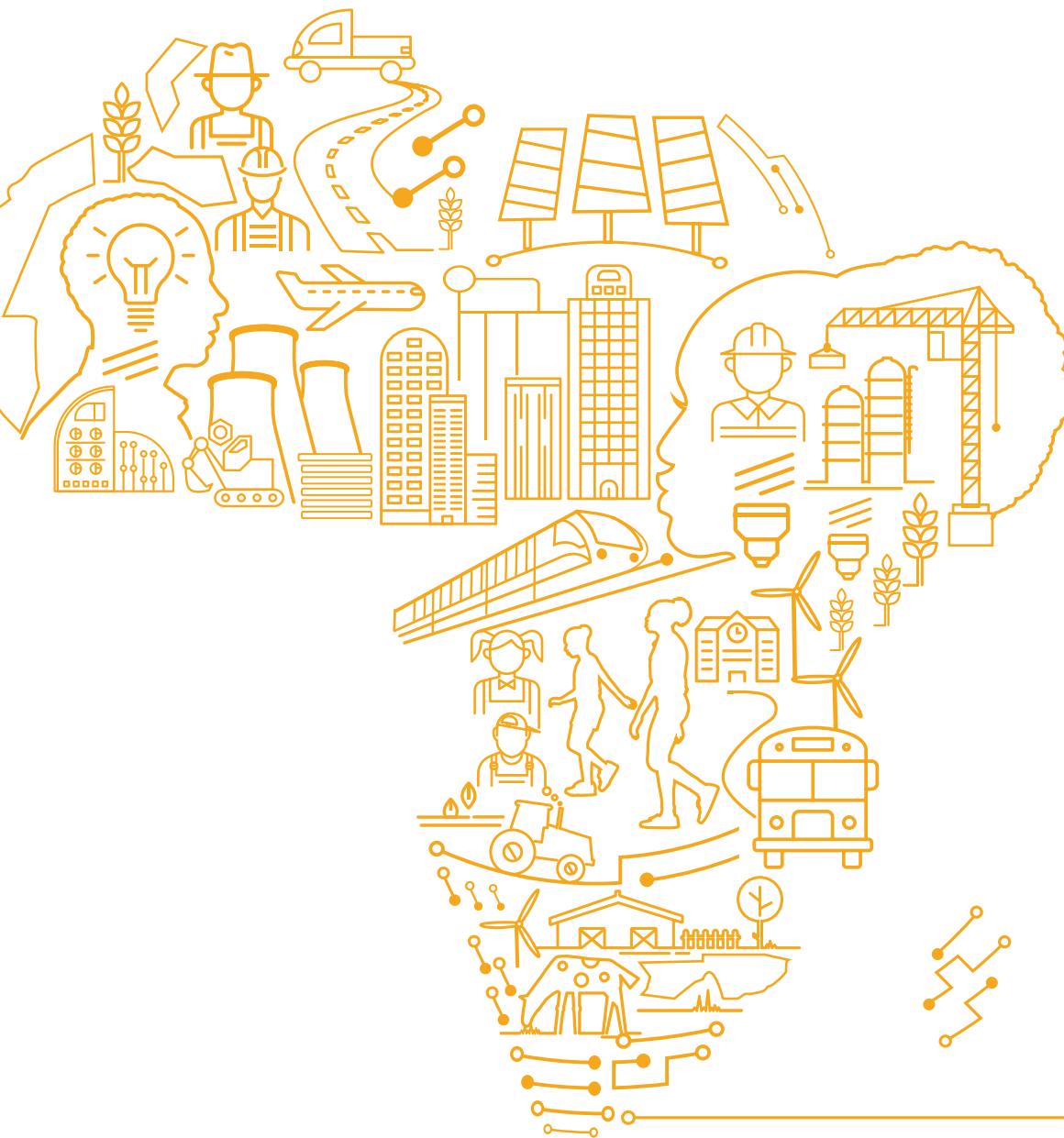




DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity



2019 INTEGRATED ANNUAL REPORT

PERFORMANCE HIGHLIGHTS

OPERATIONAL PERFORMANCE

Delivered
R37 billion
in total infrastructure, unlocked

Total disbursements of
R9 billion

Projects to the value of
R6.8 billion
reached commitment stage

Funds catalysed to the value of
R16.8 billion

Delivered
R3.5 billion
in infrastructure implementation support

R0.9 billion
Infrastructure unlocked for under-resourced municipalities

RATINGS AND ACCREDITATIONS

Externally rated: DBSA foreign currency rating is Baa3 (Moody's)

A+ rating from AADFI PSGRS

Global Environmental Facility accreditation

Green Climate Fund EU 6-pillar accreditation

ACCOLADES AND AWARDS

African Renewable Energy Programme Award, from Project Finance International for project financing of over 14 renewable energy projects in Round Four of the REIPPPP, including the Sirius Solar, Dyasons Klip 1 and 2 photovoltaic projects developed by Scatec Solar.

GOVERNANCE

Unqualified audits received since the inception of the DBSA

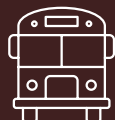
Zero fruitless and wasteful expenditure during the financial year under review

A strong, ethical and diverse Board

DEVELOPMENT IMPACT



433 297
households to benefit from funds committed to municipalities



6 728
learners benefited from 8 newly built schools



47 035
learners benefited from new and refurbished schools



1 087
local SMEs and subcontracts employed in the construction of projects



61 500
people gained access to improved health facilities



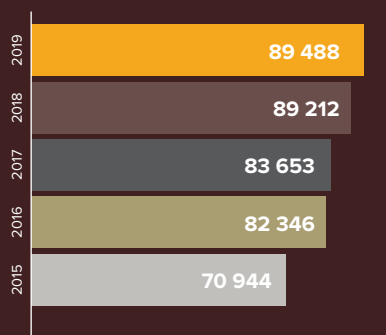
R3.2 billion
Value of projects from black-owned entities approved for project preparation funding



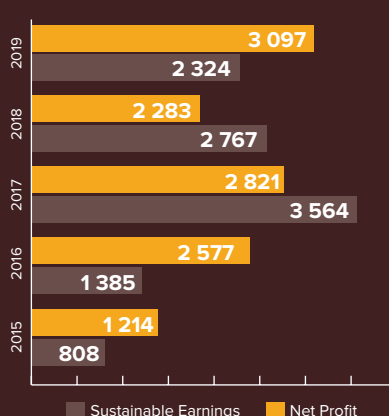
R1.9 billion
Value of projects from black-owned entities were approved for lending

FINANCIAL PERFORMANCE

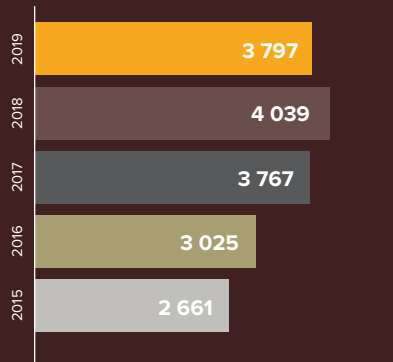
Total assets (R million)



Sustainable earnings and net profit (R million)



Cash generated from operating activities (R million)





DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

Throughout our 2019 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 20 – 21 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 12 – 14 for further details of the capitals and how we use them to create value for our stakeholders.

www.dbsa.org

REPORT NAVIGATION

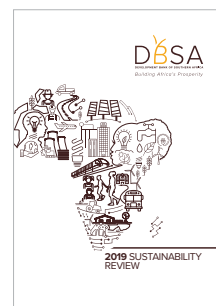
Our reporting suite for 2019 consists of three reports.



The **2019 Integrated Annual Report**, which is our primary communication with our stakeholders.



The **2019 Annual Financial Statements**, which includes the directors' report and the independent auditor's report.



The **2019 Sustainability Review**, which provides further information on our sustainability performance.

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The background of the cover is a warm, golden-yellow industrial scene, likely a refinery or chemical plant, with tall distillation columns and pipes. A large, thick, orange curved line sweeps from the upper left towards the center, framing the title. The title is in a large, white, sans-serif font.

Building Africa's Prosperity

1

The Development Bank of Southern Africa is one of the leading African Development Finance Institutions, wholly-owned by the government of South Africa.

Established in 1983, the DBSA's primary purpose is to promote economic development, growth and regional integration through infrastructure finance and development.

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 Agenda 2063, the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change.

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). We are 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.

Our Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and 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 content of this report aligns to the principles of the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework and other applicable frameworks and regulations for financial and non-financial reporting as listed in the reporting suite.

This is our seventh Integrated Annual Report covering our performance for the financial year ended 31 March 2019. We provide information that could affect our ability to create sustainable value over the short, medium and long term. To identify and prioritise matters for inclusion in this report, we reviewed the DBSA's business model, underpinned by its strategy, the interaction with the six capitals (financial, manufactured, human and intellectual, social and relationship and natural), the operating environment, interests of key stakeholders, risks and opportunities.

ASSURANCE

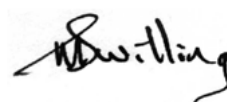
The DBSA applies a combined assurance model to obtain assurance within reasonable cost from its Risk Management Division and the internal and external assurance providers on risks affecting it. For more information, see the Audit and Risk Committee report on page 95.

The DBSA receives external assurance from its auditor, the Auditor-General of South Africa, on the fair presentation of the Annual Financial Statements.

Our external auditor has issued a report, not only for the purposes of expressing an opinion, but to report on the findings relating to performance against predetermined objectives, compliance with laws and regulations and internal control. The findings are included in the Auditor-General's Report to Parliament as reflected in the Annual Financial Statements.

APPROVAL BY THE BOARD

The Board is ultimately responsible for ensuring the integrity of the Integrated Annual Report, assisted by the Audit and Risk Committee and further supported by the DBSA executive management, which convened internal teams with the relevant skills and experience to undertake the reporting process and provided management oversight. Internal parties have devoted significant thought to how best to communicate the DBSA value story. The Board concluded that it was materially presented in accordance with the <IR> Framework. This report was approved by the Board of Directors on 9 July 2019.



Mark Swilling
Chairperson



Gugu Mtetwa
Chairperson 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 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

Financing for sustainable infrastructure development requires concerted action by a diverse range of actors, including government, firstly to foster an enabling environment, and secondly, through coordinated interventions, to capitalise thereon with investment en masse. With a footprint across much of Sub-Saharan Africa and established development partnerships spanning the globe, the Bank is ideally placed to take the lead in bridging the divide between public and private sectors as it seeks to leverage the funds committed by government in order to amplify their development impact, both social and economic.

INTRODUCTION BY THE MINISTER OF FINANCE

In September last year, the President announced an economic stimulus and recovery package aimed at igniting our flagging economy and jolting it out of the pedestrian pace of growth of the last few years. In addition to fast tracking the implementation of much needed economic reforms to stimulate investment, and reprioritising spending to support job creation, the stimulus package is built on three other elements directly linked to the development mandate of the DBSA. The central core of these elements is accelerated investment. In recognising the critical role of investment in stimulating inclusive growth at a pace that will create jobs at scale, the recovery plan prioritises infrastructure spending as the foundation for economic expansion.

To this effect, and to enhance capacity in the infrastructure value chain in order to remove many of the impediments to development, R625 million has been earmarked for a Project Preparation Facility. This will assist in identifying and developing bankable projects both in core economic and social infrastructure sectors. Proper project identification, comprehensive preparation, and appropriate structuring will be key to maximising investment and ultimately magnify development outcomes within the narrow confines of our ever shrinking fiscal headroom.

In the context of the DBSA's vast experience in managing project preparation funds, including amongst others, the European Union funded Infrastructure Investment Programme for South Africa (IIPSA), the DBSA has been tasked with leading this initiative, with R400 million allocated to the Bank for this purpose. In deploying the facility, the Bank will partner with the Government Technical Advisory Centre and the Presidential Infrastructure Coordinating Commission.

In tandem with this initiative, and as repeated by the President in the State of the Nation Address, government has set aside R100 billion to seed the country's Infrastructure Fund, to be managed by the DBSA, with oversight by the Department of Public Works and Infrastructure. Even prior to the finalisation of the Infrastructure Fund and the selection of the DBSA as its implementing agent, the Bank had already started engaging both private and public sector role players in an attempt to sculpt an infrastructure investment vehicle designed to scale the hurdles to accelerated development, with maximum impact. Financing for sustainable infrastructure development requires concerted action by a diverse range of actors, including government, firstly, to foster an enabling environment, and secondly, through coordinated interventions, to capitalise thereon with investment en masse. With a footprint across much of Sub-Saharan Africa and with established development partnerships spanning the globe, the Bank is ideally placed to take the lead in bridging the divide between public and private as it seeks to leverage the funds committed by government in order to amplify their development impact, both social and economic.

A strategy review in 2016 repositioned the Bank for an increased focus on its catalytic role in enabling sustainable infrastructure development well beyond the capacity constraints of its own balance sheet. As such, the Bank seeks to leverage its own balance sheet by assuming higher risk in order to crowd-in private capital into sufficiently de-risked development finance opportunities. This approach, I believe, will stand it in good stead as it takes the reins in getting our country's Infrastructure Fund out of the starting blocks.

As for that part of the stimulus package related to unlocking infrastructure spending in priority pilot municipalities, the DBSA again is well placed to play a major role, and in respect of many of its existing operations, particularly in the areas of municipal capacity support and project implementation services, in fact, already plays an active part in stimulating delivery.

During the past financial year, the DBSA embarked on a number of initiatives aimed at broadening and deepening its development impact. These include the establishment, in concert with the United Nations' Green Climate Fund (GCF), of the first green bank modeled sector climate finance facility in Africa. The facility aims to de-risk and enhance the bankability of climate smart projects to crowd-in private sector investment. Other initiatives include the development and roll-out of new instruments and structures all seeking to solve for obstacles to accelerated development. Lastly, in recognition of its broader development mandate, the Bank is partnering with like minded institutions in establishing community facilities across the country, and aimed amongst others, at providing our youth with training opportunities and access to the connectivity and technologies driving the digital economy and the Fourth Industrial Revolution (4IR).

On behalf of the shareholder, I thank and congratulate the DBSA Board for its stewardship and guidance of the Bank during the year. I also thank the CEO, Patrick Dlamini, his management team and staff, whose future focused shared vision will ensure that the DBSA will continue to play a pivotal role in the sustainable development of our country and region, well into the future. I commend both the Board and executive of the DBSA for their strong stance and insistence on upholding sound governance, which augurs well for the institution's long term sustainability and for its impact on the communities it ultimately serves.



T.T. Mboweni, MP
Minister of Finance

REFURBISHMENT AND MAINTENANCE FOR CLINICS

On behalf of the National Department of Health, the DBSA completed maintenance, repairs and renovations of 65 existing clinics identified in the Eastern Cape for improvement of infrastructure to NHI standards.

One of these clinics is Old Bunting Clinic in Nyandeni, Eastern Cape. The works at this clinic included construction of new paraplegic ablution facilities as well as a new external waiting area as part of the backlog maintenance programme. Furthermore, repairs and renovations were done on internal building works, external building works, nurses accommodation, guard house, ablution facilities, signage, boreholes and generators. Additional works included the installation of a water treatment plant with sump facilities at the clinics.

6



The Old Bunting Clinic in Nyandeni, Eastern Cape before completion of upgrade



The Old Bunting Clinic in Nyandeni, Eastern Cape after completion of upgrade

WHO WE ARE



Our primary purpose is delivering impactful development finance solutions that ignite transformative change in South Africa and on the rest of the African continent. Improving the quality of life of people in Africa is the fundamental focus of our development impact. We aim to bend the arc of history towards shared prosperity through multifaceted investments in sustainable infrastructure and human capacity development.

Our product solutions span all phases of the infrastructure development value chain from infrastructure planning and project preparation, across a range of financing and non-financing investments, to infrastructure implementation and delivery.

Over the past 36 years we have continually evolved to maximise our development impact, while building an extensive international network of clients, partners and peers. The Bank has a strong financial foundation and an excellent reputation built on its exemplary record of governance controls and oversight.

OUR VALUES

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

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

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

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

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

Our vision

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



Our purpose

To bend 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**



HOW THE DBSA CREATES VALUE

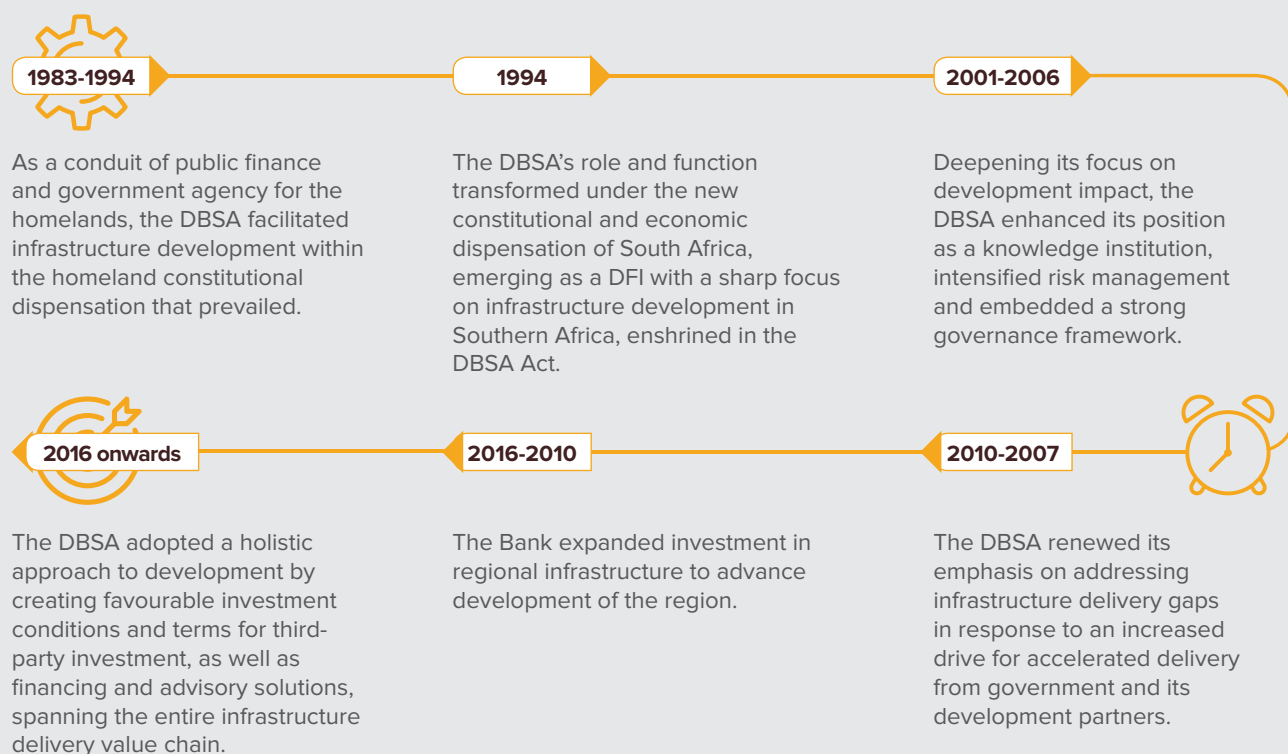
We create value for our various stakeholders by shaping the development landscape to ensure a prosperous, integrated and resource efficient continent. We achieve this through increasing access to infrastructure finance, accelerating infrastructure delivery and leveraging partnerships to maximise value.

Delivering the 'development dividend' at the heart of our mandate requires that we continuously evolve to remain relevant, effective and strategic. Since its inception, the DBSA has evolved to address South Africa's transformation and socioeconomic development needs. We regularly review our position and monitor trends in the market. Within the Bank, we foster the agility to respond effectively to existing challenges and take advantage of future opportunities.

