Risks

Human Resources

- Monitored the implementation and execution of the Bank's human capital strategy and transformation as well as issued policy requirements for implementation by management
- Reviewed performance scorecards and succession plans for Executive Directors and Executive management
- Reviewed Enterprise Risk Management report relating to human capital risk
- Oversaw employment equity and other human capital statutory reports
- Oversaw the implementation of the Bank's training and development plan

Future areas of focus

Focus areas for the forthcoming year include to:

- Engaging with the Shareholder in respect of the DBSA's long-term incentive scheme which is aimed at long-term sustainability of the organisation and retention of key staff
- Board succession plan
- Consideration of the size and composition of the Board committees.
- Continually reviewing and assessing the Human Capital and People Strategy/Plan that will drive the successful execution of the DBSA strategy

Patience Nosipho Nqeto
Chairman of the Human Resources, Remuneration and Nomination Committee

REMUNERATION REPORT

The Human Resources Nominations Committee (HRNC) is delegated by the Board to ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term in accordance with the requirements of King IV.

HRNC, amongst others, is also responsible for reviewing and monitoring the implementation of the organisation's Human Capital Strategy and Plan.

The DBSA's overarching remuneration philosophy has remained unchanged from prior years. It aims to support the execution of the organisation's mandate and business strategy, promote good governance and risk management, motivate and reinforce performance at all levels as well as ensure long-term financial sustainability of the DBSA. The DBSA continues to maintain focus on employing and retaining the highest calibre individuals through the payment of competitive total reward packages.

This report provides an overview of how the DBSA remuneration policy has been implemented in the organisation.

HRNC considerations and decisions

The DBSA set out challenging targets to achieve despite the tough economic and political environment in the continent. The COVID-19 pandemic brought both human tragedy and a far reaching and profound economic crisis. This presented challenges to all industries including the DBSA and development finance institutions. Notwithstanding these challenges, the organisation's performance from a financial sustainability and development impact perspective was satisfactory. This could only be achieved through the dedication and hard work of the Bank's employees. The organisational performance achievements against the set targets are further detailed in this report.

The targets and the extent to which they have been achieved had a direct impact on the incentives paid to executives and employees.

Achievement of policy objectives

The DBSA's Remuneration Policy is designed in a manner that is 'fit for purpose' with the direct intention of enabling the attraction, retention of the right staff and creating an environment that drives high performance. One of the key challenges of the policy remain the non-approval of the long-term incentive scheme which is aimed at long-term sustainability of the organisation and retention of key staff.

The DBSA will continue to engage with the Shareholder in this respect in order to align its policy to best practice.

The key decisions taken and activities of the Committee for the year were as follows:

- Reviewed and recommended for approval by the Board the proposed corporate and CEO scorecards for 2019/20 financial year
- Assessed the corporate and CEO performance for 2019/20 against the approved corporate and CEO scorecards
- Reviewed and recommended for approval by the Board the annual increase envelope for employees and executives
- Reviewed and recommended for approval the short-term incentive (STI) pool for employees and executives
- Reviewed and recommended for approval by the Board approval of the headcount and personnel expenditure budget for the next financial year (2020/21)
- Reviewed and recommended for approval by the Board the allocation of STI for the CEO and executives.
- Reviewed and recommended for approval by the Board the retention bonus allocation for the CEO and executives
- Recommended the Remuneration Policy including the long-term incentive scheme to the Annual General Meeting (AGM) for approval
- Recommended the Non-executives' Fees to the AGM for approval
- Reviewed the DBSA remuneration practices, specifically in terms of gender and pay equality perspective
- Monitored the progress regarding employment equity and that the DBSA filed the appropriate reports to the Department of Labour
- Monitored and reviewed the key Human Capital Risks
- Reviewed the DBSA practices in respect of remuneration governance in accordance with King IV
- Reviewed and approved the performance conditions for the organisation for the 2020/21 financial year

Employee remuneration

The DBSA has adopted a total reward approach, which has both financial and non-financial elements of reward. The different reward elements are summarised as follows:

	Guaranteed Pay	Variable Pay			Non-financial
Description	• Cash Salary • Company Benefits (Provident Fund, Medical Aid and Insured Benefits)	Short-Term Incentives: annual incentive scheme measured against agreed performance hurdles and targets as per the Remuneration Policy	Long-Term Incentives measured against long-term performance hurdles and targets (not implemented yet)	Retention Incentives: for the retention of key staff	• Development and training • Study assistance for employees' tertiary education • Study assistance for employees' children's tertiary education • Leave benefits over and above the Basic Conditions of Employment Act (BCEA) • Employee wellness programmes • DBSA culture and environment
Objective	• Fixed pay for the scope and depth of role, experience and level of responsibility • Attract and retain through competitive base pay	Encourage and reward superior performance in a financial year	• Encourage continuous high levels of performance • Long-term financial sustainability • Retention	Retention of critical and scarce talent	• Preferred and nurturing employer • Conducive working environment
Eligibility	All	All	Executive management and key talent	Executive management and key talent	All

Guaranteed pay

In establishing appropriate and competitive guaranteed pay ranges, the Bank uses external market research taking into account the jobs and matching them comparably to positions in the market. Other factors include demand and supply of skills and similarly graded positions.