Globally, there is a growing recognition of the pivotal role that DFIs can play in mobilising the financing needed to achieve the SDGs, as well as regional and national sustainable development strategies. Investing in infrastructure, including transport, energy, water and sanitation for all, is a prerequisite for achieving many of these goals. The DBSA's strategic

response to the rapidly evolving operating context is to look to the future and recognise the long term advantage in capitalising on new opportunities to achieve sustainability, build resilience and re-imagine relevance. Deepening our developmental impact by augmenting disbursements and enabling sustainable infrastructure development at a scale beyond our own balance sheet will set the Bank on a new trajectory. Our development role is contingent on our financial sustainability and the governance framework we have in place to guide and oversee sustained value creation. Our long term success is, therefore underpinned by the operational imperatives of financial sustainability, strong leadership and good governance.

Our success is measured by the value we deliver to society through our developmental impact. Our ability to create value depends on the management of various resources and relationships, spanning the six capitals. Through our business activities, the six capitals are enhanced and transformed into outputs, and outcomes that represent the creation of value for all stakeholders. Each of the six capitals plays a role in our business model, as demonstrated throughout this report.





DBSA Office in Midrand



WHAT THE SIX CAPITALS MEAN TO THE DBSA



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Financial Capital	Intellectual Capital	Human Capital	Natural Capital	Manufactured Capital	Social & relationship Capital
Our equity, debt, funding from investors and clients	Our brand, innovation capacity and experience	Our culture, our people, their development and our collective knowledge	Our impact on natural resources	Our business structure and operational processes	Our relationships with clients, partners and government

The structure of our integrated report reflects our value creation story 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. These change over time as new trends and developments shape the macroeconomic environment and our stakeholders' needs evolve.



OUR VALUE CREATION MODEL

OUR CAPITAL INPUTS

The resources and relationships we rely on to sustain our business



FINANCIAL CAPITAL

R37.2 billion capital and reserves

R51.3 billion financial market liabilities

R3.8 billion cash generated from operations

R3.1 billion net profit



INTELLECTUAL CAPITAL

A leading African DFI

Over 36 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



SOCIAL & RELATIONSHIP CAPITAL

14 countries in which we have active exposures

99: number of municipal clients

Relationships with government, DFIs, private financiers

Providing inputs to policy formulation



HUMAN CAPITAL

492: number of permanent employees

105: number of contract employees to support infrastructure delivery and **4** permanent employees



NATURAL CAPITAL

2.7 megawatts of electricity consumed

7 144 kilolitres of water consumed



MANUFACTURED CAPITAL

R27.6 million capital expenditure for the year.

R83.7 million in the past three years

¹ Estimated number of households and temporary jobs created from the projects identified from the planning support will be achieved if funding is allocated

BUSINESS ACTIVITIES

What we do



INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

PLAN

Municipal assessments

Bulk infrastructure plans

Infrastructure planning advice

PREPARE

Project identification

Feasibility assessments

Technical assistance

Programme development

Project preparation funds

FINANCE

Long term senior and subordinated debt

Corporate and project finance

Mezzanine finance

Structured financing solutions

BUILD

Implementing agency services

Programme and project planning, design, construction, maintenance and management of social and economic infrastructure

Programme management support

MAINTENANCE

Supporting maintenance/improvement of social and economic infrastructure projects



SUPPORT FUNCTIONS

FINANCE	TREASURY	RISK MANAGEMENT
INFORMATION TECHNOLOGY	INNOVATION	HUMAN RESOURCES

Supported by strong governance, ethics and integrity

The DBSA is committed to the highest standards of governance, ethics and integrity. Our Board is diverse in demographics, skills and experience and **69%** of the directors are independent non-executive directors.



Our value creation model represents how we manage our resources and relationships to create sustained value for all our stakeholders.

CAPITAL OUTPUTS

What we deliver

OUTCOMES

Our impact



SUSTAINABILITY CREATED IN FINANCIAL PERFORMANCE

Net profit: R3.1 billion [2018: R2.3 billion]
Cost-to-income ratio: 23% [2018: 22%]
Paid to providers of capital (interest expense) R 3.9 billion [2018: R3.9 billion]
Debt-to-equity ratio (excluding callable capital): 138% [2018: 156%]
Third-party funds catalysed: R 16.8 billion [2018: R25.2 billion]
Value of infrastructure delivered: R3.5 billion [2018: R3.3 billion]
Externally rated: DBSA foreign currency rating is Baa3 (Moody's)
A+ rating from AADFI PSGRS

SAFEGUARDING THE DBSA'S REPUTATION AND CREATING A FUTURE FOCUSED DBSA

Unqualified audits
 Strengthening reputation as a thought leader

LEVERAGING STRATEGIC PARTNERSHIPS AND ENHANCE DEVELOPMENT IMPACT

Developing new investment platforms to drive public-private joint ventures
 Created development laboratories (DLabs) to help bridge the science, technology, engineering and maths skills gap and prepare the youth for the 4IR

CREATING AN ENABLING ENVIRONMENT FOR DEVELOPMENT PRACTITIONERS

Embedding a culture of innovation, agility and adaptability
 Staff costs: **R751 million** [2018: R703 million]

FOCUSING ON CLIMATE FINANCING

USD 55.6 million funding awarded from the GCF to establish a **R2 billion Climate Finance Facility**
R17 billion development investment in **33** renewable energy projects
Global Environmental Facility accreditation
GCF EU 6-pillar accreditation



INFRASTRUCTURE FINANCING MUNICIPAL (SOUTH AFRICA)

Energy (includes upgrading of substations and electrification of households) – total households impacted: **207 084** [2018: 11 935]
 Rehabilitation of roads – total households impacted: **64 062** [2018: 39 480]
 Water (includes reticulation and provision of bulk water) – total households impacted: **91 269** [2018: 16 209]
 Sanitation (includes reticulation, upgrading and construction of waste-water treatment works) – total households impacted: **70 883** [2018: 20 048]
 Planning support to municipalities (non-lending)¹
 Estimated number of households to benefit from unlocked infrastructure projects: **184 371** [2018: 776 474]

IMPLEMENTATION SUPPORT TO MUNICIPALITIES (NON-LENDING)

Number of households that received access to new and improved service in water, sanitation and electricity: **457 022** [2018: 21 780]

NON-MUNICIPAL (SOUTH AFRICA)

Renewable [wind IPP]: **124 MW** [2018: 42 MW]
 Total project impact: **402 MW** [2018: 140 MW]

NON-MUNICIPAL (REST OF AFRICA)

Production and exportation of raw crude oil: total impact of **520 000 barrels** (DBSA contribution: 2018: 29 467 barrels)

INFRASTRUCTURE IMPLEMENTATION

Estimated development impact from **R17 billion commitments** made during the year:

9 314 construction jobs to be created
3 815 operational jobs to be created
R1.3 billion B-BBEE spend was awarded to empowering women-owned suppliers
R2.5 billion B-BBEE spend was awarded to black suppliers

SCHOOLS

Learners enrolled during 2019: **47 035** [2018: 34 376]
 Total number of learners benefitting from new and refurbished schools since inception: **173 646** [2018: 159 637]

HEALTH

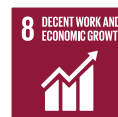
More than **61 500** [2018: >148 000] people gained access to health counselling and testing in newly built clinics
 Total number of people gained access to health counselling and testing in newly built and refurbished clinics since inception: **383 621**

EMPLOYMENT CREATION

Jobs created: **8 344** [2018: 8 492]

SMME AND SUBCONTRACTOR DEVELOPMENT

Number of local SMMEs and subcontractors benefitted: **1 087** [2018: 717]



OUR MANDATE AND DEVELOPMENTAL ROLE

OUR MANDATE

In terms of the DBSA Act, the Bank is mandated as a DFI with the primary purpose of promoting economic development and growth, human resource development and institutional capacity building by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in South Africa and the wider African continent.

In accordance with our mandate, we are responsible for appraising, planning and monitoring the implementation of development projects and programmes and providing technical assistance, particularly in respect of human resource development and training with regard to the identification, preparation, evaluation, financing, implementation and management of development projects and programmes. A further stated objective is to fund or mobilise funding for initiatives that minimise or mitigate the environmental impact of development projects or programmes.

The mandate of the DBSA also extends to the developmental requirements of the SADC region and the rest of Africa, encouraging regional integration and achieving an integrated finance system for development. We are authorised to assist other institutions in the national or international, public and private sectors with the management of specific funds.

Our development role can only be achieved through financial sustainability which ensures we are not a burden to our government or to society. The DBSA's strength in its governance is critical and has continuously supported the growth and resilience of the institution.



Our mandate and strategy are linked to the objectives of South Africa's NDP Vision 2030, which sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality. Faster economic growth is both a key objective of the NDP and a necessary condition to raise the resources needed to fund the country's social and economic transformation. Large-scale investment in economic infrastructure, especially in energy, transport, water and ICT as well as social infrastructure, in education, health and housing, is a critical enabler.



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

The DBSA's investments are informed by the SDGs, and we have identified goals 6, 7, 9, 11, 13 and 17 as our main priorities. Goals 1, 3, 4 and 5 are indirectly supported by the DBSA's core activities.



ALIGNMENT
TO NATIONAL,
REGIONAL AND
GLOBAL PLANS



The African Union's (AU) Agenda 2063 is a blueprint and master plan for transforming Africa into the global powerhouse of the future. The aim of the strategic framework is to effect socioeconomic transformation of the continent over the next 50 years. It was adopted by the African Union Summit in January 2015. The African Continental Free Trade Area Agreement (CFTA) that came into force on 30 May 2019, is a flagship project of Agenda 2063. CFTA is a treaty between consenting countries whereby a free trade area is constituted that allows member countries to conduct trade with each other without tariffs or other hindrances.



Infrastructure Vision 2027

Regional Infrastructure Development
Master Plan



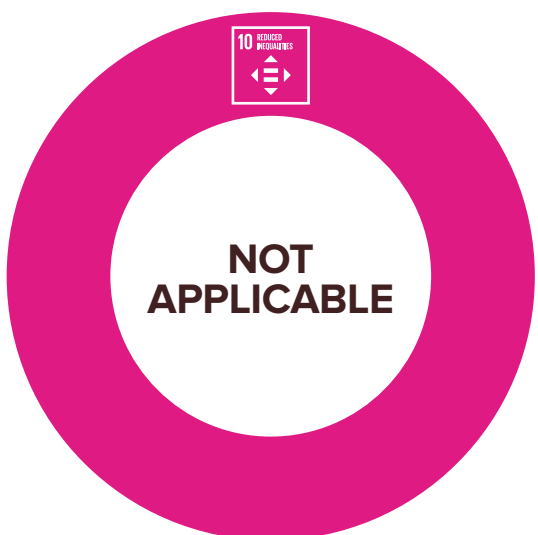
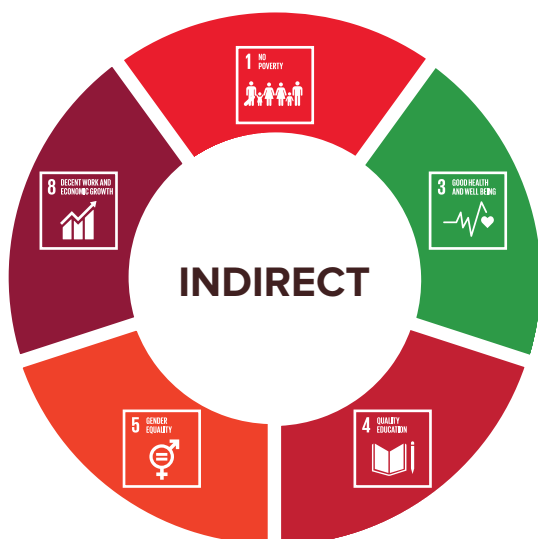
HOW WE SUPPORT THE NDP AND SDGs

On a global, continental and national level, there are increasing demands to focus on sustainable development. There is substantial alignment between the SDGs, Africa Agenda 2063 and the NDP with a broad convergence related to people, prosperity, planet, peace and partnerships. The DBSA plays a key role in implementing 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 deepening regional integration.

Further, our socially and environmentally responsible approach is enshrined in our mandate. During the year under review, the DBSA secured funding to establish a R2-billion Climate Finance Facility (CFF) focusing on infrastructure projects and businesses that mitigate or adapt to climate change. Through this initiative, the DBSA will be able to support eight of the United Nations 17 SDGs and in the process support the South African government in terms of their proposed Nationally Determined Contributions emanating from the Paris Agreement. The Paris Agreement calls on countries to reduce carbon emissions incrementally to collectively meet the global target of limiting the increase in the global average temperature to below 2%.



SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 6 Ensure availability and sustainable management of water and sanitation for all		Funding of bulk water, reticulation and sanitations infrastructure Post implementation reviews
SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all		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 Supporting government with the rehabilitation of industrial parks 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
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
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 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

OUR STRATEGY (2019 – 2022)

The DBSA's three-year growth strategy was designed to respond to changing client needs, growing demand to improve developmental impact, persistently difficult economic conditions and an increasingly competitive environment. The strategy aligns with global trends, which have seen DFIs around the world reviewing their purpose and mission to increase their developmental impact.

As a state-owned DFI, we are strategically positioned between African governments, the private sector and fellow local and international DFIs, with the common objective of accelerating infrastructure development and service delivery. Developing strategic partnerships is integral to the value that the DBSA delivers. Leveraging these partnerships to maximise value considerably extends the scope of the DBSA's potential development impact. Addressing the infrastructure gap in Africa is only possible through collaboration and by raising investment levels through innovative catalytic mechanisms.

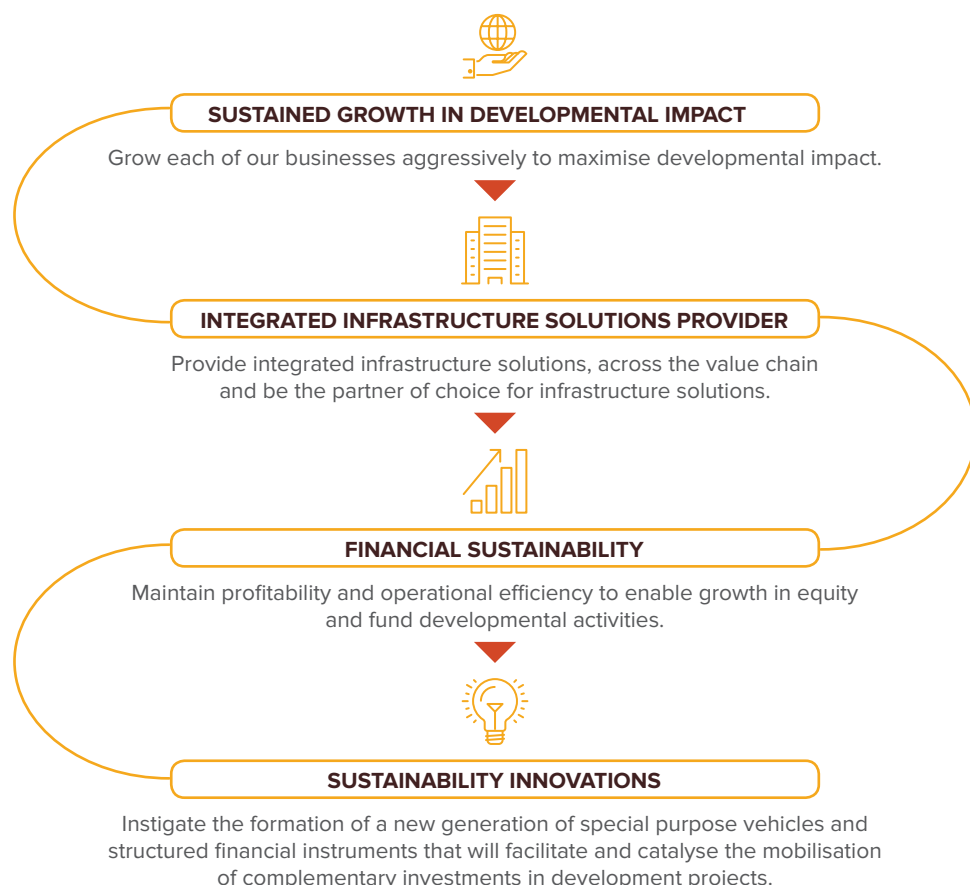
The DBSA's strategy places emphasis on performing a catalytic role to improve developmental impact. This means that the Bank uses its balance sheet to enhance the creditworthiness and sustainability of a project to attract and crowd-in other funders. The private sector has a vital role to play and a key

element of this strategy is to create opportunities for public-private partnerships. More infrastructure is unlocked by creating opportunities for the private sector to leverage their own 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.

Value is created along the infrastructure chain supported by internal governance processes that strengthen the delivery of our financial, as well as non-financial investments. By integrating our services across the value chain, developing, a greater level of coordination and making more effective use of both our balance sheet and resources the DBSA can expand its development impact and drive infrastructure delivery in an effective, efficient and timely manner.

As a DFI, we must balance the imperatives of profitability and development goals. Therefore, a key objective of our growth strategy is to strengthen the financial sustainability of the DBSA by diversifying the Bank's income sources and increasing revenue. Financial sustainability and a strong governance framework ensure a sound foundation.

OUR KEY STRATEGIC OBJECTIVES



Re-imagining a DBSA relevant to the future is fundamental to the DBSA's ability to create long term value. A future focused approach that enables the Bank to adapt to the changes in our highly dynamic operating environment and capitalise on new opportunities that arise is key to the DBSA's enduring sustainability. Within the Bank, we are actively creating development practitioners who professionalise agility in the way the DBSA thinks, acts, organises and conducts itself. Embedding a culture of innovation that fosters breakthrough thinking capacity and capability, especially amongst management and leadership, is crucial. Adopting new generation technologies that directly address poverty and inequality have the potential to spur significant growth in the development of Africa.

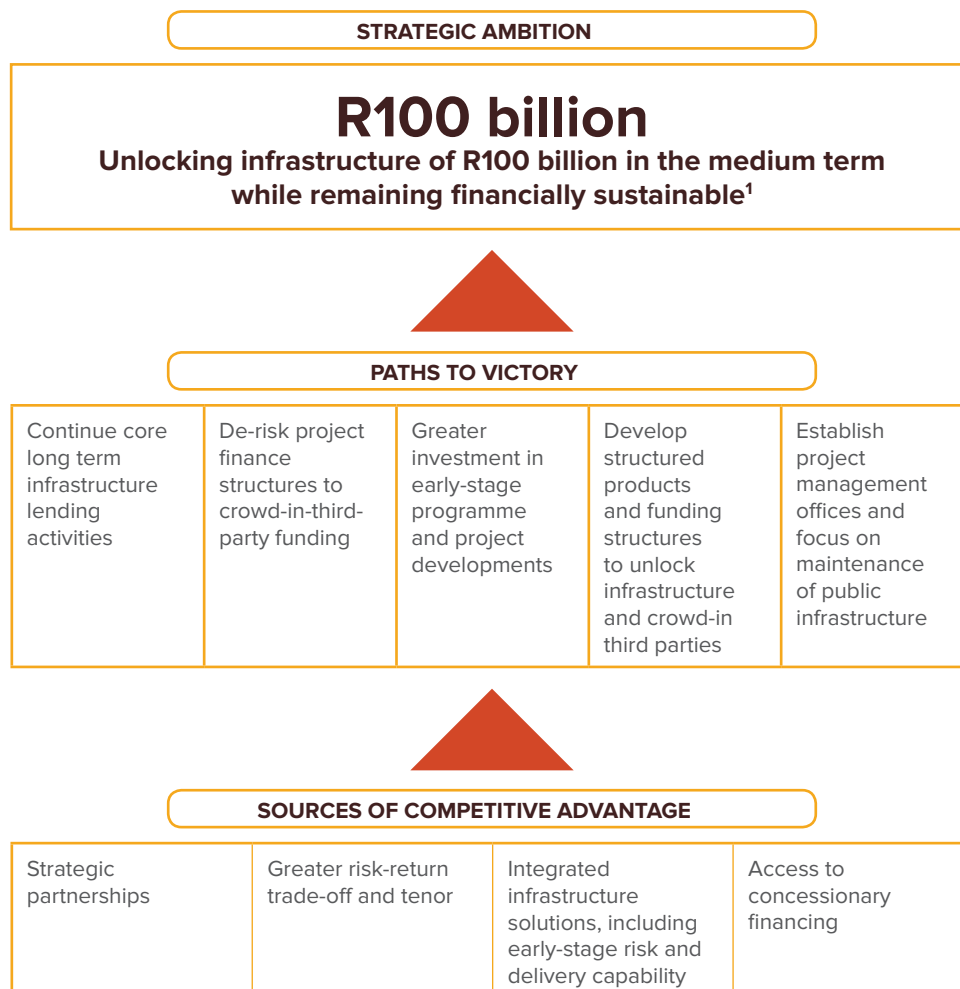
Expanding the scale, geographic footprint and products and services as well as institutional capacity of the Bank firmly positions it to address national and continental development imperatives.

The Bank is working on future strategic innovations aimed at accelerating development and addressing the challenges of poverty, inequality and youth unemployment. These include the development of investment platforms focused on bringing innovation into private and public sector infrastructure investment. The DBSA has also established social development infrastructure, called the DLabs aimed at unlocking potential within communities by providing access to previously inaccessible skills, education and services. The DLabs will run as social impact organisations within communities, which are expected to become self-sustaining structures that provide a space for the community.

We are driving greater investment in the development of engineering and technology skills to prepare the youth for the Fourth Industrial Revolution (4IR). In doing so, we are ensuring that the Bank is fit for the future.



Refer to the CIO report on page 106 for further details of our strategic initiatives.



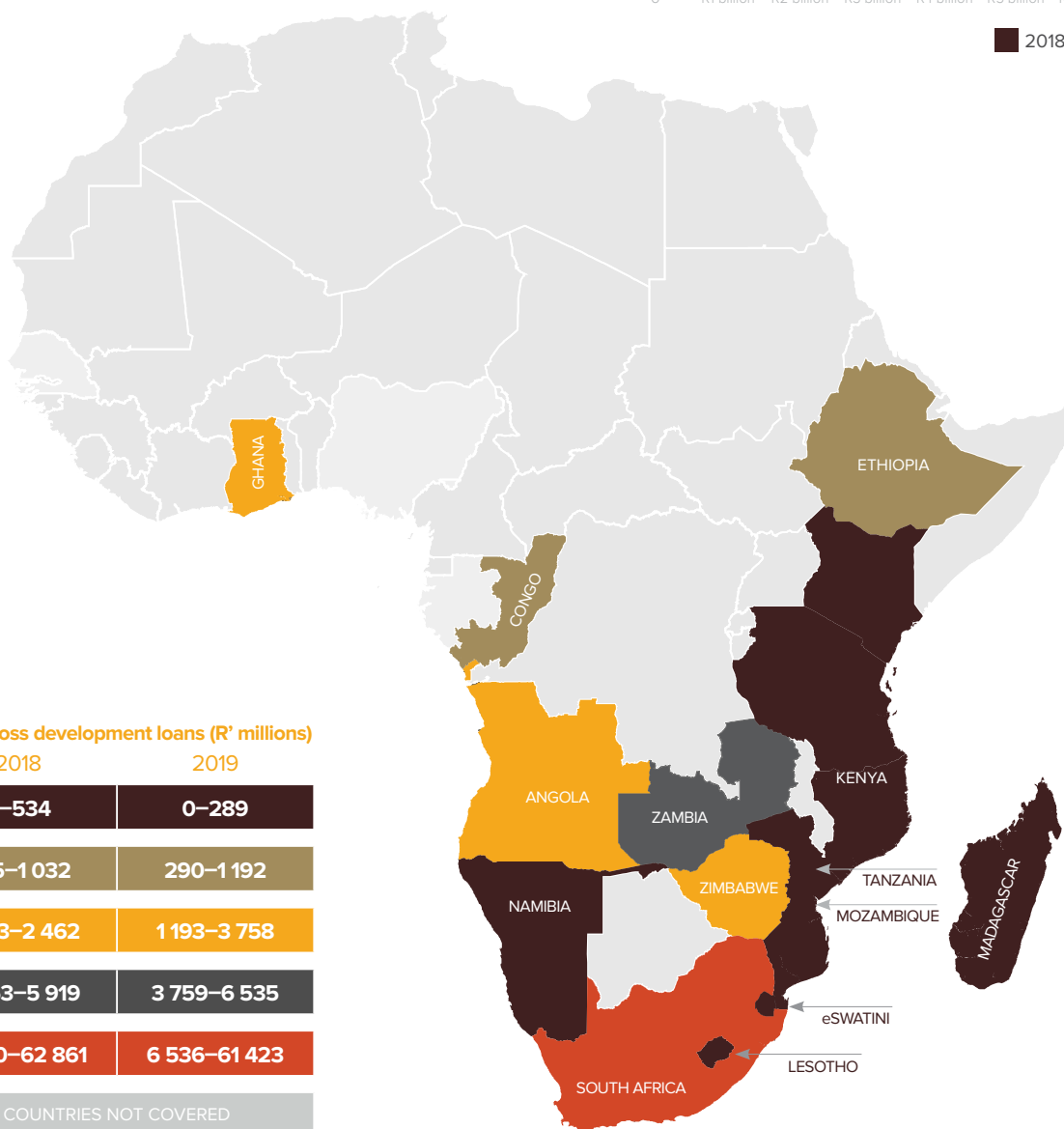
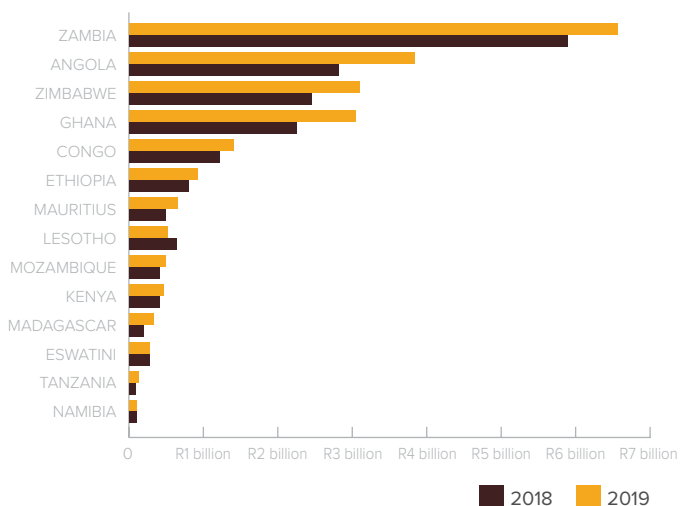
¹ R100 billion of infrastructure unlocked consists of loan disbursements, value of projects prepared and committed by PPD, infrastructure delivered through IDD and funds catalysed from projects.

WHERE WE OPERATE

DBSA'S EXPOSURE AND FOOTPRINT

Approximately 70% of the DBSA's balance sheet is focused on South Africa, while the remainder funds the DBSA's regional development and integration strategy which is aimed largely at the Southern African Development Community (SADC), although it broadly includes 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. Leveraging infrastructure investments across the continent improves connectivity and trade within Africa and boosts the development of local industries and markets.

Gross development loans 2018 – 2019 excluding RSA



DBSA gross development loans (R' millions)

2018	2019
0–534	0–289
535–1 032	290–1 192
1 033–2 462	1 193–3 758
2 463–5 919	3 759–6 535
5 920–62 861	6 536–61 423
COUNTRIES NOT COVERED	

OUR PRODUCTS AND SERVICES

OUR SECTOR FOCUS

The DBSA focuses on developing and financing infrastructure projects that are a catalyst for economic growth. The Bank's specific areas are economic sectors comprising water, energy, transport and ICT, as well as social sectors of health and education.

Municipalities

Municipalities and local-government structures remain the DBSA's core business, and a sector in which the Bank has extensive expertise. Our focus in this sector is supporting the development and maintenance of basic household infrastructure, such as water, sanitation, electricity and housing, as well as community services and enabling infrastructure that promotes economic growth and sustainability.

The Bank provides financial and non-financial products to medium and under-resourced municipalities. These municipalities face challenges that constrain their ability to develop and maintain infrastructure, including limited capacity to plan and execute capital projects which is evident from the underspending of capital expenditure, as well as financial and other governance inefficiencies.

These municipalities are further challenged by increasing urbanisation combined with a limited economic base to collect revenue as well as indebtedness to utilities. Under-resourced municipalities rely on grant funding, which requires plans to access the fiscus. Our planning division assists with developing plans by securing the skills and funding for the plans from a DBSA development subsidy. We also assist the Metros in developing projects to bankability where they do not have the capabilities, such as bulk infrastructure projects in the energy and water sectors.

The DBSA's role in the infrastructure development value chain for municipalities puts the Bank in a position to address some of the structural and historical challenges that hinder developmental impact in the country. Many of the investments required to achieve the sustainable development goals take place at the local government level and are led by local authorities. Municipalities can contribute significantly to the development by raising resources, making public investments and managing service delivery, advancing both local and national goals. Investment in municipalities is a potent catalyst for job creation.

 Refer to pages 36 – 38 in our Sustainability Review for details for projects.

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.

Immediate further diversification of the generation mix is imperative. However, this must be achieved while continued energy demands are met. The Government's 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 independent power producer (IPP) programmes. From inception, the DBSA has played a fundamental role in the IPP programmes through the Memorandum of Agreement 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.

Although the energy sector in Africa is improving, it needs critical development if the continent is to successfully address the regional economic and socioeconomic imperatives of achieving universal access to energy, thereby promoting economic development.

 Refer to pages 42 – 47 in our Sustainability Review for details for projects.

Transport

The DBSA supports the government's initiatives to provide mass transport to all as encapsulated in the National Transport Master Plan (NATMAP) 2050 and the Public Transport Strategy (PTS). 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.

 Refer to pages 44 – 45 in our Sustainability Review for details for projects.

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 has grown significantly in the last decade augmented by the undersea cables that connect South Africa with the rest of the world.

However, there are significant opportunities in addressing the gaps in the access network, the so-called last mile infrastructure. Rural areas and some areas with high population density particularly lack sufficient connectivity. The DBSA is driving opportunity through projects such as the Internet 4All programme in Africa and the support and funding for SA Connect and municipal connections.

Social

The social infrastructure sector includes the construction, refurbishment and maintenance of facilities in healthcare, education and human settlements, and includes water and sanitation. The DBSA collaborates with national, provincial and local governments to deliver against government priorities in this sector. 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. The DBSA supports key national programmes implemented by government, such as the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) for the eradication of inappropriate school structures, the National Health Insurance and ideal clinic programme, the national human settlements programmes and the student accommodation programme.



Refer to pages 49 – 52 in our Sustainability Review for details for projects.

SADC and non-SADC sectors

Regional integration is the key to building African markets and supporting growth across the continent. The DBSA invests in infrastructure that provides key services affecting development in the SADC region. The Bank supports regional development and integration aimed at facilitating trade in Africa by investing in infrastructure projects outside of South Africa providing funding, related products and services for commercially viable and sustainable projects, primarily in the energy, transport, water and telecommunications sectors, which contribute to economic development and regional integration. 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.



Refer to pages 43 – 47 in our Sustainability Review for details for projects.



School in Limpopo part of ASIDI Programme



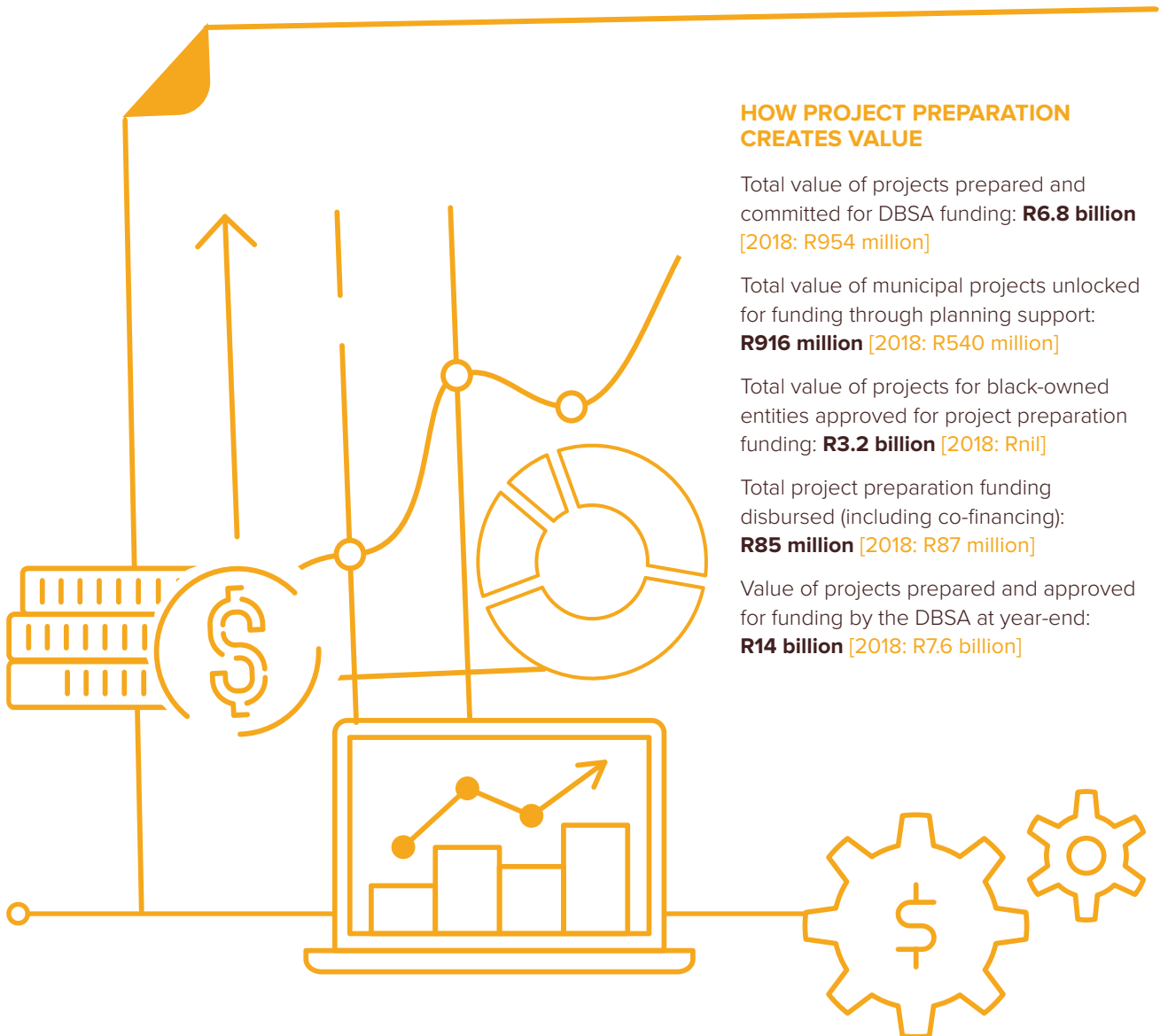
Kariba North extension project in Zambia

PROJECT PREPARATION

The demand for infrastructure development in Africa is extensive and one of the key bottlenecks is the development and preparation of bankable projects. The planning and delivery of large infrastructure projects is complex and fraught with risk. As a result, many projects fail or are implemented with budget and timeline overruns. Over time, many DFIs have tried to fill the space where government capacity is low and risk is high. To address this gap, the DBSA created a high skill, scaled-up, end-to-end project development and preparation business that de-risks projects and brings project concepts to bankability.

Services

- Feasibility assessment
- Technical assistance
- Financial structuring
- Managing project preparation funds
- Security as mandated lead arranger role for the DBSA



INFRASTRUCTURE FINANCING

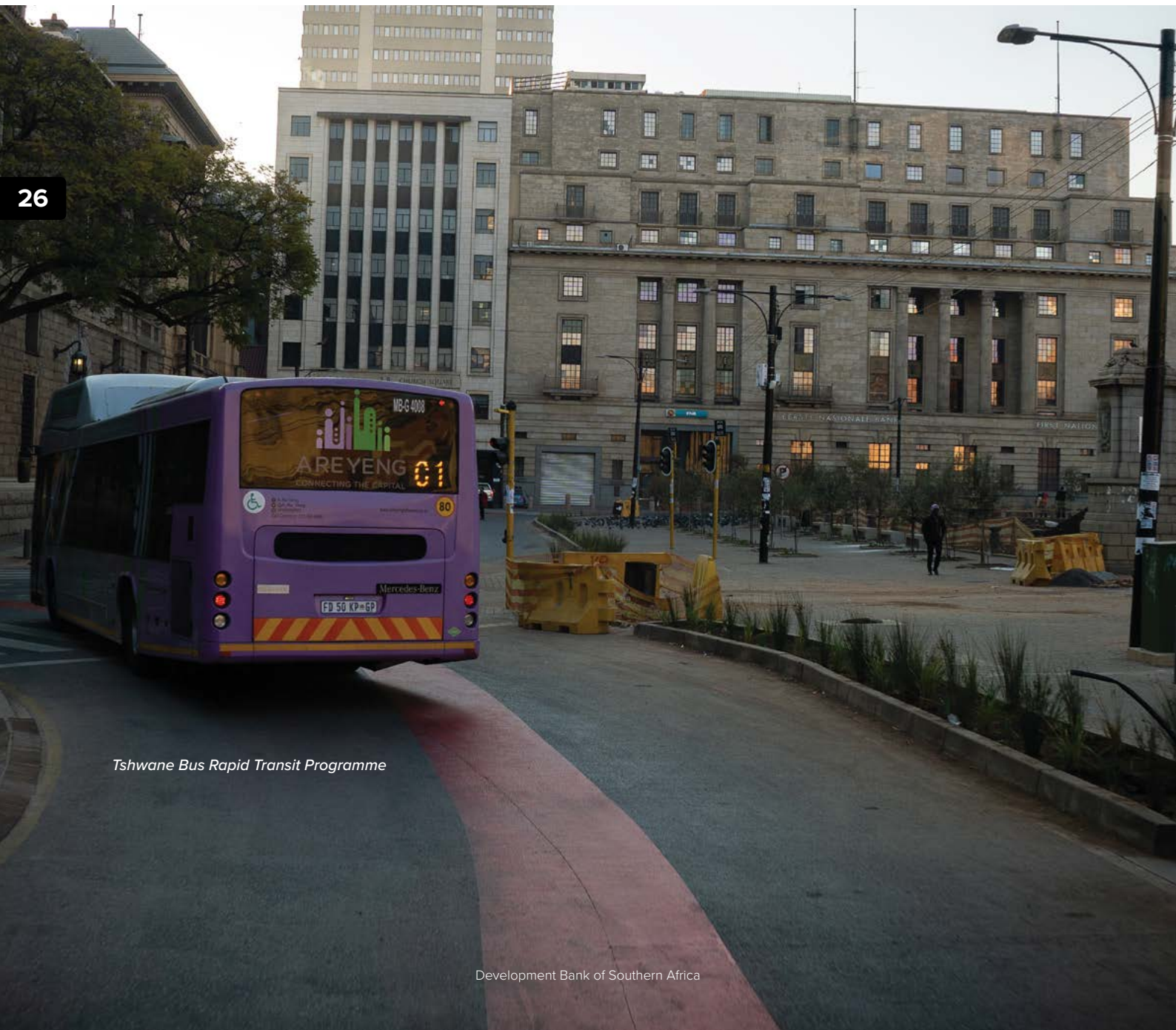
Development is multisectoral in nature and an integrated approach is required to maximise the impact of investments. Investment in social infrastructure, such as health, housing and education, should be supported by investment in bulk enabling infrastructure such as energy, water and transport to stimulate 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, including renewable energy, as well as coal and gas fired power sources in the country.