We use independent providers to ensure we pay employees competitively. Salary benchmarking is performed at least annually to keep track of market movements.

Annual guaranteed pay increase review takes place in April of each year. Pay increases are decided upon using variables such as organisational and individual performance, organisational affordability, inflation and market data.

In line with the principle of fair and responsible remuneration, the DBSA continuously reviews the internal pay gap and disparities in remuneration in the organisation and adjusts accordingly.

Short-term Incentives (STI)

All qualifying employees, including Executive Management participate in the annual STI Scheme. STI payments are discretionary and depend on business and individual performances. The organisational STI bonus pool is determined by the performance measures as agreed for the financial year under review. In order to qualify for an STI bonus pool the organisation must achieve the minimum performance rating of three or greater in the annual Balanced Scorecard (BSC) performance assessment. The STI hurdles to measure and determine the size of the pool are as follows:

STI Scorecard		
Measure	**Strategy**	**Weighting**
Sustainable earnings*	Sustainable profitability	40%
Operating cash flow generated	Profitability converted to cash	30%
Value of infrastructure unlocked	Developmental mandate	30%

** Sustainable Earnings = Net Profit, adjusted for non-recurring items, foreign exchange gains/losses and revaluation adjustments on treasury instruments*

To determine the actual Corporate Bonus Pool Allocation based on the actual weighted score, the following table is used:

Actual Weighted score	Bonus Pool Allocation
< 80%	0%
80%	20%
90%	47,5%
100%	75%
110%	87,5%
120%	100%
+120%	100%

For the year under review, the DBSA achieved a weighted score of 101.4% which equated to 76.75% of the maximum short-term incentive allocation.

The maximum STI bonus allocation is calculated by summing up the maximum allocation per employee in terms of job category.

However, given the impact of COVID-19 and the relative performance of the DBSA, a bonus pool of 48% of maximum STI bonus allocation was made available to pay to employees.

STI distribution for employees excluding Executive Management is based on differentiation of performance and was divided into four categories as follows:

Performance Distribution Categories

Category A: The top high performers in the organisation, who have demonstrated living the values of the DBSA as motivated by the relevant Group Executives and ratified and approved by the CEO.
Category B: Individuals who have made a significant contribution towards the overall achievement of both divisional and organisational targets and have demonstrated living the values of the DBSA.
Category C: Individuals who have achieved a moderate contribution towards the achievement of their objectives and have demonstrated living the DBSA values. These individuals will be considered for a performance incentive award that is commensurate with their performance.
Category D: Individuals who have underperformed and have not achieved their core performance objectives. As the focus is on rewarding high performance, these individuals will therefore not qualify for a performance incentive award. These individuals will be required to undergo a performance management process with the aim of improving their performance.

The allocation of STI bonuses to executives is aligned to that of the State-Owned Enterprise Remuneration Guidelines and the DBSA Remuneration Policy.

Refer to pages 16 - 18 of the Annual Financial Statements for performance against the predetermined goals.

Other Incentives

The DBSA may award retention incentives for the purposes of retaining key employees and subject to approval by the delegated authority. A precondition of the retention incentives is that if the recipient of the incentive leaves the employ of the organisation within the period determined according to value and criticality of skill, the recipient will be required to pay back the full incentive to the DBSA.

Diversity and Inclusion

The DBSA is committed to attracting and retaining a diverse team of people that is representative of the economically active population of our country.

A diverse workforce is crucial to our ability to better serve our customers, drive innovation and creativity given that people with different backgrounds bring different experiences, ideas, networks and skills, provide a boost for our employer brand and the aptitude to adapt and prosper in a fast-changing world. We recognise the benefits of a diverse workforce being able to contribute alternative perspectives and challenge the status quo which is integral to the DBSA culture.

Gender pay gap legislation has been introduced in many countries in the world and South Africa has taken steps to remedy the situation.

The Employment Equity Act sets out the principle of equal pay for equal value. This legislation encourages employers to make greater advances in addressing the disparity of earnings between men and women for doing the same job. We are proud to say that across our organisation men and women are paid within the same pay range for performing the same job with the same experience and performance outputs.

Board Remuneration

The DBSA compensates and remunerates its Directors and Non-executive Directors in a manner which enables it to attract and retain high-calibre and professional Directors to ensure that the Board has, at all times, the necessary skills required to execute on its mandate.

Directors and Non-executive Directors are remunerated according to their scope of responsibility and contribution to the DBSA's operating and financial performance, taking into account industry norms, including the State-Owned Enterprise

Remuneration Guidelines as well as the external market and benchmarks.

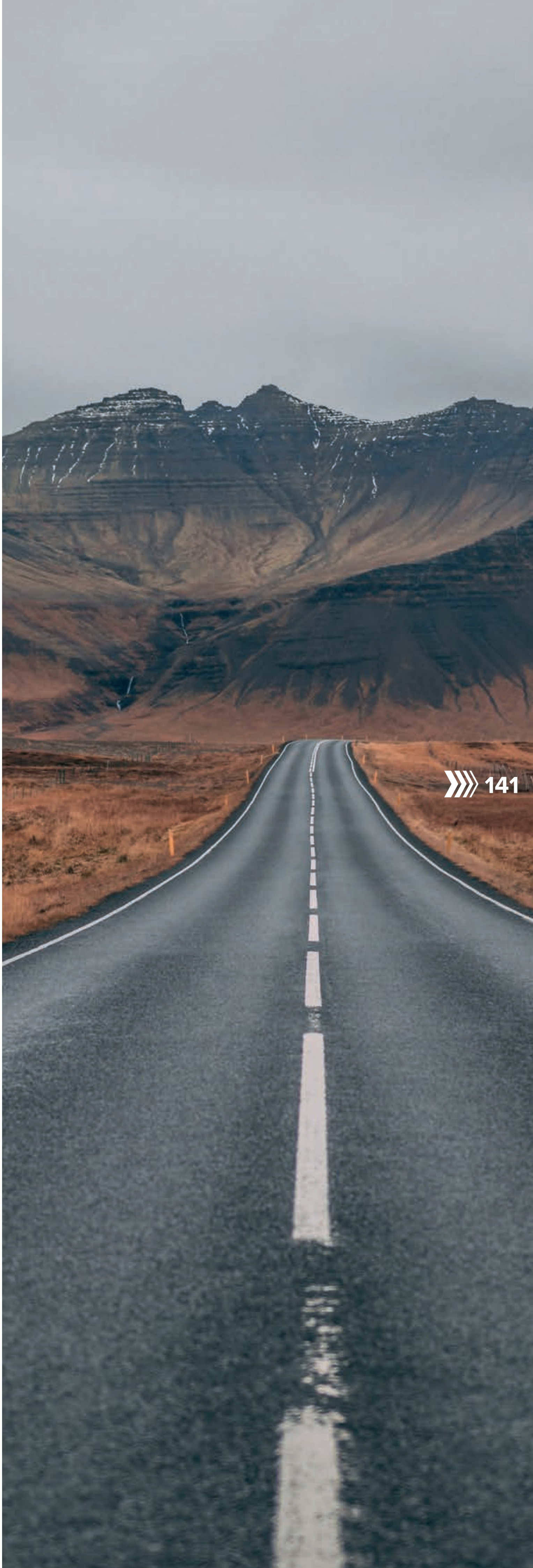
Non-executive Directors receive a combination of fixed and meeting attendance fees for their participation on the Board and Board Committees. Non-executive Directors do not qualify to participate in any variable pay incentive schemes in order to preserve their independence. Board members are compensated for expenses incurred in pursuance of the DBSA's business.

HRNC reviews the Non-executive Directors fees annually and makes recommendations to the Board and the Minister of Finance for consideration and approval.

No related party transactions with Board members occurred during the financial year, except for payments in respect of attendance at Board and Board committee meetings.

Details of fees earned by Non-executive Directors are reflected in note 41.2 to the Annual Financial Statements.

The DBSA provides for no ex gratia payments on termination of office of Executive Directors and Executive Management other than payments that are due under existing incentive schemes.