Services:

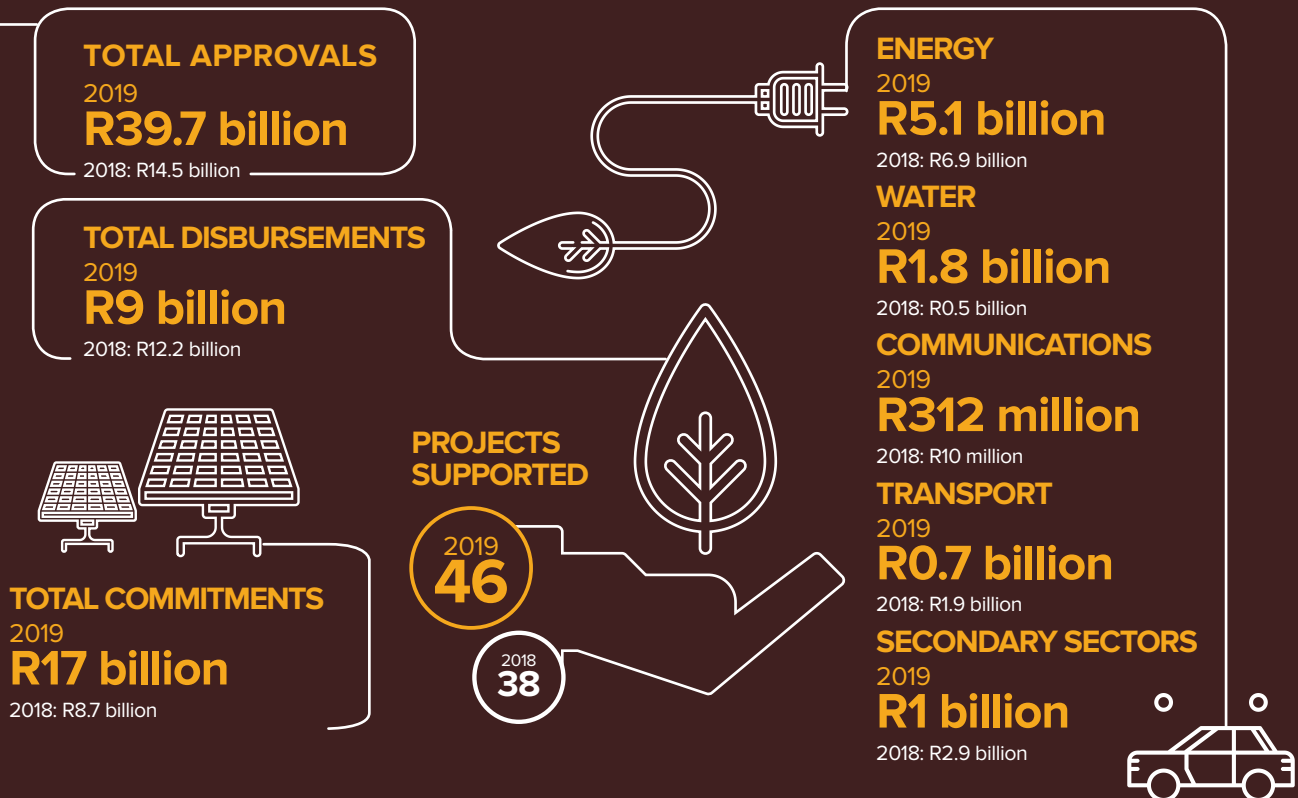
In executing its mandate, the Bank uses different forms of financing mechanisms ranging from:

- Balance sheet lending
- Debt
- Mezzanine finance
- Limited non-resource lending
- Support for selected municipalities with planning and implementation services
- Blended financing for qualifying projects



Tshwane Bus Rapid Transit Programme

VALUE-CREATED INFRASTRUCTURE FINANCING



27

DISBURSEMENTS TO MUNICIPALITIES IN SOUTH AFRICA

2019: **R3.1 billion**

2018: R3.3 billion

DISBURSEMENTS TO REST OF AFRICA EXCLUDING RSA

2019: **R1.7 billion**

2018: R3.2 billion

NUMBER OF MUNICIPAL CLIENTS

2019: **99**

2018: **113**

GROSS BOOK DEBT TO MUNICIPALITIES

2019: **R26.1 billion**

2018: R27 billion

SECONDARY AND UNDER-RESOURCED MUNICIPALITIES



PLANNING SUPPORT

Infrastructure master plan and management plan to reduce non-revenue water losses completed

2019: **10**

2018: **13**



IMPLEMENTATION SUPPORT

Number of municipalities supported

2019: **13**

2018: **13**

Projects completed

2019: **8**

2018: **12**



IMPLEMENTATION

Infrastructure delivery

The DBSA currently supports government in leveraging skills and capabilities to accelerate the implementation of a number of programmes through the provision of project management and implementation support in key priority sectors of education, health 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.

Services:

- Implementing agent services – Management of planning, design, construction, upgrades, refurbishment and maintenance of social and economic infrastructure projects using innovative, turnkey solutions
- Programme management services – Provision of programme management and specialist expertise to support the medium to long term planning and the delivery of infrastructure
- Capacity building services – Provision of innovative infrastructure delivery learning solutions that deliver measurable improvements in individual and business performance as well as development impact.

ENHANCING DEVELOPMENT IMPACT IN INFRASTRUCTURE IMPLEMENTATION

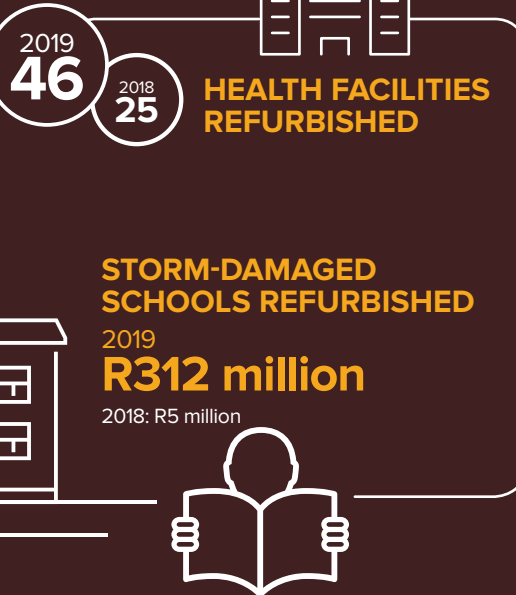
28

SCHOOLS COMPLETED



VALUE OF FUNDS UNDER MANAGEMENT

2019
R5.1 billion
2018: R4.3 billion



VALUE OF INFRASTRUCTURE DELIVERED

2019
R3.5 billion
2018: R4.3 billion

FUND MANAGEMENT SERVICES

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. Providing our clients with access to these sources of concessional funding is critical for catalysing infrastructure development in South Africa and the rest of Africa. The Bank's excellent governance, financial sustainability and strengths in fund management position it as a partner of choice in Africa. Management of third-party funds enhances our development impact.

Advancing economic transformation through fund management

The DBSA's financial and corporate governance strength upholds its reputation as a trusted fund manager.



Refer to page 75 for the performance of the funds under management during the year

DBSA Project Preparation Fund

The DBSA Project Preparation Fund provides funding for infrastructure projects in the transport, energy, ICT and water and sanitation sectors in South Africa, the SADC region and selected African countries. The Fund provides assistance by creating an enabling environment that facilitates the implementation of infrastructure projects. Funding is provided for pre-feasibility studies, bankable feasibility studies as well as assistance with costs to reach financial close.

Infrastructure Investment Programme for South Africa

The Infrastructure Investment Programme for South Africa (IIPSA) is a joint European Union and South African government initiative, administered by the DBSA. It seeks to enhance sustainable economic growth and the delivery of key services affecting development in South Africa and in the SADC region. IIPSA, provides funding for infrastructure projects in South Africa and the SADC region. SADC projects must be trans-border involving two or more countries in the SADC region or a national project with a demonstrable regional impact on one or more countries in the SADC region.

SADC Project Preparation and Development Facility

The SADC Project Preparation and Development Facility (PPDF), a programme financed by the European Union and KfW, seeks to create a conducive investment environment by financing the preparation of infrastructure projects. The PPDF supports projects that enable regional integration and provides technical assistance for infrastructure project identification, preparation and feasibility studies with a view to making the projects bankable and attractive to investors. The PPDF provides a grant facility to fund recipients for 95% of the required amount. A 5% monetary value of the grant is required from the recipient. The funds are limited to projects within the SADC region that span over two or more SADC countries

or, if located in one country, facilitate and promote regional integration. The sectors for which the fund is available include: transport infrastructure, energy generation and transmission, ICT, water and sanitation and tourism related infrastructure.

Green Fund

The Green Fund is a unique national fund that supports green initiatives. The Fund's objective is to assist the country's transition to a low carbon, resource efficient and climate-resilient development path to deliver high-impact economic, environmental and social benefits. Assistance is provided to projects through grants (recoverable and non-recoverable), loans (concessional rates and terms) and equity. The funding windows are green cities and towns, low-carbon economy and environmental and natural resource management.

SADC Water Fund

The DBSA is the appointed project executing agency for the SADC Regional Fund for Water Infrastructure and Basic Sanitation (Water Fund). The fund is part of the SADC Regional Development Fund (RDF), which is an instrument to further social and economic development and integration of the SADC region. The Water Fund is the key financing facility for the development and integration of the water sector in the region.

DBSA and US Trade and Development Agency (USTDA) Cooperation Agreement

The DBSA and USTDA have increased cooperation efforts to accelerate large-scale infrastructure projects across Sub-Saharan Africa. The cooperation agreement allows for the acceleration of large-scale infrastructure projects across Sub-Saharan Africa. Large-scale projects across the power, transport and ICT sectors will be prioritised towards bankability through project preparation grant/capital funding and other funding mechanisms including feasibility studies that link African project sponsors with US expertise. This envisaged linkage will be at the critical early stages to provide the comprehensive analysis required for projects to reach bankable stage, pilot projects aimed at demonstrating the effectiveness of certain infrastructure solutions, which may be applied in other parts of the region and technical assistance to help bridge gaps in the project development life cycle and accelerate projects through to bankability.

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 public sector African 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 is co-funded by the DBSA and the Industrial Development Corporation (IDC). The DBSA is the implementing agent of the partnership initiative.

OUR OPERATING CONTEXT

MACROECONOMIC

Global

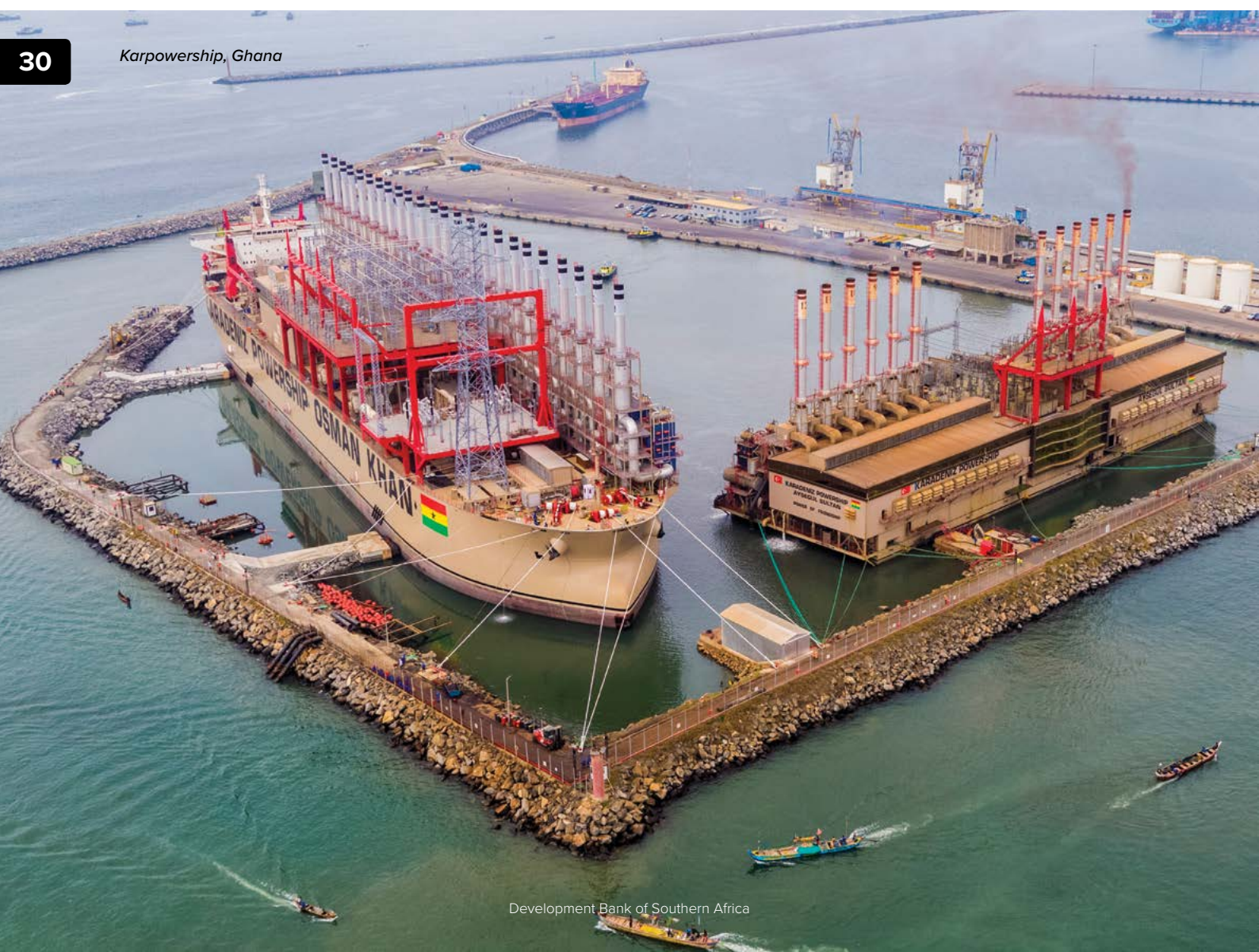
The IMF projects that the global economy will grow at 3.5% in 2019 and 3.6% in 2020. This is lower than previous forecasts, reflecting the negative effects of the United States–China tariff imposition and slowing growth momentum in the second half of 2018. Financial conditions in advanced economies have tightened since quarter 3 of 2018, producing a slow withdrawal of liquidity from global markets with central banks in both developed and emerging markets raising policy interest rates.

The IMF's projections are based on a spillover of the softer momentum seen in the second half of 2018 and a persistent decline in the growth rate of advanced economies from above trend levels occurring more rapidly than previously anticipated, coupled with a temporary decline in the growth rate for emerging market and developing economies in 2019.

Africa

Growth prospects across the continent remain steady with Africa's economic growth estimated at 3.5% in 2018. However, the region-wide numbers mask considerable differences in the growth performance and prospects of countries across the region. East Africa led with GDP growth estimated at 5.7% in 2018, followed by North Africa at 4.9%, West Africa at 3.3%, Central Africa at 2.2%, and Southern Africa at 1.2%. In the medium term, growth is projected to accelerate to 4% in 2019 and 4.1% in 2020.

East Africa will remain the fastest growing region with growth projected to reach 5.9% in 2019 and 6.1% in 2020. The countries in this region experiencing rapid growth are Djibouti, Ethiopia, Rwanda, and Tanzania. Growth in Southern Africa is expected to remain moderate in 2019 and 2020 after a modest



recovery in 2017 and 2018. Southern Africa's subdued growth is due mainly to South Africa's weak development, which affects neighbouring countries.

The economic outlook for Sub-Saharan Africa is improving but remains modest. Many Sub-Saharan African markets have inherently high levels of debt to GDP, hence the inability, or very restricted capacity to take on more debt.

In the SADC region, commodity driven economies such as Angola and Zambia remain strained. Although Angola is recovering with the rebound in the oil price, price volatility continues as a result of supply concerns related to embargoes on Iranian oil, collapsing output from Venezuela and OPEC production quotas. The Zambian economy is also battling a debt crisis. Mozambique, which was previously forecast to be one of Africa's fastest growing economies over the next decade, has had a significant shift in its growth outlook since the Loan Default scandal which resulted in the IMF and donors cutting funding.

South Africa

South Africa's protracted, sluggish economic growth is expected to continue with low levels of private investment, a possible ratings downgrade still looming and the persistent challenges of poverty, unemployment and inequality. Growth prospects are muted as GDP growth slumped by 3.2% in the first quarter of 2019. Uncertainty over electricity supply coupled with

attendant risks of SOE financial weakness continue to inhibit capital investment in the short to medium term. However, with the national and provincial elections concluded, the prospect for President Ramaphosa to achieve growth promoting governance conditions is encouraging.

INFRASTRUCTURE DEVELOPMENT

According to the World Bank, the infrastructure deficit across Africa costs the continent up to 2.6% in average per capita growth. Conversely, closing Africa's infrastructure quantity and quality gap has the potential to increase GDP per capita by as much. There is an urgent need for adequate infrastructure to drive progress and stimulate economic growth.

With a burgeoning, young and rapidly urbanising population, the imperative for Africa to industrialise, to end poverty and generate employment, is growing. A key impediment is a lack, across much of the continent, of productive infrastructure such as secure energy, efficient transport, reliable communication systems, resilient sanitation and affordable housing.

The sustainable development of a large-scale infrastructural backbone is vital to accelerate regional integration and for Africa to achieve its full potential. Investment in infrastructure development will play a significant role in helping Africa to eradicate poverty and meet the SDGs.

Africa's investment needs

Infrastructure sub-sector	Target by 2025	Annual cost (Billion USD)
Power	<ul style="list-style-type: none"> • 100% urban electrification • 95% rural electrification 	30–50
Water supply and sanitation	<ul style="list-style-type: none"> • 100% access in urban areas • 100% access in rural areas 	56–66
Information and communication technology	<ul style="list-style-type: none"> • Universal mobile coverage • 50% of population within 25 km of a fibre backbone • Fibre to home/premises • Internet penetration rate (10%) 	4–7
Road and other transport sectors (air, rail and ports)	<ul style="list-style-type: none"> • 80% preservation • 20% development 	35–47
Total		130–170


Source: AfDB 2019 African Economic Outlook (AEO)

OUR STAKEHOLDERS AND STRATEGIC PARTNERS










Stakeholder engagement is a critical element of our business. Our stakeholders contribute to our value-creation process, which is articulated through our projects' business processes and procedures. As a development bank, our priority is to generate a developmental impact return, not a commercial rate of return. Social and relationship capital is, therefore, central to our value creation. Across our holistic end-to-end infrastructure value chain the DBSA fulfils many roles: financier, advisor, strategic partner, implementer, integrator, collaborator, catalyser, innovator. Within each of these, the Bank has a wide and established stakeholder network, as illustrated in the overview below. We pride ourselves on long standing and well established relationships with various government departments for partnering in the delivery of social and economic infrastructure.

We value our strategic partnerships and consider them a key strategic advantage. We understand that we are a public entity, accountable to the public, and we ensure that we utilise our privileged position as a bridge between the private and the public sectors to drive development impact.






We capitalise on our strategic partnerships to source deal flow and access grant and concessional funding to provide technical assistance to our clients on a grant basis or provide loans at lower cost than if we were borrowing in the commercial market.