DBSA IN ACTION:

COVID-19 INTERVENTIONS

Objectives

- To contribute to fighting against the spread of the pandemic and helping build Africa's prosperity following the devastating economic impact
- To develop a response that addresses short-term humanitarian interventions and initiatives with a long-term focus

The DBSA's Role

- Humanitarian interventions funded from our CSI budget and DBSA Emergency Relief Fund, including supporting the National Coronavirus Command Centre, Council for Scientific and Industrial Research initiatives, trace initiatives run in conjunction with mobile network operators and immediate and critical humanitarian needs.
- Augmenting the financial and delivery capacity of local government to respond decisively through short-term initiatives that are fast-tracked by local government to ensure that vulnerable communities are cushioned from the negative impacts of the pandemic and receive critical supplies that mitigate the spread of the virus.
- Accelerating long-term growth-inducing initiatives that will act as stimulus as the country embarks on rebuilding the economy by addressing the infrastructure backlog, among others.

Development Impact

- Economic development
- Social development

Stakeholders and Partners

- National Disaster Management Centre
- Solidarity Fund
- KfW Development Bank
- World Bank
- CSIR
- National Treasury
- Provincial and local government
- Department of Health
- Department of Water and Sanitation
- SADC countries

The DBSA mandate, vision and mission enjoin the Bank to contribute towards improving the quality of life and to contribute towards sustainable development. This is achieved through promoting economic growth by actively and conscientiously investing in economic and social infrastructure. As a responsible corporate citizen and an organ of state, the Bank will provide support to society without losing track of its focus areas/sectors.

Refer to pages 16 – 17 for further details on Our response to the COVID-19 pandemic.

OUR REFERENCE INFORMATION

ANNEXURE A – APPLICATION OF KING IV PRINCIPLES

Principle 1: The governing body should lead ethically and effectively.	The DBSA's Board is responsible for providing leadership and strategic oversight to the Bank to ensure that the Shareholder's value creation is achieved. The Board members are accountable both as individuals and as a collective to provide sound judgment and ethical leadership through the ethical principles enacted in King IV and their fiduciary responsibilities as contained in the Companies Act of 2008. These principles and responsibilities are embedded in the Board Charter and the DBSA's Code of Ethics. Our ethics policies include the Directors' Conflict of Interest Policy, the Politically Exposed Persons Policy, the Anti-Bribery and Corruption Policy which governs the Board to uphold ethical standards and lead ethically. Furthermore, the Board ensures that the shared organisational values are enshrined in all the policies and operations of the Bank. During the year under review, the Shareholder conducted an independent Board evaluation, which encompassed an assessment of the performance of individual members of the Board, and peer evaluation of the Directors to measure the achievement of the Board's purpose. The Board has invested in the development of Directors in key business areas, covering trends in credit skills and remuneration amongst others.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has approved shared values namely integrity, high performance, service orientation, customer and innovation. These values form the basis of our Code of Ethics, which applies to the DBSA's employees, Board and suppliers. The Ethics Office has developed a well-consulted Ethics Management Strategy and Plan during the year under review. This is aimed at entrenching ethics in the day-to-day business conducts, thus building towards a maturing ethical culture in the Bank. Training of ethics policies was provided during inductions throughout the year and through employees/managers consulting with the Ethics Office for ethical advice before making business decisions in the best interest of the Bank. Performance evaluations of employees include ethical conduct. The Ethics Office reports to the Social and Ethics Committee quarterly about the ethics performance of the Bank. The Social and Ethics Committee of the Board exercises oversight over the ethics management of the Bank. As a continuous endeavour to establish an ethical culture, the future focus includes starting to institutionalise the three years Ethics Management Plan according to the timelines on the plan. However, it must be noted that the adverse effect emanating from the COVID-19 pandemic has stalled progress on this deliverable as most of the activities required physical contact. However, virtual initiatives are considered to maintain an ethical culture in the Bank. The Code of Ethics is available on our website, **www.dbsa.org**
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The DBSA is intentional about integrating responsible corporate citizenship (RCS) as part of the way it does business. The performance measures of RCS are shared across functions and business units. The Board has delegated to the Social and Ethics Committee and Board Credit and Investment Committee, the oversight of integrated responsible corporate citizenship performance of the DBSA. This is governed through the implementation of the Board approved Sustainability Framework informed by Environment and Social Safeguards Standards (ESSS). It promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. In the wake of the COVID-19 pandemic, the organisation has introduced the Working From Home (WFH) policy and systems for employees to comply with the lockdown regulations to support the Government's efforts to manage the effects of the pandemic. Through the Bank's Stakeholder Management Programme which included a pilot to measure its stakeholder relationship quality, the Bank has appreciated its strengths to enhance and identified its areas of improvement. To redress the areas of improvement, the Stakeholder Relations Office has developed mitigation actions to strengthen more our stakeholder engagements to make the Bank more customer-centric in its operations.

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Integrated Annual Report demonstrates that organisational performance is understood as both the achievement of objectives and the enhancement of the capitals and relationships that the DBSA uses and affects, i.e. value-creation. Sustainable development is seen to be a source of opportunity and the DBSA defines its core purpose, sets and achieves its strategic objectives with reference to risk and opportunity. The Board assesses on a continual basis the positive and negative outcomes resulting from its business model and responds to it as highlighted in the Integrated Annual Report. To view the DBSA's core purpose, risks and opportunities, strategy and business model, as well as the performance in terms thereof, refer to page 12 of this report
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Integrated Annual Report presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of the DBSA's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. The DBSA is striving to fully achieve this principle by actively soliciting input from key users of our reports to create a learning cycle that will result in continual improvement of the way that we communicate with our stakeholders amongst other, through our reports, website and Stock Exchange News Service (SENS). The DBSA's Integrated Annual Report, Annual Financial Statements, Sustainability Review and Corporate governance disclosures required can be downloaded from our website, **www.dbsa.org**
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The DBSA Board served as the focal point and custodian of corporate governance in the organisation during the year under review. The Board provided an oversight on strategic direction and targets set and ensured that the Bank has a good strategic framework. The Board, in carrying out its duties, had the support of good governance structures from the Board Committees, executives, risk management, internal audit and compliance functions and good operating procedures. During the year under review, the Board met 7 times and attendance was satisfactory at all times. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the period under review. In carrying out its responsibilities the Board adhered to the DBSA Board Charter which stipulates the Board duties and responsibilities in line with King IV. In line with King IV, the Board Charter was reviewed during the year under review. The Board Charter is available on our website, **www.dbsa.org**

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board considers the size of the Board satisfactory with different races, ages and good representation from a gender perspective. Collectively the Board has qualifications and experience required to provide strategic direction to the Bank. In the past three years, the Board has been in a transitional phase due to loss of institutional skills in 2017, wherein a number of the Board members' terms were not renewed, followed by the departure of the Chairman and the Deputy Chairman in 2018 due to expiry of the term of office. In August 2019, Ms. G Mtetwa resigned to take up a full-time executive position at another financial services company. At the end of the year under review, the Board comprises 13 members, i.e. 11 non-executive directors and 2 executive directors, 85% blacks (10 African and 1 Asian), 2 whites and 62% women (8 females). The gender and race representation is in line with the Government Policy which requires at least 75% Black and 50% women representation in senior management positions. No board members are serving for longer than nine years. One Director resigned during the year. The Chairman of the Board is an independent non- executive director who understands his duty to act in the best interest of the Bank. The Chairman is an Independent Non-executive Director who is supported by a Deputy Chairman who is an Independent Non-executive Director. For more detail on the composition of the Board of Directors, refer to pages 76 – 80.
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	To enable the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and oversight and confirming the location of authority and decision rights within the Bank, there is a clear delegation of authority from the Board to its Committees and subsequently to the Chief Executive Officer. The current Board Committees are; Audit and Risk, Board Credit and Investment, Human Resources and Nomination, Infrastructure Delivery Knowledge and Social and Ethics. For information on Board Committees, i.e. responsibilities, functions, composition, etc. refer to page 71. The Audit and Risk Committee report including disclosure of independent of external auditors.

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	In the 2018/19 financial year, the Bank received the Board evaluation assessment outcome conducted by Ernest & Young. The Board through the Human Resources Nominations Committee monitored the implementation of the recommended remedial actions. Amongst others, the Human Resources Nominations Committee oversaw the Bank's pilot measuring stakeholder relationship quality which resulted in an overall index of 68. The score indicates good relational capital that results in good value creation and effectiveness of the relationships. In the 2019/20 financial year, the Shareholder engaged the Institute of Directors in South Africa (IoDSA) to conduct Board evaluation with a focus on the performance of the Board and individual Directors as well as the skills requirements of the Board. The outcome of the project was expected to guide the Board and the Shareholder in terms of succession planning, re-appointments and new appointments based on performance, culture fit, and skills requirements. The outcome of the assessment was received post year end. Amongst others the 2019/20 Board evaluation highlighted relational dynamics amongst Board members, skills gap and Board succession planning as key areas which require improvement and/or attention. The process of appointment and re-appointment led by the Shareholder is underway. Eight of the eleven Non-executive Directors' terms of office will expire in the 2020/21 financial year. The Board will engage the Shareholder to ensure that the re-appointment and appointment decisions take into consideration the need for effective Board succession and/or rotation plan.
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Within the prescripts of the DBSA enabling Act, the Board adheres to the best good governance practices concerning the appointment of the CEO. The Human Resources Nominations Committee annually reviews the performance of the CEO on behalf of the Board. The CEO is delegated with the authority from and is accountable to, the Board for the development and successful implementation of the Banks group strategy and the overall management and performance of the Bank. To enable the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and oversight and confirming the location of authority and decision rights within the Bank, there is a clear delegation of authority from the Board to the CEO. The Board is satisfied that its delegation to management enables the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and confirmation of the location of authority and decision rights within the Bank. The Board is supported by the Company Secretary with the requisite knowledge and skills who provides professional guidance on corporate governance matters including Board development and coordinates the functioning of the Board and its Committees. The Board is satisfied with the current arrangements in place for accessing professional corporate governance services and there is an ongoing discussion to enhance the arrangements.