 Refer to table below for further details on our stakeholders and strategic partners

Our key stakeholder groups and how we engage

Capitals impacted	Stakeholders	How we engage	Key issues	Stakeholders' contribution to value creation	Responsibility
  	Government (shareholder representative)	<ul style="list-style-type: none"> Regular and proactive engagement with the Governor and National Treasury Quarterly one-on-one meetings and presentations Informative sessions on strategy progress update Integrated Annual Report presentation 	<ul style="list-style-type: none"> The DBSA's developmental role Long term sustainability Financial performance Shareholder Compact Policy implementation and regulation 	<ul style="list-style-type: none"> Provides the link to ensure alignment of the DBSA with national priorities 	Chief Executive Officer Chief Investment Officer
  	South African government departments	Regular and quarterly one-on-one meetings	<ul style="list-style-type: none"> Engagement on issues of water, energy, transport, health and education. Demonstrate will and capacity to act to address service delivery issues 	<ul style="list-style-type: none"> Their business provides the basis for our continued growth To understand our clients' and partners' needs and enhance our development impact 	Group Executive: Infrastructure Delivery Division Group Executive: Client Coverage
  	South African clients and partners	<ul style="list-style-type: none"> Quarterly and proactive engagement and interaction Client and partner surveys 	<ul style="list-style-type: none"> Client needs (funding and non-funding support) Implementation support (non-funding support) Perceptions and expectations Job creation Environmental impact 	Mutual cooperation to provide capacity building and innovative financing solutions to enhance service delivery to municipalities	Group Executive: Infrastructure Delivery Division Group Executive: Client Coverage

Capitals impacted	Stakeholders	How we engage	Key issues	Stakeholders' contribution to value creation	Responsibility
	Investors	<ul style="list-style-type: none"> Quarterly feedback sessions One-on-one interaction with Treasury Division on regular basis 	These entities provide for lines of credit and they must therefore be kept informed about significant changes, particularly those with financial impact	Provide concessional and grant capital	Chief Executive Officer Chief Financial Officer Chief Risk Officer Group Executive: Treasury
	Providers of finance	<ul style="list-style-type: none"> Meetings with analysts and rating agencies Investor roadshows Announcement of results Website 	<ul style="list-style-type: none"> Financial performance Market trends and issues Future prospects and organisational sustainability 	Provide investment opportunities	Chief Executive Officer Chief Financial Officer Chief Risk Officer Group Executive: Treasury
	International partners	<ul style="list-style-type: none"> Engagement through one-on-one meetings Annual partnership workshops Side meetings at relevant conferences DBSA newsletter/website 	Return on investments and development impact, increase level of trust	<ul style="list-style-type: none"> Funding Technical skills Advisory 	Chief Executive Officer Group Executive: Client Coverage Group Executive: Transacting Group Executive: Project Preparation
	Civil society	Engagement through community projects and forums	Strengthened cooperation with civil society to enhance the Bank's work and achieve greater impact	<ul style="list-style-type: none"> Access to communities Assist in maximising development impact Social facilitation of community participation in infrastructure delivery 	Chief Investment Officer Group Executive: Infrastructure Delivery Division
	African partners	<ul style="list-style-type: none"> Engagement through one-on-one meetings Annual partnership workshops Side meetings at relevant conferences DBSA newsletter/website 	Mutual cooperation in respect of regional integration, economic development within the region, as well as local point of project identification and financing	<ul style="list-style-type: none"> Deal flow Investment Exchange of skills 	Chief Executive Officer Group Executive: Client Coverage Group Executive: Transacting Group Executive: Project Preparation
	Community	<ul style="list-style-type: none"> Social facilitation and steering committees Project implementation Community surveys Marketing campaigns Website 	<ul style="list-style-type: none"> Investment in socioeconomic development Access to basic services Local labour opportunities 	Communities are ultimately a key beneficiary of our services and they provide a deeper understanding of our social responsibility expectations, including job creation and environmental impact	Group Executive: Infrastructure Delivery Division

Capitals impacted	Stakeholders	How we engage	Key issues	Stakeholders' contribution to value creation	Responsibility
 	Regulators	Regular communication, meetings with reports: <ul style="list-style-type: none"> • Standing Committee on Finance • Select Committee on Finance • National Treasury • Financial Intelligence Centre • Department of Labour • Johannesburg Stock Exchange 	<ul style="list-style-type: none"> • Compliance requirements • Needs and expectations • Feedback on performance and human capital matters, governance, financial control and risk 	Provides the enabling regulatory framework within which we operate	Chief Financial Officer Group Executive: Treasury
	Media	<ul style="list-style-type: none"> • Media briefings • Press conferences, releases and print media 	<ul style="list-style-type: none"> • Key strategic initiatives • Project information • Operational and financial performances 	Raise public awareness of our strategy, products and services as well as our operational results	Chief Investment Officer
	Employees	<ul style="list-style-type: none"> • Staff engagements at numerous levels • Training and development needs analysis • Results presentations • Performance reviews • Internal media • Whistleblower's hotline • Staff surveys 	<ul style="list-style-type: none"> • Strategy • Financial performance • People development and training • Transformation and employment equity • Code of conduct 	To enhance employees' engagement and commitment as their efforts contribute to our success	Group Executive: Human Capital
	Suppliers	One-on-one meetings and presentations	Contract and service agreements and performance	<ul style="list-style-type: none"> • 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 	Chief Financial Officer Group Executive: Infrastructure Delivery Division

MATERIAL ISSUES

HOW WE DETERMINE MATERIALITY

We consider matters to be material if they have the potential to substantially affect our ability to implement our strategy as a state-owned company (SOC) and fulfill our commitment to creating and sustaining value for our stakeholders over the short, medium and long term.

Determining material matters is an ongoing process – we assess the external environment and key corporate risks and opportunities, consider our stakeholders' interests and concerns, and align these to the strategy. Executives are interviewed to ensure identified matters are material to the Bank.

OUR MATERIAL ISSUES



Governance

Every audit undertaken since the inception of the Bank has been unqualified. This exemplary track record reflects the strength of our governance structures and processes. In the wake of the considerable attention governance issues at other South African state-owned enterprises have attracted, the DBSA undertook a number of initiatives to further strengthen governance, despite no issues having been raised for the Bank itself.

These were aimed at ensuring that directors' decisions remain free from any conflicts and at tightening controls around lending to politically exposed persons.

Sound governance is essential for the Bank, from a reputational perspective as well as for capital availability and risk management. As an intermediary leveraging capital, both public and private, our role in ensuring good governance extends beyond our internal structures and processes. In upholding our partnerships with our investors through protecting our own interests as a responsible lender, we have a duty to address governance gaps and breakdowns as and when evident, even with our borrowers and other clients.

Corporate governance remains a key credit consideration. Poor governance has a tangible impact on the availability and cost of capital, and constricts economic growth and opportunity for all.

The considerable institutional governance failures that have come to light in the past few years, particularly at state-owned companies have a far reaching impact.



A strong financial foundation

The financial sustainability of the DBSA is fundamental to our ability to create value. The DBSA's priority is to generate a developmental impact return as a DFI which is the main reason for its existence. The commercial activities of the DBSA must be financially sustainable. A strong balance sheet is essential to making a greater developmental impact, facilitating future lending, assisting in attracting private funding and supporting future growth.

In addition, through demonstrating that investment in developmental projects may be profitable, a strong financial position attracts private investment.

The DBSA maintains a strong focus on profitability and 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.



Fluctuating operating environment

As a development bank supported by the government, our role to some extent is to provide countercyclical funding.

However, that is not to say we are not impacted by the external economic conditions. Our operating environment is dynamic and constantly fluctuating. The DBSA's sustainability and effective developmental impact is dependent on our ability to monitor, assess and respond to the external environment.

A persistent, difficult macroeconomic environment in South Africa and many African countries has impacted GDP growth and slowed infrastructure investment.

The depressed economic backdrop does not diminish the need for infrastructure development. Infrastructure is key to stimulating the economy as there is a strong relationship over the long term between infrastructure spend and economic growth. A further deterioration of the economy could lead to a downgrade of South Africa's sovereign ratings, which would significantly increase borrowing costs. In addition, the weak economy and general uncertainty impact investor confidence.



Strategic partnerships

Developing and leveraging our strategic partnerships and relationships to profitably expand and deepen our penetration of our selected market segments and geographic markets is a key business activity for the Bank. Our role encompasses mobilising resources from our many partners, enlarging the pool of capital and expertise available for improving the lives of people. As a DFI we are in the business of providing additionality, as a collaborator rather than a competitor in the market.

Our strong Board and operational governance, ensures that we are well placed to mobilise domestic funding and leverage investment from the private sector to increase the pool of funding available. The Bank acts as a vital financial intermediary between the financial markets and the local authorities, including smaller municipalities with limited access to the capital markets, as well as private entities with difficulties in obtaining commercial financing. We also have strong connections internationally. Strategic partnerships enable our business to gain a competitive advantage through access to knowledge and project funding. We continue to be keenly focused on building strategic partnerships with local and international organisations to improve our position as a partner of choice.



Human capital

Building human capital is an essential foundation for long term development progress. People are our most valuable resource and we are committed to attracting, developing, retaining and rewarding the best people through the continued establishment of a stimulating and exciting environment, which encourages development and growth.

Within our group, we have distinctive skills for the provision of innovative development financing and enhanced project execution. Our leadership and management are a critical enabler in achieving our strategic objectives.

Our employees are also central to designing and delivering customer experiences and service delivery. All employees are encouraged to take ownership of their own development journey, personalising the work the DBSA does to promote socioeconomic growth.

Our employees are encouraged to contribute purposefully in their operational duties. The DBSA's human capital strategy ensures that our employees consistently stay relevant in their field of expertise and build their careers. Our aim is to create committed, proactive and innovative development practitioners.



Creating an integrated developmental environment

The DBSA's strategy is developing in a context of rapid evolutionary change. In attaining its purpose, the DBSA aims to shape the development landscape needed to realise a prosperous, integrated and resource efficient continent.

The long term advantage lies in capitalising on this change to achieve sustainability, build resilience, re-imagine relevance, and to thrive as it transcends current trajectories. In 'building the business', operational imperatives of financial sustainability as well as leadership and governance uphold the DBSA's reputation and yield an environment conducive to this transformation.

Re-imagining a DBSA relevant to the future lies in deepening our development impact. Building our relevance drives the transformative changes needed to adapt in an ever-changing environment. By recognising constant change as the natural order of things, leadership creates inclusivity in the work environment that embraces change, to face the inevitable with confidence and enthusiasm.

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.

MANAGING OUR RISKS AND OPPORTUNITIES

Managing risk and opportunities is a fundamental part of delivering on our mandate ensuring that the Bank delivers on a sustainable basis. The DBSA Board is ultimately accountable for the effective management of risks and has adopted an enterprise wide risk management (ERM) framework and approach to managing risk exposures. This approach ensures that the DBSA takes a holistic view of the risks inherent in our strategy, operations and business, which enforces the embedding of management of risks into the mainstream planning, business and decision-making processes. The Bank's risk governance is premised on ethical behaviour, legislative compliance and sound accounting practice which, lays the foundation for its internal control processes.

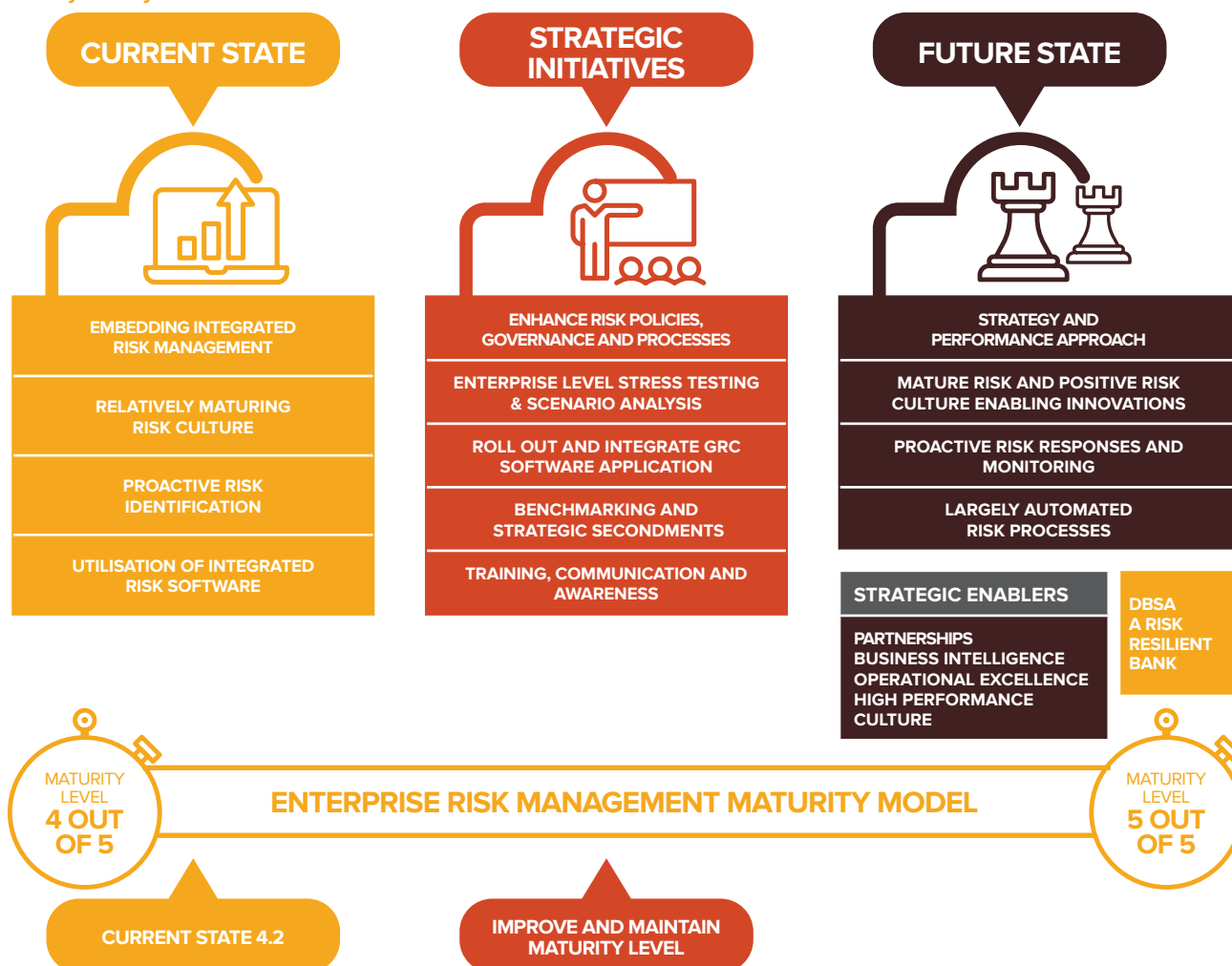
ENTERPRISE RISK MANAGEMENT

Risk management is inherent in the nature of our business as a developmental bank, which consistently needs to trade off between development and financing ensuring sustainability

as a mandated financing institution. Risk management is, consequently, executed and embedded in our business processes, striving for excellence through continuous improvement that is ingrained in our governance.

The Board has approved an ERM journey which guides and directs the DBSA systematically and intentionally from the current state to a future-fit state. This enables a mature and positive risk culture that promotes natural innovation and ultimately ensures that most processes are automated. This ERM journey is linked to the execution of business strategies by analysing potential risks and their impact on achieving our objectives. This three-year journey aims to define comprehensively assigned accountability for the risks, controls and mitigation actions. The graphic below reflects a high level approach to ERM, which aims to achieve the required integrated risk management systems. It should be noted that during the 2018/19 financial year, the Bank achieved a risk maturity score of 4.2 out of 5.

ERM journey ahead










RISK APPETITE

The DBSA sets out its objectives in the Annual Corporate Plan. In pursuing such objectives and upon evaluation of opportunities and threats, the risk appetite statement defines the amount of risk the DBSA can afford to take, needs to take and prefers to take in achieving its objectives. The Bank has set out a Risk Appetite Statement with specific metrics to track and monitor these key risks, which is a Board-approved framework as indicated below:

STRATEGIC OBJECTIVE

Deepening development impact while maintaining financial sustainability with the aim of driving towards a prosperous, integrated and resource efficient continent.

RISK APPETITE PILLARS

CAPITAL ADEQUACY	FINANCIAL SUSTAINABILITY	CREDIT DEFAULT	CREDIT CONCENTRATION	LIQUIDITY AND MARKET RISK	SUSTAINABILITY RISK	OPERATIONAL RISK
						
Maintain sufficient capital to cover existing and projected risks	Maintain financial sustainability	Being prudent in our financing activities	Manage credit concentration within set limits	Have stable access to funding and liquidity in order to be able to withstand liquidity stresses with relevant liquid asset holdings	Deliver on our mandate without compromising on environment and social and governance Issues	To ensure appropriate operational processes that engender trust with all stakeholders
Debt-to-equity ratio assets Basel Pillar 1 capital	Non-interest revenue (excluding IDD and equity) Return on equity Net cash generated from operations Total disbursements	Non-performing loan ratio Credit loss ratio	Single obligor limit Sector concentration Country concentration	Net interest income (NII) sensitivity: 12-month NII (%) Liquidity coverage ratio (%) Net stable funding ratio Currency risk: Net open position Currency loss	Environmental and social risk category Project sponsor environmental and social governance status Resource use and dependencies	Earnings losses due to business disruptions, processes and reputational issues

PRINCIPAL RISKS

The principal risks are defined as the risks linked to our strategic objectives. The profiling of the key risks is obtained through vigorous and intensive stakeholder engagements with the Board and executive management. The DBSA follows the bottom-up and top-down approaches to risk management and divisions are responsible for identifying and managing these principal risks. These risks are continuously monitored and tracked through the ERM process. The graphic below depicts the heat map of the residual risk ratings pertaining to the principal risks.

5 Almost Certain					
4 Probable			1. Changing operating environment 2. Macroeconomic 3. Country and political 12. Sustainability		
3 Possible			4. Credit 5. Human capital 6. Infrastructure implementation 7. Stakeholder management 8. Governance and conduct 9. Development impact and B-BBEE 10. Cyber		
2 Unlikely		11. Funding and liquidity 13. Occupational health and safety			
1 Remote					
	1 Low up to R350m	2 Minor R350–R880m	3 Moderate R880–R1.75bn	4 Major R1.75–R3.5bn	5 Critical > R3.5bn
IMPACT RATING					

The DBSA Board and management team continuously review the top corporate risks to ensure an appropriate understanding of our operating environment.

No.	Associated strategic objective /context	Risk	Risk description	Residual rating 31 March 2019
1	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Integrated infrastructure solutions provider • Financial sustainability <p>Context: The DBSA's strategy requires unlocking infrastructure in a developmental finance landscape that is constantly evolving. The DBSA is responding to this via forging strategic partnerships, working on moonshots and developing structured products and funding structures to unlock infrastructure and crowd-in third parties.</p>	Changing operating environment	<p>The risk arising from failing to respond and innovate due to a rapidly changing operating environment.</p> <p>Risk sponsor Chief Investment Officer</p>	<p>12 High</p> <p>RI = 3 (Moderate) RL = 4 (Probable)</p>
2	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Integrated infrastructure solutions provider • Financial sustainability <p>Context: The global macroeconomic environment is currently characterised by slower growth as weakness in the second half of 2018 spilled over into 2019. Oil prices picked up earlier in 2019 but appear to be capped by concerns over slowing global growth. The US Federal Reserve raised the fed funds rate to 2.5% in December 2018 and expects not to raise the rates until at least 2021. This accommodating monetary stance will have a positive impact on the cost of raising capital.</p>	Macroeconomic	<p>The risk arising from challenging macroeconomic conditions, impacting the DBSA's ability to achieve its strategic objectives.</p> <p>Risk sponsor Chief Executive Officer</p>	<p>12 High</p> <p>RI = 3 (Moderate) RL = 4 (Probable)</p>
3	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Financial sustainability • Provision of integrated infrastructure solutions <p>Context: Within the region that we operate in, political events, social issues, sovereign debt sustainability, currency exchange and convertibility have a bearing on the infrastructure opportunities we pursue, as well as the ability of clients to repay.</p>	Country and political	<p>Country risk arises from the possibility that changes in economic concentration, sovereign debt sustainability, currency exchange and convertibility may impact adversely on the quality of the assets, or ability to continue with Bank operations in a country.</p> <p>Risk sponsor Chief Investment Officer</p> <p>Political risk arises from changes in the local political landscape and political pressure, which may impact on the mandate and performance of the Bank.</p> <p>Risk sponsor Chief Executive Officer</p>	<p>12 High</p> <p>RI = 3 (Moderate) RL = 4 (Probable)</p>

No.	Associated strategic objective /context	Risk	Risk description	Residual rating 31 March 2019
4	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Financial sustainability • Integrated infrastructure solutions provider <p>Context: There is increased awareness in the market around environmental and social issues. Management continues to demonstrate embedding sustainability in everything we do, thus enhancing the sustainable development of the social, economic and ecological environment.</p>	Sustainability	<p>The risk arising from failing to remain socially and environmentally sustainable.</p> <p>Risk sponsor Chief Investment Officer</p>	<p>12 High</p> <p>RI = 3 (Moderate) RL = 4 (Probable)</p>
5	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Financial sustainability <p>Context: The DBSA provides loans to clients, which exposes the Bank to credit risks.</p> <p>In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial.</p>	Credit	<p>The risk of loss due to borrowers/clients defaulting on repayments.</p> <p>Risk sponsor Group Executive: Financing Operations</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>
6	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Create and maintain a high performance environment <p>Context: To be able to execute our mandate, we need to be able to recruit, develop and retain the best people.</p>	Human capital/ people	<p>The risk of failure to recruit, develop and retain the best people</p> <p>Risk sponsor Group Executive: Human Capital</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>
7	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Provide integrated infrastructure solutions • Sustained growth in development impact <p>Context: The DBSA is recognised as a critical component of the national infrastructure system with a mandate to contribute meaningfully towards national infrastructure priorities.</p> <p>The risk relates to risks associated with the actual delivery of infrastructure, which is not the same as the lending operations of the DBSA.</p>	Infrastructure implementation	<p>The risks arising from infrastructure delivery initiatives not delivering on the expected outcomes.</p> <p>Risk sponsor Group Executive: Infrastructure Delivery</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>

No.	Associated strategic objective /context	Risk	Risk description	Residual rating 31 March 2019
8	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact • Financial sustainability • Integrated infrastructure solutions provider <p>Context:</p> <p>The Bank recognises that effective internal and external stakeholder management and collaboration is imperative to the success of achieving the Bank's strategic and operational goals and objectives.</p>	Stakeholder management	<p>The risk of failing to align business practices with stakeholder expectations resulting in long term unsustainability.</p> <p>Risk sponsor(s) Chief Executive Officer and Chief Investment Officer</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>
9	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Continuous improvement of internal systems and processes <p>Context:</p> <p>There has been increasing regulation within the financial services sector and focus on conduct risk by regulators since the 2008 financial crisis, and the DBSA is not immune to these growing requirements especially with growth in the rest of the continent.</p> <p>There have also been allegations of governance challenges and financial irregularities in SOCs and corporates, such as Eskom, KPMG, Steinhoff, Nkonki, Bain & Company.</p>	Governance and conduct	<p>The risk of unethical conduct due to failure in governance processes (internally and with regard to our clients).</p> <p>Risk sponsor(s) Chief Investment Officer and Corporate Secretariat</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>
10	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> • Sustained growth in development impact <p>Context:</p> <p>The DBSA's mission is to advance development impact in the region and effectively integrate and implement solutions to improve the quality of lives and support economic growth through investment and development of infrastructure.</p> <p>As a state-owned enterprise, the Bank acknowledges that it is important that the activities of the organisation are closely aligned to support key national imperatives such as B-BBEE.</p> <p>In the next three years, the priority will be to increase focus on economic transformation by preparing projects that are majority black-owned as well as black women.</p>	Developmental impact and B-BBEE	<p>The risk of lower than expected developmental impact in projects financed and implemented.</p> <p>Risk sponsor(s): Group Executive: Client Coverage</p> <p>Group Executive: Transacting</p> <p>Group Executive: Project Preparation</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>

Legend

The table below summarises the legend used for the DBSA Principal Risks 2018/19:

INHERENT AND RESIDUAL RISK RATINGS		DEFINITIONS	
II	Inherent Impact	Inherent risk	The risk exposure if no controls are in place. It is therefore the gross risk.
IL	Inherent Likelihood		
RI	Residual Impact	Residual risk	The risk that remains after controls are in place. It is therefore the net risk.
RL	Residual Likelihood		

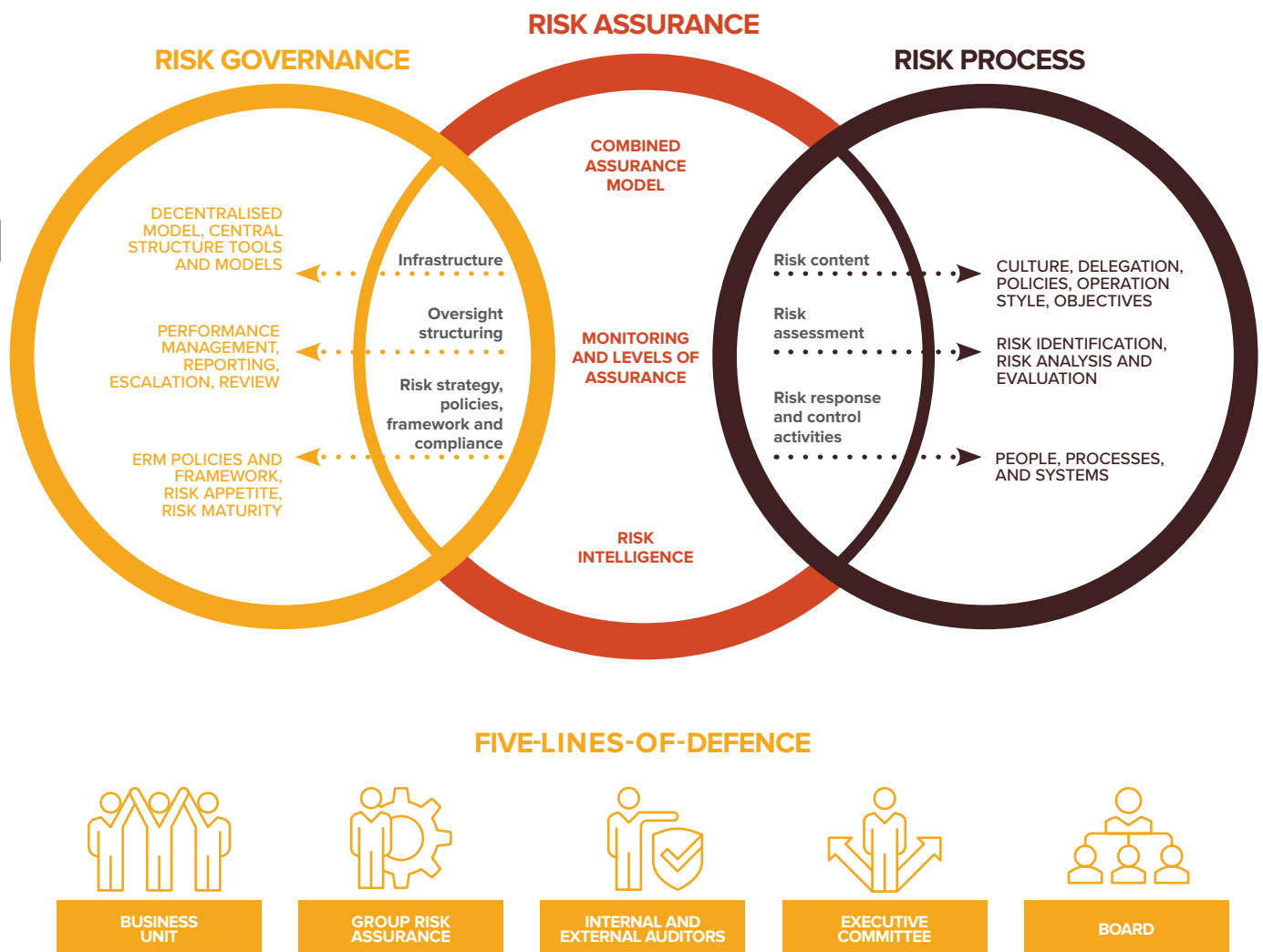
No.	Associated strategic objective /context	Risk	Risk description	Residual rating 31 March 2019
11	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> Continuous improvement of internal systems and processes <p>Context:</p> <p>In today's world, there is increasing sophistication of cyber attack capabilities (external, insider threat or supplier breach), including related legislative requirements that require focus from a risk perspective.</p>	Cyber	<p>The risk arising from accidental or malicious breaches of information security, adversely impacting DBSA and clients.</p> <p>Risk sponsor Chief Financial Officer</p>	<p>9 Moderate</p> <p>RI = 3 (Moderate) RL = 3 (Possible)</p>
12	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> Sustained growth in development impact Financial sustainability <p>Context:</p> <p>If the Bank is to meet its infrastructure developmental targets, it requires adequate funding and access to capital markets. The recent downgrade of South Africa's credit rating to sub-investment grade by S&P Global, and Moody's placing the country on review for a downgrade, impacts the credit rating of the DBSA. Furthermore, investors in the Bank's debt instruments require comfort that their money is lent to entities that practice good governance.</p>	Funding and liquidity	<p>The risks 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.</p> <p>Risk sponsor Group Executive: Treasury and Balance Sheet Management</p>	<p>4 Low</p> <p>RI = 2 (Minor) RL = 2 (Unlikely)</p>
13	<p>Associated strategic objective:</p> <ul style="list-style-type: none"> Provide integrated infrastructure solutions <p>Context:</p> <p>The DBSA leadership recognises that people are the most valuable asset and as such want to ensure that reasonable, practicable and safe solutions are implemented during all our activities and operations. This risk is much higher in the infrastructure delivery operations.</p>	Occupational health and safety	<p>The risks arising from events in the workplace, especially in the implementation of DBSA projects that result in loss of life, injuries, legal and reputational damage.</p> <p>Risk sponsor Chief Executive Officer</p>	<p>Low</p> <p>RI = 2 (Minor) RL = 2 (Unlikely)</p>

ASSURANCE FRAMEWORK

The DBSA's risk management combined assurance system comprises the following interrelated functions:

- The five-lines-of-defence risk management strategy that allocate roles and accountabilities at various tactical levels
- Risk governance, which entails the creation of an enabling environment for the structured management, oversight and reporting of risks
- Risk process, which covers the planning, understanding and responding to risks inherent in the DBSA's strategy, operations and business
- Risk assurance, which encompasses the combined efforts of various parties in monitoring and assessing the adequacy, effectiveness and economy of the governance, control and oversight of risks

The DBSA enterprise wide risk management system



The DBSA's five-lines-of-defence combined assurance risk model clearly define 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 right through to the client facing units as indicated below:

LINE OF DEFENCE	ROLE	RESPONSIBILITY
First	Business units, support functions, line management and all employees	Controlling and monitoring the risks in the operating environment
Second	Group Risk Assurance division	Providing risk policies, strategies and best practice standards Mitigating the main risk exposures inherent in the DBSA's mandate Monitoring implementation of risk management principles Adherence to regulation and legislation Group wide risk monitoring and consolidation of reporting, drawing on and aggregating the risk reporting from the divisions
Third	Internal and external audit	Providing independent assurance on the effectiveness of risk management
Fourth	Executive committee	Responsibility and oversight of DBSA activities to ensure that they are consistent with business strategy and policies as approved by the Board
Fifth	Board	Overseeing the activities of the DBSA and accounting to the shareholder for strategy and performance The Audit and Risk Committee is mandated to oversee the implementation of the DBSA's ERM framework and assesses key risk reports and indicators on a quarterly basis

HOW WE ARE GOVERNED

Good corporate governance is built on effective and responsible leadership. It is characterised by the ethical values of responsibility, accountability, fairness and transparency. Every aspect of our business rests on a foundation of ethical values. Good governance is part of our DNA, and we strive for the highest standards. A strong governance framework improves decision-making, facilitates access to capital, reduces risk and contributes to adding value. Better corporate governance leads to transparency and better disclosure, thus providing the opportunity to establish relationships with all stakeholders on fair and more productive terms.

The DBSA upholds the highest possible corporate governance standards by ensuring adherence to all relevant legislative requirements (DBSA Act, PFMA, Companies Act, etc.) including good governance codes, such as King IV while recognising

that corporate governance goes beyond a set of frameworks, principles, policies and rules. The Board is committed to maintaining a high standard of corporate governance practices within the Bank. During the challenging time wherein considerable institutional governance failures particularly from SOCs were coming to light, the DBSA's Board stepped up in its primary role and responsibility of serving as the focal point and custodian of corporate governance within the Bank and was able to remain focused on the business and make well-informed decisions that are in the DBSA's best interests.

The good governance standard of the Bank has created value for the DBSA by guarding the good reputation of the Bank, providing assurance to stakeholders and clients, growing the business of the Bank under difficult economic conditions, and 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 Report on Corporate Governance (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)
- CGDF Corporate Governance Development Framework
- SADC Working group

Policies and procedures in place

- Board Charter
- Code of Ethics
- 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
- Appointment of DBSA Nominee Directors and Private Equity Advisory Committee Member Policy
- Ethics Hotline



Details of the Board Charter, including the role and responsibilities of the company secretary, as well as the Code of Ethics are available on our website, www.dbsa.org.

GOVERNANCE STRUCTURE

During the year under review the Bank has enjoyed the benefit of having a stable Board and stable team of management.

Ministry of Finance (Sole Shareholder)					
Minister Tito Mboweni					
DBSA Board					
Chairperson: Mark Swilling					
	ARC	BCIC	HRNC	SEC	IDKC
Board Committee	Audit and Risk Committee	Board Credit and Investment Committee	Human Resources, Remuneration and Nomination Committee	Social and Ethics Committee	Infrastructure Delivery and Knowledge Management Committee
Non-executive members	Gugu Mtetwa (Chairperson)	Anuradha Sing (Chairperson)	Patience Nqeto (Chairperson)	Zanele Monnakgotla (Chairperson)	Martie Janse van Rensburg (Chairperson)
	Martie Janse van Rensburg Anuradha Sing Zanele Monnakgotla Blessing Mudavanhu Patience Nqeto Bulelwa Ndamase	Gugu Mtetwa Martie Janse van Rensburg Blessing Mudavanhu Zanele Monnakgotla Bulelwa Ndamase Mark Swilling Enoch Godongwana	Gugu Mtetwa Blessing Mudavanhu Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Patience Nqeto Bulelwa Ndamase	Mark Swilling Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Patience Nqeto Bulelwa Ndamase	Mark Swilling Malijeng Ngqaleni Lufuno Nematswerani Letlhogonolo Noge-Tungamirai Enoch Godongwana
Executive ¹ members		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 94 – 97 for the Audit and Risk Committee report.	See pages 98 – 99 for the Board Credit and Investment Committee report.	See pages 126 – 127 for the Human Resources, Remuneration and Nomination report.	See page 115 for the Social and Ethics Committee report.	See pages 107 – 108 for the Infrastructure Delivery and Knowledge Management Committee report.

¹ Chief Executive Officer is a standing member of BCIC 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				
Chairperson: Patrick Dlamini				
Steering Committee	Asset and Liability Management Committee	Supply Chain Management Committee	Investment Committee	Infrastructure Delivery and Knowledge Management Committee
	Boitumelo Mosako (Chairperson)	Boitumelo Mosako (Chairperson)	Mpho Kubelo (Chairperson)	Michael Hillary (Chairperson)

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+ (2018: A+)

IODSA KING IV self-assessment rating:

95% satisfactory applied

(2017: AAA on King III)

Accredited as a **Green Climate Fund**

Biannual Board effectiveness review conducted in 2018

BOARD INDEPENDENCE

Executive directors

14%

Non-executive Directors
(shareholder representative)

7%

Independent
Non-executive Directors

79%

The Minister of Finance approves appointment of directors

14 Board members

The Chairperson is an independent non-executive director

One shareholder representative

Majority independent non-executive directors

SEC, HRNC and ARC: independent non-executive directors as members

Declaration of interest at each meeting

DIVERSITY

Male	36% (5)
Black male	29% (4)
White male	7% (1)

Female	64% (9)
Black female	57% (8)
White female	7% (1)

ACTIVE PARTICIPATION

Annual Board Meetings

4

Strategy Sessions

1

Annual General Meeting

1

Attendance at Board Meetings

87%

ROTATION

Appointed for **three-year** term

Maximum number of terms: **3**

Left the Board during 2019: **4**

Re-appointed to the Board during 2019: **2**

The contract terms for each of the directors are on pages 12 – 13 of the Director's Report.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE



LEADERSHIP
14 (100%)



FINANCE AND INVESTMENT
8 (57%)



GOVERNMENT
1 (7%)



ECONOMICS
2 (14%)



SOCIAL AND SUSTAINABLE
DEVELOPMENT
1 (7%)



RESEARCH AND POLICY
2 (14%)



LAW
2 (14%)



ENGINEERING
1 (7%)

TENURE NON-EXECUTIVE DIRECTORS

0-3 years

6

3-6 years

3

More than 6 years

3

DISCLOSURE ON ROTATION

The following key issues have been identified:

- The terms of the eight Board non-executive directors' will expire on 31 July 2020. The Board and shareholder are engaging on the Board succession plan to ensure that there is no impact on the continuity of the Board activities.
- Although member terms are staggered to ensure rotation of directors on an annual basis, there is a need to ensure that at any point there is no significant number of members retiring.

OUR BOARD

Our Board applies sound corporate governance structures and processes which are considered pivotal to delivering sustainable growth in the interests of all stakeholders. The Bank's values driven culture and Code of Ethics underpin its governance structures and processes, committing the organisation to high standards of business integrity and ethics in all its activities. Governance structures and processes are reviewed regularly and adapted to accommodate internal developments and reflect national and international best practice. The Board considers corporate governance to be a priority and endeavours to go beyond minimum compliance.

The Board will therefore consider all new non-statutory corporate governance concepts carefully and will implement them if they are deemed to be in the DBSA's best interests.

The application of governance requirements should facilitate and not detract from the directors' ability to execute their statutory and fiduciary responsibilities, and their duty of care and skill. The Board and the HRNC continue to review and benchmark all governance structures and processes to ensure that they support effective and ethical leadership, good corporate citizenship and sustainability.



For a more comprehensive report on DBSA's enterprise wide risk management processes, including the internal control environment and combined assurance, as well as material risks identified, refer to pages 37 – 45.

MANAGING RISKS OF POLITICALLY EXPOSED PERSONS

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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 take 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, and 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 2018/19 financial year, the DBSA approved 7 projects (1 trust and 6 private entities) involving PEPs.