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The management of risk and opportunity is a fundamental part of delivering on our mandate ensuring that the Bank achieves its objectives on a sustainable basis. The DBSA's risk management function adheres to the principles of KING IV to oversee the Bank's internal control framework and the implementation of risk management processes across the Bank's value chain.

The Bank has adopted a combined assurance model that comprises five lines of defence and clearly defines the roles and responsibilities for the management of risk within the Bank. It emphasises that the ownership and management of risk is everyone's responsibility within the Bank from the Board to line management and employees. As per the DBSA's governance framework, DBSA Board has appointed the Audit and Risk Committee (ARC), a Board subcommittee, to be ultimately accountable for the effective management of risk and opportunity. All other Board subcommittees (namely BCIC, IDKC, HRNC, SEC) provide oversight for key risks that are relevant for their Terms of Reference. There are Management Committees such as IC, ALCO, IEC and SCMC that ensure effective management of key organisational risks. Group Executives/Heads where relevant shall assume accountability for the implementation of the risk management framework within the risk policies adopted by the Chief Executive Officer.

In pursuit of the Bank's strategic objectives which are: deepening financial sustainability, accelerating development impact, building future-fit DBSA and smart partnerships. The Bank identifies the effects of uncertainty to these objectives, this is done on an annual basis and published as the principal risks. The Board has approved a risk appetite statement with specific metrics to track and monitor key risks that have been approved by the Board. The risk appetite statement defines the types and amount of risk that the DBSA can take in pursuit of its objectives.

As at 31 March 2020, the following were the principal risks of the DBSA:

Rank	Principal risk	Risk rating trend (Q3 to Q4)	Within Appetite
1	Changing operating environment	Increasing	No
2	Country and political	Constant	No
3	Credit	Increasing	No
4	People	Constant	No
5	Infrastructure Implementation	Constant	Yes
6	Reputation	Increasing	Yes
7	Development Impact	Constant	Yes
8	Cyber and Technology	Constant	Yes
9	Funding and Liquidity	Increasing	No
10	Sustainability	Constant	Yes

A review of the Enterprise Risk Management (ERM) function across the Bank is done on an annual basis by external auditors. Actions emanating from any findings are addressed where applicable. The ERM unit sets out its objectives in the annual Enterprise Risk Management plan which is approved and signed off by the Board.

There is a global pandemic caused by the COVID-19 (Coronavirus) which has led to a nationwide lockdown in South Africa and other countries around the world. This has caused DBSA to activate its Business Continuity Plan and to implement a "Work from Home" strategy, from 17 March 2020 to date. As such, together with the sovereign downgrade, DBSA has taken a position to closely monitor the following Principal risks: Liquidity, credit, reputation, people and culture, development impact, product innovation, cybersecurity, operations and a second-wave of COVID-19.