BOARD AND COMMITTEE RECORD OF ATTENDANCE

	DBSA Board	ARC Audit and Risk	BCIC Board Credit and Investment	HRNC Human Resources, Remuneration and Nomination	SEC Social and Ethics	IDKC Infrastructure Delivery and Knowledge Management	IVC Investment Valuations Committee ^{1,2}
Number of meetings							
Scheduled	4	4	15	4	4	4	2
AGM	1						
Strategy	1						
Rick focused		2					
Other/special	2	1					
Independent non-executive directors							
Jabu Moleketi (Chairperson) ⁴	6		10	3	3	3	1
Frans Baleni (Deputy Chairperson) ⁴	5		11	3 (Chair)	3 (Chair)	4 (Chair)	2
Martie Janse van Rensburg ⁴	6	6	11			3	2
Zanele Monnakgotla	8	7	15				2
Gugu Mtetwa	8	7 (Chair)	10	3	3		2 (Chair)
Blessing Mudavanhu	8	7	13				2
Bulelwa Ndamase	7	7	10				2
Lufuno Nematswerani	7			4	4	4	
Lethogonolo Noge-Tungamirai	8			4	4	4	
Patience Nqeto	8	7		4	4		2
Anuradha Sing	6	6	12 (Chair)				2
Mark Swilling ⁵	6		3 ⁷	2	2	2	
Non-executive directors							
Malijeng Ngqaleni ^{3,4}	6					2	
Executive directors							
Patrick Dlamini (Chief Executive Officer)	8	7 ³	12	3 ³	1 ³	2	2 ³
Boitumelo Mosako (Chief Financial Officer) ⁶	8	7 ³	12				1 ³

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. By invitation
4. Terms of office for Jabulani Moleketi, Frans Baleni, Martie Janse van Rensburg and Malijeng Ngqaleni terms of office expired on 31 December 2018. Martie Janse van Rensburg and Malijeng Ngqaleni were reappointed from 1 April 2019
5. Mark Swilling was appointed as an Chairperson from 1 January 2019
6. Boitumelo Mosako was appointed as a new Chief Financial Officer from 1 April 2018. She was appointed as an Executive Director from 1 June 2018
7. Mark Swilling was appointed as a member of the BCIC from 1 March 2019

BOARD OF DIRECTORS



Prof Mark Swilling (59)
Divisional Head: Sustainable Development, University of Stellenbosch



Mr Patrick Dlamini (49)
Chief Executive Officer
DBSA



Ms Boitumelo Mosako (41)
Chief Financial Officer
DBSA

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DBSA Non-executive Director as from: 1 August 2014
Chairman of the DBSA Board as from 1 January 2019

Expertise:

Research, policy analysis, sustainable development

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:

- Centre for Complex Systems in Transition, Stellenbosch University: Co-Director
- Management Board of the Centre for Renewable and Sustainable Energy Systems, Stellenbosch University: Member
- International Resource Panel, convened by the United Nations Environment Programme: Member
- World Academy of Arts and Science: Fellow

DBSA staff member and CEO as from 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
- Bridges Worldwide SA: Director
- Lanseria Holding: Non-executive Director
- Lanseria International Airport: Non-executive Director
- BOPHYLD Steel and engineering: Director
- Morgan Cargo Express: Director
- Morgan Cargo Investments: Director
- Interloc Freight Services: Director
- Siba Advisory Services

DBSA staff member and group executive as from: 1 April 2018 and executive director as of 1 June 2018

Expertise:

Auditing and financial management

Academic qualifications:

- BCom Accounting, University of Cape Town
- Chartered Accountant (SA)
- Higher Diploma in Auditing, Accounting Professional Training Ltd
- Post Graduate Diploma in Accounting, University of Cape Town

Other directorships:

None

BOARD COMMITTEES

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



Mr Enoch Godongwana (62)
Director of the New
Development Bank

DBSA Non-executive Director as from:
1 April 2019

Expertise:

Economics, negotiations and
management

Academic qualifications:

- Master of Science: Financial
Economics, University of London

Other directorships:

- National Housing Development
Corporation Ltd: Non-executive
Director
- National Home Builders
Registration Council:
Non-executive Director
- New Development Bank:
Non-executive Director
- Zabezolo Leisure and Services:
Non-executive Director
- Zabezolo Investments:
Non-executive Director
- Zabezolo Resources:
Non-executive Director
- Zabezolo Properties:
Non-executive Director
- Zabezolo Group:
Non-executive Director



Ms Martie Janse van Rensburg (62)
Director of companies

DBSA Non-executive and Independent
Director as from: 1 January 2019

Expertise:

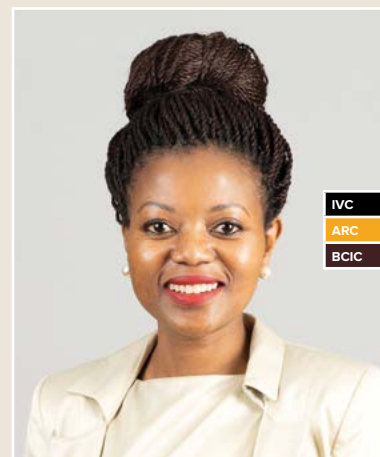
Finance, treasury, project finance,
infrastructure delivery and strategy

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
- Ashburton: Non-executive member
of Investment Credit Committee
- SaveTNet Cyber Safety NPC (non-
profit company): Non-executive
Chairman
- Independent Regulatory Board
for Auditors (IRBA): Non-executive
Director, Deputy Chairman and
Chairman of the Disciplinary
Advisory Committee
- First Rand Bank Wholesale
Credit Committee (International
and Specialised Finance): Non-
executive Director



Ms Zanele Monnakgotla (47)
Director of companies

DBSA Non-executive and Independent
Director as from: 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
- Small Enterprise Development
Agency (SEDA): Non-executive
Director.
- BMFI: Non- executive Director.
- Polyslit (Pty) Ltd: Non-executive
Director
- Member of Rhodes University
Board of Governors

BOARD OF DIRECTORS (CONTINUED)



Ms Gugu Mtetwa (39)
Director of companies



Dr Blessing Mudavanhu (47)
Founder and President
of Dura Capital Ltd



Ms Bulelwa Ndamase (48)
Managing Director of Ndamase
Incorporated

DBSA Non-executive Director as from:
1 August 2014 to 31 August 2019

Expertise:

Business management, auditing and financial management

Academic qualifications:

- Chartered Accountant (SA)
- Partner development programme, GIBS
- Executive Leadership Development Programme, USB
- Post Graduate Diploma in Accounting, University of Cape Town
- Bachelor of Commerce (Accounting), University of Cape Town

Other directorships:

- Equities Property Fund Limited: Non-executive Director
- Italtile Limited: Non-executive Director
- Santam Limited: Non-executive Director
- Land Bank: Non-executive Director
- Sasfin Holdings: Non-executive Director

DBSA Non-executive Director as from:
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

DBSA Non-executive Director as from:
1 August 2017

Expertise:

Legal business management, strategic management and development

Academic qualifications:

- Masters in Law, Georgetown University, USA
- LLB, University of Natal,
- BA, University of Cape Town

Other directorships:

None

BOARD COMMITTEES

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



Mr Lufuno Nematswerani (49)
Director of companies

DBSA Non-executive and Independent Director as from: 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:

- Lelo Systems: Non-executive Director
- LN Trading enterprise: Non-executive Director
- NLSA: Non-executive Director and Chairperson of REMCO
- GFC Board member and Chairperson of REMCO



Ms Malijeng Ngqaleni (60)
Deputy Director General:
Intergovernmental Relations (IGR),
National Treasury

DBSA Non-executive Director as from: 1 January 2019 (Shareholder Representative)

Expertise:

Economics, policy, government and leadership

Academic qualifications:

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

Other directorships:

None



Ms Letlhogonolo Noge-Tungamirai (36)
Strategic Advisor –
Human Capital Solutions

DBSA Non-executive Director as from: 1 August 2017

Expertise:

ICT, human capital solutions, business strategic management

Academic qualifications:

- MBA (Business Administration), 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

BOARD OF DIRECTORS (CONTINUED)



Ms Patience Nosipho Nqeto (61)
Director of companies



Ms Anuradha Sing (47)
Executive: Strategic Business Operations MTN Group

DBSA non-executive and independent director as from: 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

DBSA non-executive director as from: 1 August 2014.

Expertise:

Finance and business investment

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:

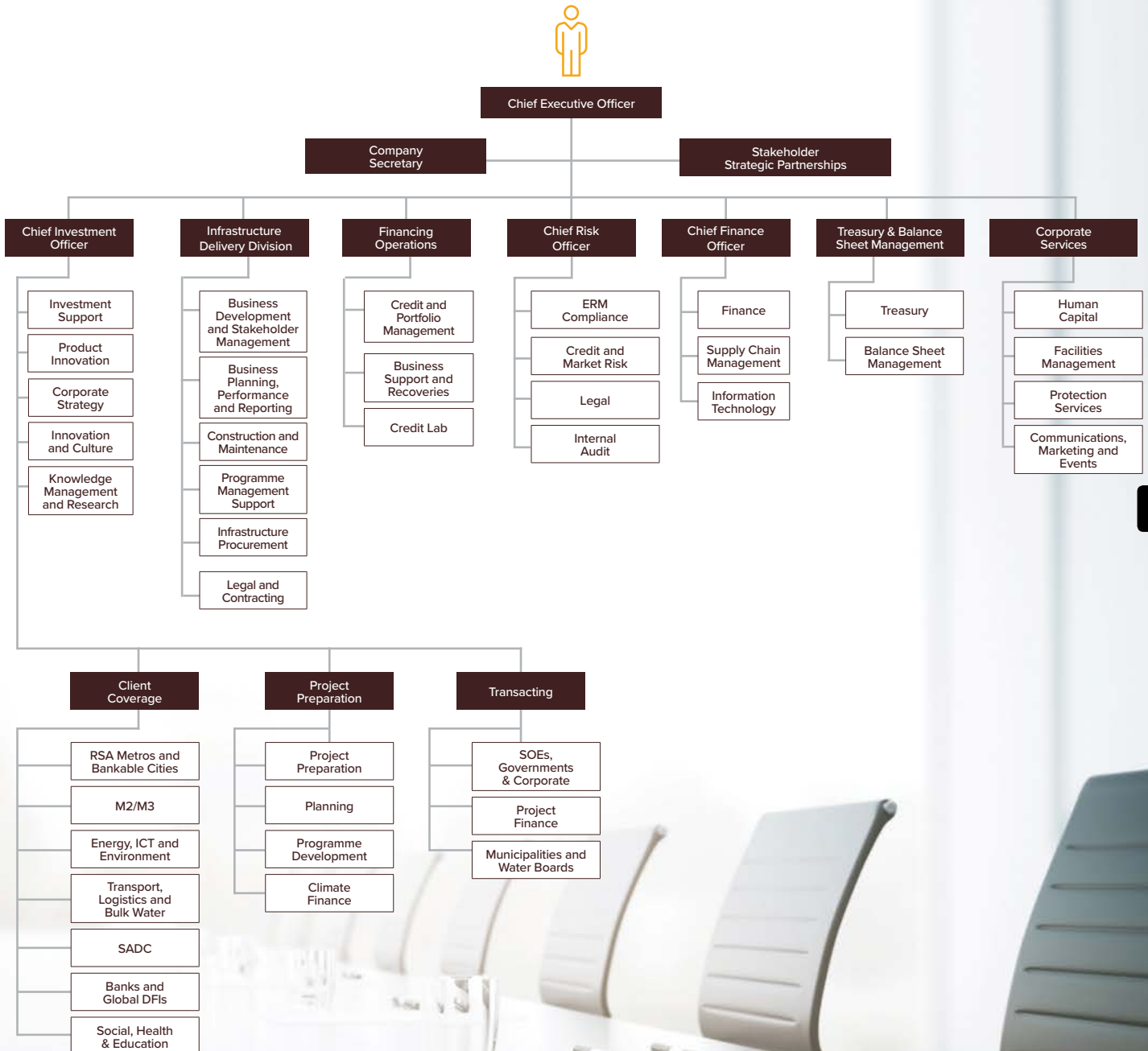
- MTN South Sudan: Non-executive Director
- MTN Guinea: Non-executive Director
- MTN BISSAU: Non-executive Director
- Exxaro Resources (Chair Social and Ethics; Member Sustainability, Risk and Compliance Committee)

BOARD COMMITTEES

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

MANAGEMENT OVERVIEW

OUR ORGANISATIONAL STRUCTURE



EXECUTIVE COMMITTEE



Mr Paul Currie (57)
Chief Investment Officer



Mr Ernest Dietrich (56)
Group Executive: Treasury and
Balance Sheet Management



Mr Michael Hillary (49)
Group Executive: Financing
Operations

58


DBSA staff member and group executive from 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:

Investment Committee Member: Old Mutual Housing Impact Fund: (DBSA nominee)

 See Chief Investment Officer's Report on pages 105 to 106.


DBSA staff member as from:
2 January 2001
Group executive from
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

 See Treasury Report on pages 92 – 93.

DBSA staff member and group executive from 1 October 2012

Academic qualifications:

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

Other directorships:

None



Mr Mpho Kubelo (41)
Group Executive: Chief Risk Officer

DBSA staff member from 1 November 2007 and group executive from 6 October 2017

Academic qualifications:

- 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)
- Trustee: Pan Infrastructure Development Fund: (DBSA nominee)



Ms Zodwa Mbele (47)
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 Honors Unisa
- Baccalaureus Paedonomia, University of Zululand

Other directorships:

- Stanlib Infrastructure Fund: Credit Committee
- Vodacom Insurance and Life Assurance Companies
- Vergenoeg Mining (Pty) Ltd
- Merchant West Holdings (Pty) Ltd



Ms Sheila Motsepe (50)
Group Executive: Human Capital

DBSA staff member and group executive from 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 (45)
Group Executive: Project Preparation

DBSA staff member from
1 December 2007
Group executive from
1 October 2017

Academic qualifications:

- Advanced Management Programme, Harvard Business School
- Post-Graduate Certificate in International Management, University of London
- Bachelor of Commerce (Accounting), University of Limpopo

Other directorships:

- Investment Committee Member: Green Fund (DBSA nominee)
- Director: Proparco: (DBSA nominee)



Mr Chuene Ramphele (45)
Group Executive: Infrastructure Delivery

DBSA staff member from
1 June 2010
Group executive from
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 (45)
Group Executive: Client Coverage

DBSA staff member and group executive from 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 (47)
Company Secretary

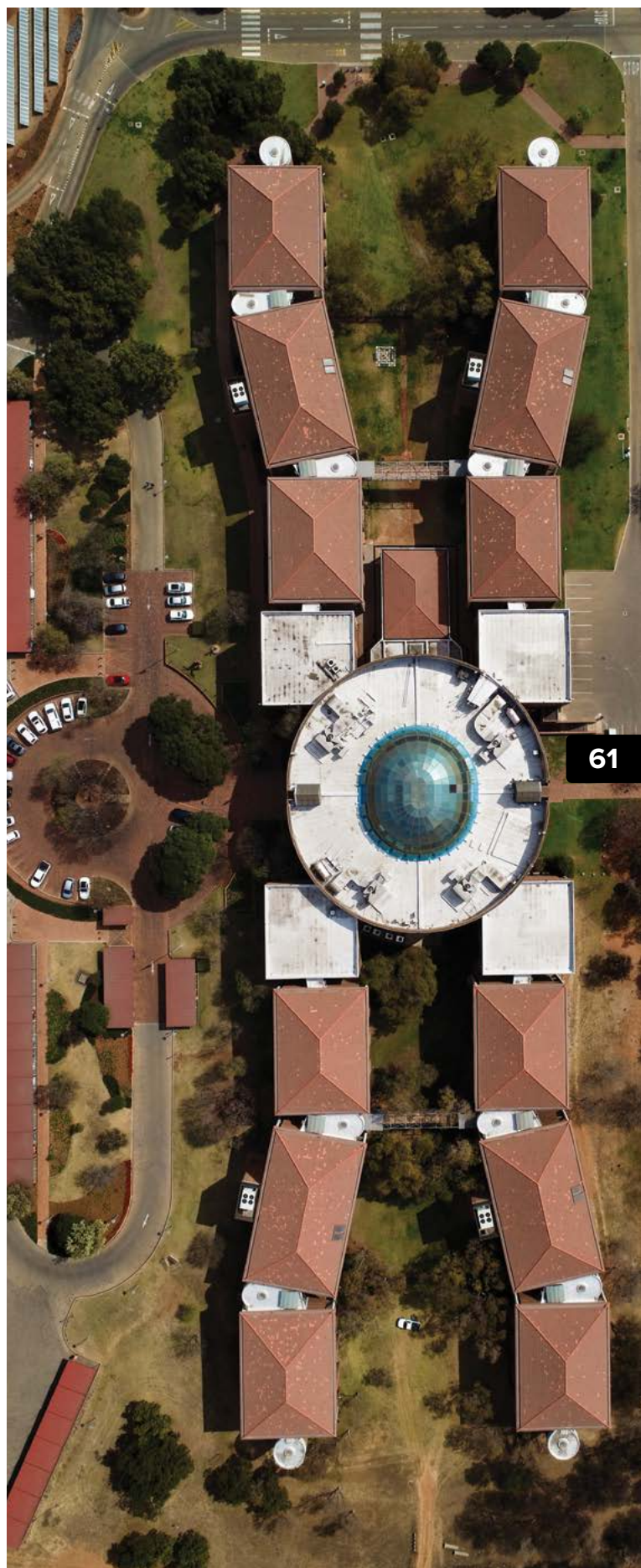
DBSA company secretary from
1 May 2010

Academic qualifications:

- LLB, Rhodes University
- BA Law, University of Swaziland
- Advanced Banking Law, University of Johannesburg

Other directorships:

None



PROVIDING INFRASTRUCTURE FOR EARLY CHILDHOOD DEVELOPMENT PROJECTS

Early childhood development (ECD) infrastructure is one of the flagship projects of the Bank. The DBSA sponsors an early childhood development programme, which includes educational infrastructure, comprising of modified shipping containers or prefabricated structures, and learning and playing equipment. The Bank proactively identified a need for ECD infrastructure at three schools in Sekhukhune, Limpopo, in consultation with the Provincial Department of Education. Engagements were held with the respective school principals, school governing bodies and parents of the three schools in the Province of Limpopo. In addition to classrooms, the centres comprise a fully equipped kitchen with a gas stove, fridge, sink and cabinets, a furnished sick bay and office with a table as well as safe ablution facilities, adapted for children with disabilities.



Three fully equipped ECDs handed over to schools in Sekhukhune, Limpopo by the MEC for Education and DBSA Group Executive for Infrastructure Delivery Division.



LEADERSHIP REVIEW

Two thick, curved orange lines that sweep upwards from the bottom left towards the center of the page, creating a sense of movement and flow.

In the spirit of rising to meet the challenges in our environment, there has been a significant move to amplify the DBSA's development focus. The Bank's strong financial position and proven governance approach fully support enhancing our development impact and gearing the Bank for the future. Over the past 18 months, the Board has been actively re-evaluating the DBSA's strategy and conceptualising new ideas for mobilising public and private finance through innovative and institutional financial vehicles.

Mark Swilling
Chairperson



LETTER FROM OUR CHAIRPERSON

OPERATING IN A CHANGING LANDSCAPE

The DBSA's role in delivering infrastructure is becoming increasingly important in achieving global, African and national development goals that address poverty, unemployment and inequality on one side, and environmental challenges on the other. As a development bank, we must consider these issues in unison, and with a different approach from the past, especially in light of the DBSA's emerging position as a focal point for global climate change related funds. Never before has the global community made the double commitment to the eradication of poverty and the restoration of the natural environment. This has major implications for how we think about the future.

Rapid economic growth in parts of Africa continues to propel infrastructure development as governments grapple with huge infrastructure deficits. This often results in maximum capital investment in the largest possible infrastructure projects, which has serious implications for sustainable development. If Africa energises using fossil fuel, the Paris Climate Change Targets agreed in 2015 will not be achieved. Globally, there is a vested interest in Africa energising by using more renewables and a resulting imperative for investment in climate related funding and projects. Strategically, the DBSA is positioned as one of the strongest institutions in Africa for managing large-scale funding flows. The Bank has been identified by a significant number of international agencies as a conduit for climate-related funding and projects. During the year, we were awarded funding to the value of USD55.6 million from the Green Climate Fund (GCF) to establish a R2 billion Climate Finance Facility (CFF) for projects on the African continent. In addition, the GCF granted USD100 million, which the DBSA matched, to establish the Embedded Generation Investment Programme (EGIP) for funding embedded generation renewable energy projects in South Africa. We have a huge responsibility to manage these funds responsibly and to partner with African governments and African businesses in a way that reflects our developmental values.

In South Africa, President Ramaphosa's New Dawn, which focused on the renewal and reconstruction of the economy further elevates the role of the DBSA in delivering infrastructure. Infrastructure development is a key driver for accelerating inclusive economic growth, creating jobs and addressing inequality. Despite 25 years of democracy, our biggest challenge remains infrastructure development. South Africa is one of the most unequal societies in the world from both an income and asset distribution perspective. The necessity to address this is growing in urgency. Further, the SDGs align with the NDP, which intent advocates a sustainable development pathway and a just transition to a more sustainable society connecting the development challenges with the environment. A just transition would deliver environmental as well as socioeconomic gains. In the spirit of rising to meet the challenges in our environment, there has been a significant move to amplify the DBSA's development focus. The Bank's strong financial position and

proven governance approach fully support enhancing our development impact and gearing the Bank for the future. Over the past 18 months, the Board has been actively re-evaluating the DBSA's strategy and conceptualising new ideas for mobilising public and private finance through innovative, institutional and financial vehicles.