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board places the importance of technology and information as it is interrelated with the strategy, performance and sustainability of the DBSA. The Audit and Risk Committee (ARC) exercises oversight over the governance of the Information and Technology function of the Bank. The operationalisation of ICT governance and compliance has been delegated to management. Management monitors the implementation and compliance of ICT Governance, ICT Risk Management (aligned to the Bank's ERM framework), IT infrastructure and Architecture and implementation of Business and IT projects aligned to the Bank's priorities through the ICT Steering Committee. The areas of focus during the reporting period were to improve employee productivity through the implementation of the modern workplace platform, improve accessibility and availability of systems as well as securing DBSA's information assets. There were no major incidents during the reporting period. Concerning Information and Cybersecurity, awareness training was provided to employees, simulation tests conducted periodically, and gaps identified were addressed through ICT operational and monitoring processes in place. The Internal Audit function annually issues a written assessment to the Audit and Risk Committee (ARC), providing assurance on the overall control environment, taking into account the governance of information technology. The assurance provided is informed by the outcome of the audits/ reviews conducted based on an approved risk-based audit plan. Planned future focus is the acceleration of the digital bank capabilities and initiatives for both internal and external stakeholders.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Regulatory and best practice requirements, as well as ongoing changes to the regulatory environment within which the DBSA operates require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation but also supervisory requirements and industry guidelines. The DBSA's compliance risk management programme is aligned to King IV's principle 13, as well as the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa. A compliance framework has been implemented to ensure effective compliance management. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage and monitor compliance risk. Furthermore, this framework sets out arrangements for governing and managing compliance, evident in the DBSA's respective compliance policies. Compliance risk is the risk that processes, procedures and controls implemented by the DBSA to comply with applicable laws and regulations that are not followed and/or are inadequate and ineffective. The failure to manage compliance risks can result in financial penalties, criminal prosecution, reputational damage and greater regulatory scrutiny and intervention. Compliance Risk Management Plans address and manage the risks applicable to the DBSA and its business units as well as the relevant controls to mitigate those risks. The Compliance Unit provides oversight to management and the Board through, inter alia, quarterly reports, as well as emerging compliance risks, reports such as quarterly reports, include monitoring reports to demonstrate the effectiveness of compliance management, detailing inadequacies and recommended remedial actions. Group Compliance has adopted a risk-based approach to the compliance management process within the DBSA. This pragmatic approach recognises that there is a need to prioritise regulatory requirements based on their relative risks and implications. Key compliance focus areas are approved by the DBSA's Audit and Risk Committee on an annual basis. As per the Group Compliance Annual Plan, key focus areas included, inter alia, Public Finance Management Act, No 1 of 1999, Preferential Procurement Policy Framework Act, No 5 of 2000, National Treasury Regulations, Protection of Personal Information Act No 4. of 2013 and, the Anti-Money Laundering Legislative Framework, Financial Intelligence Centre Act Amendment Act, No 2 of 2017, Prevention of Organized Crime Act, No 121 of 1998, Prevention and Combatting of Corrupt Activities Act, No 12 of 2004, Protection of Constitutional Democracy against Terrorists and Related Activities Act, No 33 of 2004. Group Compliance will continue to focus on the abovementioned key focus areas, for the 2020/2021 financial year. The status of the DBSA's compliance is still within our risk appetite, relationships are being well managed with our respective regulators and no fines and/or penalties have been incurred in the financial year. The DBSA Board and executive management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards.

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Remuneration at DBSA is set against a number of factors such as performance, job level, the scope of responsibilities, market benchmarks and competitiveness, the country's economic drivers, and State-Owned Enterprises Remuneration Guidelines pronouncements. The DBSA's Board has the ultimate responsibility to ensure compliance with remuneration principles and limiting risk (this is achieved through an appropriate governance structure). The Human Resources Nominations Committee determines appropriate remuneration policies and guidelines for different levels of the organisation (subject to delegated authority) and monitors performance, in line with the Committee's role and responsibility as set out in the Human Resources Nominations Committee terms of reference. The Audit and Risk Committee assists the Board in carrying out its responsibilities regarding governance, compliance and risk management. This includes the approval of the financial affordability of the remuneration envelope and Short-Term Incentives (STI) pool to ensure the risk exposure within the organisation remains at acceptable levels. The CEO is responsible for approval of changes in remuneration, incentives and benefits and signs off on all increases, promotions, and performance bonus awards (within mandate). The Group Executive: Human Capital is responsible for managing the day to day application of the Remuneration Policy and for recommending changes to policies and practices to the CEO and Human Resources Nominations Committee.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The DBSA has implemented a combined assurance model that is coordinated and managed by the Internal Audit function. A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audits. Quarterly assurance reporting is done by the Combined Assurance Working Committee to the Audit and Risk Committee. The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.
Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The DBSA has identified key stakeholder groupings and their legitimate and reasonable needs, interests and expectations. Stakeholder relationship programmes have been developed to ensure continuous engagement and keeping abreast of stakeholder needs, interests and expectations. The DBSA has also introduced systems to gather and analyse information that could provide useful intelligence on stakeholder perceptions which could adversely affect the DBSA's reputation. The future focus of the Board is to ensure improved oversight of stakeholder engagement including engagements with the shareholder. During the year under review: • DBSA embarked on a pilot to measure its stakeholder relationship quality, which resulted in an Overall Index of 68 • The score indicates good relational capital which aids value creation and effectiveness of the relationships Through the abovementioned Bank's Stakeholder Management Programme, the Bank has appreciated its strengths to enhance and identified its areas of improvement. To redress the areas of improvement, the Stakeholder Relations Office has developed mitigation actions to strengthen more our stakeholder engagements to make the Bank more customer-centric in its operations.

FINANCIAL DEFINITIONS

Callable capital	The authorised but unissued share capital of the DBSA
Cost-to-income ratio	Operating expenses, (including personnel, general and administration, depreciation and amortisation expenses), project preparation and development expenditure as a percentage of income from operations
Income from operations	Net interest income, net fee income and other operating income
Interest cover	Interest income divided by interest expense
Long term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, as percentage of total equity
Long term debt-to-equity ratio (including callable capital)	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits as a percentage of total equity and callable capital
Net interest margin	Net interest income (interest income less interest expense) as a percentage of interest bearing assets
Return on average assets	Net profit or loss for the year expressed as a percentage of average total assets
Return on average equity	Net profit or loss for the year expressed as a percentage of average total equity
Sustainable earnings	Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments

GENERAL INFORMATION

Registered Office	Headway Hill 1258 Lever Road Midrand Johannesburg, South Africa
Postal Address	PO Box 1234 Halfway House 1685 South Africa
Banker	The Standard Bank of South Africa
Registered Auditor	Auditor-General of South Africa
Preparer	The Annual Financial Statements were compiled under the supervision of the Chief Financial Officer, Boitumelo Mosako CA(SA)
JSE Debt Sponsor	Nedbank
Company Registration Number	1600157FN
Primary Debt Listing	JSE
Telephone	+ 27 11 313 3911
Fax	+ 27 11 313 3086
Home page	www.dbsa.org
LinkedIn	www.linkedin.com/company/dbsa/
Twitter	twitter.com/DBSA Bank
Instagram	www.instagram.com/dbsabank/
Email	dbsa@dbsa.org

ACRONYMS AND ABBREVIATIONS

AADFI	Association of African Development Finance Institutions
AFC	Agriculture Finance Corporation of Kenya
B-BBEE	Broad-Based Black Economic Empowerment
CEDA	Citizen Entrepreneurship Development Agency
COGTA	Cooperative Governance and Traditional Affairs Department
CoJ	City of Johannesburg
CSI	Corporate Social Investment
CSP	Cities Support Programme
DBE	Department of Basic Education
DBN	Development Bank of Namibia
DBZ	Development Bank of Zambia
DDM	District Development Model
DHET	Department of Higher Education and Training
DJCS	Department of Justice and Correctional Services
DPWI	Department of Public Works and Infrastructure
DUT	Durban University of Technology
ECD	Early Childhood Development
ECIC	Export Credit Insurance Corporation
EDF	Export Development Fund of Malawi
EDM	Electricidade de Mocambique
EGIP	Embedded Generation Investment Programme
EPWP	Expanded Public Works Programme
ERA	Ethics Risk Assessment
EVP	Employee Volunteerism Project
GCF	Green Climate Fund
GRI	Global Reporting Initiative
ICDC	Industrial and Commercial Development Corporation of Kenya
IDD	Infrastructure Delivery Division
IDFC	International Development Finance Club
IIPSA	Infrastructure Investment Programme for South Africa
IPP	Independent Power Producer
IRP	Integrated Resource Plan
JICA	Japan International Cooperation Agency
MBE	maBhengu Umbelethisi Multiversity
MIG	Municipal Infrastructure Grant
MoU	Memorandum of Understanding

MPIM	Masters in Public Infrastructure Management
MPIM Consortium	Makerere Public Infrastructure Management Consortium
NAMPORT	Namibian Ports Authority
NDC	Nationally Determined Contributions
NDoH	National Department of Health
NDP	National Development Plan
NSFAS	National Student Financial Aid Scheme
NSNP	National School Nutrition Programme
NWU	North-West University
PACBP	Pan African Capacity Building Programme
PfP	Partners for Possibility
PIU	Programme Implementing Unit
PMO	Project Management Office
PPDF	Project Preparation and Development Finance
REIPPP	Renewable Energy Independent Power Producers Programme
SADC-DFRC	South African Development Community - Development Finance Resource Centre
SAFE	Sanitation Appropriate for Education Programme
SARA	Southern African Rail Association
SDIP	Sustainable Development Investment partnership
SGB	School Governing Body
SHIP	Student Housing Infrastructure Programme
SLA	Service Level Agreement
SMBC	Sumitomo Mitsui Banking Corporation
SMT	School Management Team
STATCOM	Static Synchronous Compensator
TLP	Traditional Leadership Programme
TVET Colleges	Technical and Vocational Education and Training Colleges
UFH	University of Fort Hare
UL	University of Limpopo
uMDM	uMgungundlovu District Municipality
UNFCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
UWC	University of the Western Cape
WSIG	Water Services Infrastructure Grant
YALI	Young African Leaders Initiative
ZRL	Zambia Railways Limited

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