In the current environment, with the country's debt profile and fiscal pressures, infrastructure expenditure is set to remain below the 10%-of-GDP target set in the NDP. It is vital, then, that the DBSA play a role in raising investment levels through innovative catalytic mechanisms. Unlocking third-party funds to boost our investments and the impact of projects enables the DBSA to play a much stronger role in terms of stimulating the economy and having a material impact on GDP growth. Further, this galvanises the Bank's contribution to achieving the SDGs and NDP goals.

In our position as a state-owned DFI, we manage a complex set of partnerships and relationships between the public and the private sector. We are a trusted partner in the financial sector and to government. The Bank, therefore, plays an extremely important role in engaging with and building trust between these two key stakeholders in the infrastructure development space. Established partnerships with investors and funders support and shape the DBSA's catalytic role and capacity, enabling the Bank to provide blended funding solutions for infrastructure financing.

Through our operations in South Africa and across the rest of the continent, the DBSA engages with the private sector regularly on social and economic infrastructure projects. There are currently a number of projects on the DBSA loan book with private sector participation, which will increase with the development of the innovative platforms specifically targeted to work with the private sector for greater impact.

LOOKING AHEAD

In the short term, our primary focus will remain our core business of infrastructure investment in the energy, transport, water and sanitation and ICT sectors. Our loan book and asset growth will continue to be managed in a financially sustainable manner and our external business outside South Africa is growing.

In the medium term, we expect to start a transition to our new development strategy, which includes a shift to an elevated development position. In the long term, we aim to establish the DBSA as the lead enabler of large-scale, blended finance investments in two major areas – growth oriented high impact development infrastructure investment and, large-scale investments in renewable energy and sustainable water systems. Both would be underpinned by a concerted increase in the DBSA's investment in digital infrastructure. In addition, in the longer term, we expect some of our proof-of-concept innovation projects to start bearing fruit. These are real grassroots development

initiatives that make an impact on ordinary people's lives and are delivered through a multiplicity of smaller interventions and initiatives.

Building the DBSA's relevance through ensuring high impact on the ground will future-proof the Bank and allow it to tackle infrastructure challenges in a non-traditional manner. These initiatives transcend the current trajectory and aim to shape the development landscape. Frequent and disruptive exponential changes demand a new way of thinking. In ensuring the DBSA remains relevant to the future, we have to be developmental in our thinking, purposeful and transformative in our actions.

OUR BOARD

During the year under review, there were changes on the Board namely the retirement of the chairperson of the Board Jabu Moleketi, and our deputy chair, Frans Baleni, after serving on the board for nine years, they had reached the end of their terms. On behalf of the Board, I would like to thank Jabu and Frans for their invaluable contribution to the DBSA and their wise counsel and guidance. Their legacy is the sound financial position of the Bank and the sound governance of the institution, which will stand the DBSA in good stead well into the future. In the interim and to ensure that there was a smooth transition on the Board I was appointed Chairperson and the committee composition was reconstituted to ensure that the Board is able to function effectively until suitable replacements are found.

Subsequent to the year end, the Board was informed of the resignation of Nomagugu Mtetwa, chairperson of the Audit and Risk Committee. Her resignation will take effective from 31 August 2019. I would like to take this opportunity to thank Gugu for her dedication and invaluable contribution to the DBSA and, in particular, in her role as chair of ARC, in ensuring that there is sound financial management, an effective control environment and a well managed governance and risk environment.

I would like to welcome Enoch Godongwana who was appointed to the Board as a Non-executive Director for a period of three years, effective 1 April 2019. We are also grateful to have the terms of Ms. Martie Janse Van Rensburg and Ms Malijeng Ngqaleni renewed for a period of three years also with effect from 1 April 2019.

The diversity of our Board is worth noting as I believe that it ensures robust debate, which is critically important in a development institution. All our Board committees are chaired by women. Our board members bring expertise from an array of disciplines. The DBSA's strong governance and uninterrupted track record of unqualified audits, sets it apart as a state-owned company.

APPRECIATION

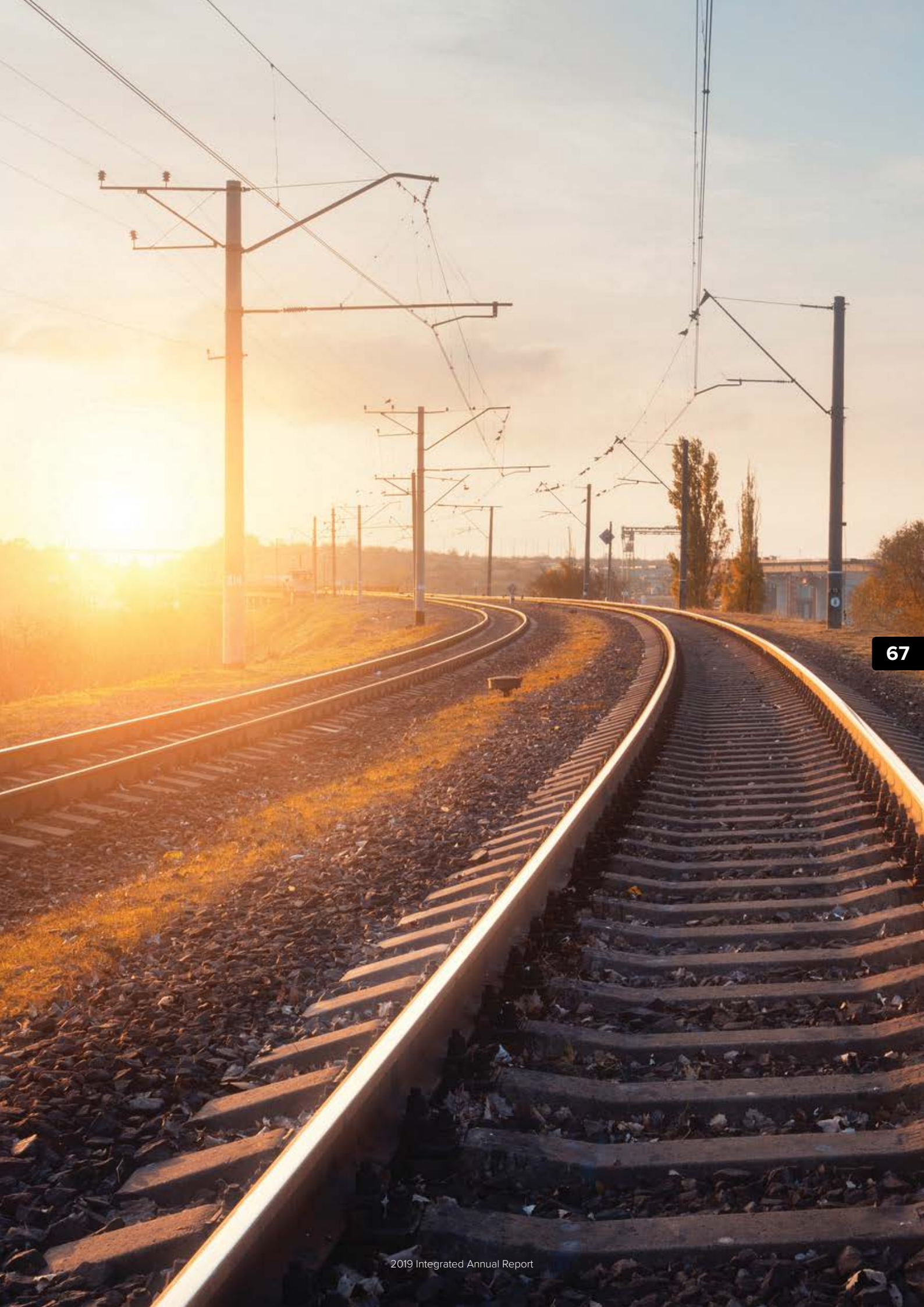
On behalf of the Board, I would like to commend Patrick Dlamini, his management team and staff complement for their unwavering commitment to enhancing the Bank's development impact. The solid financial performance of the Bank in this challenging economic environment and the strong project pipeline is testament to the dedication and hard work delivered.

We express our sincere appreciation to our Governor, the Minister of Finance, Tito Mboweni, and his entire team at the department.

Finally, I extend my appreciation to my fellow Directors for their wisdom, diligence, commitment and continued support.



Mark Swilling
Chairperson



A portrait of Patrick K. Dlamini, a middle-aged Black man with a short beard and glasses, wearing a dark suit, white shirt, and a blue and white striped tie. He is smiling and standing against a background that is white on the left and orange on the right.

Our solid foundation of financial sustainability is key to realising our potential for development impact. This position of strength sets a strong platform for the DBSA to start addressing some of the enormous challenges that we face in South Africa and Africa at large.

Patrick K. Dlamini

Chief Executive
Officer

CEO'S REVIEW

The DBSA is deeply committed to achieving accelerated economic growth in a South Africa that needs to build an inclusive and transformed economy to reduce inequality. Investment in infrastructure is a lever to stimulate economic activity, job creation, small business empowerment and raise the standard of living in marginalised communities. The Bank has long played a pivotal role in delivering developmental infrastructure in South Africa and on the rest of the African continent.

However, in the persistently subdued economy and, operating in an increasingly competitive environment, the Bank's performance and its role in deepening the development impact was beginning to plateau. This, in the context of the prevailing social challenges of poverty, unemployment and inequality, prompted us to interrogate our development position and our role as a DFI. This resulted in a revised growth strategy that is intended to redouble our efforts in stimulating sustainable infrastructure development.

The year under review, marks the second year of the implementation of a new operating model aimed at activating our growth trajectory. The operating model incorporates three front line divisions – Coverage, Transacting and Project Preparation, offering a holistic end-to-end solution across the infrastructure value chain. The Infrastructure Delivery Division (IDD) complements the Bank's mandate overall by assisting government with the procurement, construction and maintenance of infrastructure.

Looking back at the 2018/19 financial year, it is evident that we are starting to reap the fruits of our labour.

We are excited at the trends we see emerging, which indicate that we have the capacity to deliver far greater high impact investment. Although the level of disbursements were less than expected, the Bank's performance for the year was pleasing and encouraging. We achieved unprecedented levels of project approvals of R40 billion as well as commitments of R17 billion. We expect to see many of these come to fruition, as disbursements, in the next financial year and going forward.

Our solid foundation of financial sustainability is key to realising our potential for development impact. This position of strength sets a strong platform for the DBSA to start addressing some of the enormous challenges that we face in South Africa and Africa at large.

PERFORMANCE AND STRATEGIC REVIEW



Bolstering our financial sustainability

Record breaking profitability levels of over R3 billion reflect high disbursement from good quality projects laid down during the previous financial years. The net cash generated from operating activities generally increased over the past five years, and there have been remarkable improvements in overall equity. This has contributed immensely to the financial viability and sustainability of the Bank.

Financial key performance indicators

	2019 Actual	2018 Actual	% Variance	2019 Target	% Variance
Secondary and under-resourced municipalities					
Value of infrastructure unlocked	R916 million	R540 million	↑70	R500 million	↑83
Project preparation					
Value of projects prepared and committed	R6.8 billion	R1.0 billion	↑580	R7 billion	↓(3)
Infrastructure financing					
Total disbursement	R8.7 billion	R12.2 billion	↓(29)	R16.0 billion	↓(46)
Third-party funds catalysed					
Value of funds catalysed	R16.8 billion	R25.2 billion	↓(33)	R27.7 million	↓(39)
Infrastructure delivery					
Value of infrastructure delivered	R3.5 billion	R3.3 billion	↑6	R3.8 billion	↓(8)
Financial					
Sustainable earnings	R2.3 billion	R2.8 billion	↓(18)	R2.8 billion	↓(18)
Net profit	R3.1 billion	R2.3 billion	↓(35)	R2.7 billion	↑15
Cost to income ratio (financing business)	23%	22%	↓5%	30%	↑23%
Net income margin	5.5%	4.9%	↑12%	4.8%	↑15%
Debt/equity ratio (excluding callable capital)	138%	156%	↑12%	153%	↑10%
Non-performing loans ratio	4.9%	4.5%	↓(9%)	6%	↑18%
Cash generated from operations	R3.8 billion	R4.0 billion	↓(5%)	R3.4 billion	↑12%



Driving sustained growth in developmental impact

The disparity between actual disbursements and targets is a reflection of the tough operating environment as well as project delays. The South African economy remained sluggish and economies across the SADC region have not been as vibrant as they were in the past. Infrastructure development is underpinned by the economic activities of the country and in the absence of an economic stimulus, infrastructure development remains subdued. Constrained conditions within the municipality sector – who remain our biggest clients – slowed down due to various adverse conditions impacting on services delivery.

A contributing factor to delays in South Africa and the region is an ever more rigorous focus on governance and transparency. Further improvements in the form of new processes and additional layers added to the due diligence processes will stand the Bank in good stead in the future.

The SADC region faced significant challenges, with worsening economic conditions in Zimbabwe, and mounting concerns regarding debt burdens in Mozambique and Zambia. However, in the past year we have started to see green shoots, with the DBSA providing significant financing approvals for electricity transmission and LNG projects in Mozambique and the oil and gas sector in Angola. Further afield, disbursements on the continent are burgeoning, as we benefit from the thriving economies in East and West Africa, in particular Kenya, Rwanda, Ghana and Côte d'Ivoire.

The challenge in South Africa is not only a shortage of infrastructure stock but includes ageing infrastructure impacted by a lack of maintenance. A sizeable investment is required in the water, transport, ICT and energy sectors for refurbishment and maintenance. For the economy to thrive, it is imperative that we find proactive solutions to address these issues, not just through providing funding.



Capitalising on our integrated infrastructure solutions offering

The implementation of our new operating model has been a relatively smooth process reflecting a real commitment from all our executives and staff as we realise that as an organisation, it is vital to optimise our development impact. The impetus to augment our impact is driven by increasing challenges in South Africa that are clearly evident around us, as well as the challenges on the continent.

Project preparation

Project preparation aims to address challenges hindering 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. A key strategic objective of DBSA project preparation in South Africa is to provide infrastructure planning to municipalities, to develop a project pipeline which attracts both private and public sector funding for sustainable development.

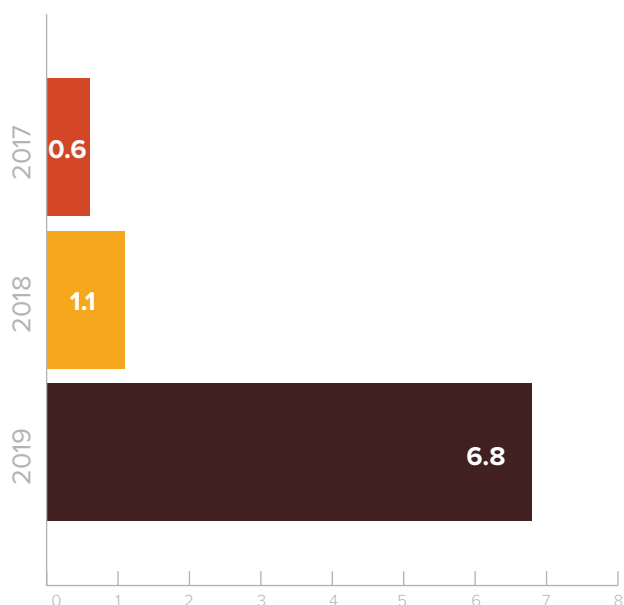
Project preparation actively builds the DBSA's pipeline, strengthening the sustainability of the Bank.

During the year, the value of projects prepared and committed by the DBSA amounted to R6.8 billion compared to a target of R5 billion, and R1 billion in the previous year. The value of projects prepared but funded by other funders was R4.8 billion. R3.5 billion worth of projects was approved for project preparation funding for black-owned entities, which was considerably higher than the target. The preparation pipeline at year end was R14 billion.

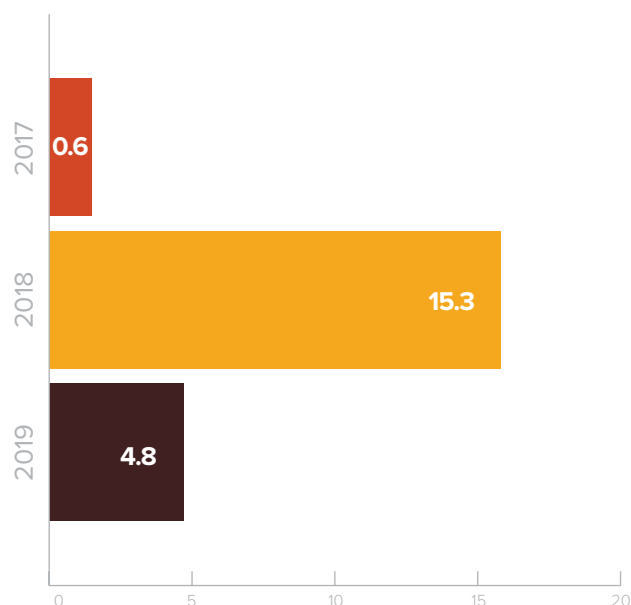
A key focus is under-resourced municipalities, which rely on grants from the fiscus but do not have the resources to produce the requisite plans necessary to access the grants. The value of infrastructure projects unlocked in this sector during the year was R916 million compared to R540 million in the previous year.

As mentioned already, during the year the Minister of Finance in his mid-term budget speech allocated R625 million to strengthen project preparation in South Africa. The DBSA is earmarked to manage a facility of R400 million which will be used toward the development of infrastructure projects to feed into the National Treasury's Budget Facility for Infrastructure and the envisaged Infrastructure Fund.

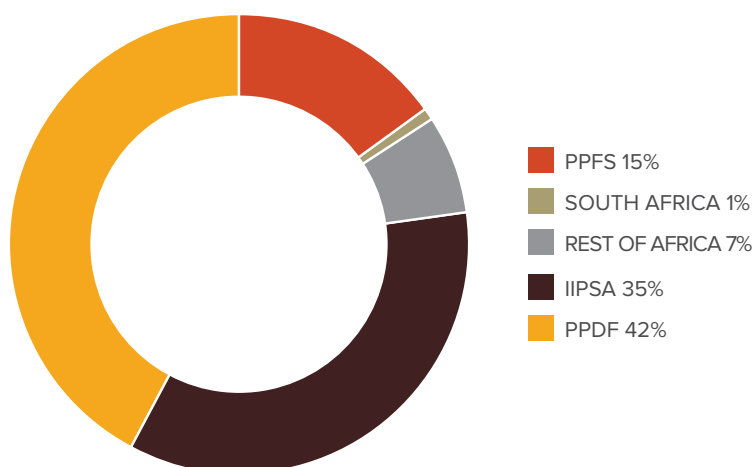
Value of projects prepared and committed by DBSA (R'billion)



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



Preparation pipeline at year end (%)



		2019	2018	2017
Operational performance				
Value of projects approved and committed for funding by the DBSA	R billion	6.8	1.0	0.6
Value of projects unlocked for funding by third parties	R billion	4.8	15.3	0.6
Value of projects for black-owned entities approved for project preparation funding	R billion	3.2	–	–
Financial performance				
Operating income	R million	2	22	31
Net (loss)/profit	R million	(81)	(32)	(22)

Third-party funds to deliver on the DBSA's development mandate

Fund	Total commitments 2018/19 FY	Total disbursements 2018/19 FY
IIPSA	R68 million	R163 million
SADC – PPDF	USD0.5 million	USD1.72 million
PPFS	R116 million	R100 million
GCF/GEF	R321.7 million	R284.4 million



Refer to page 29 for more detail on our Fund Management Services.

Infrastructure financing

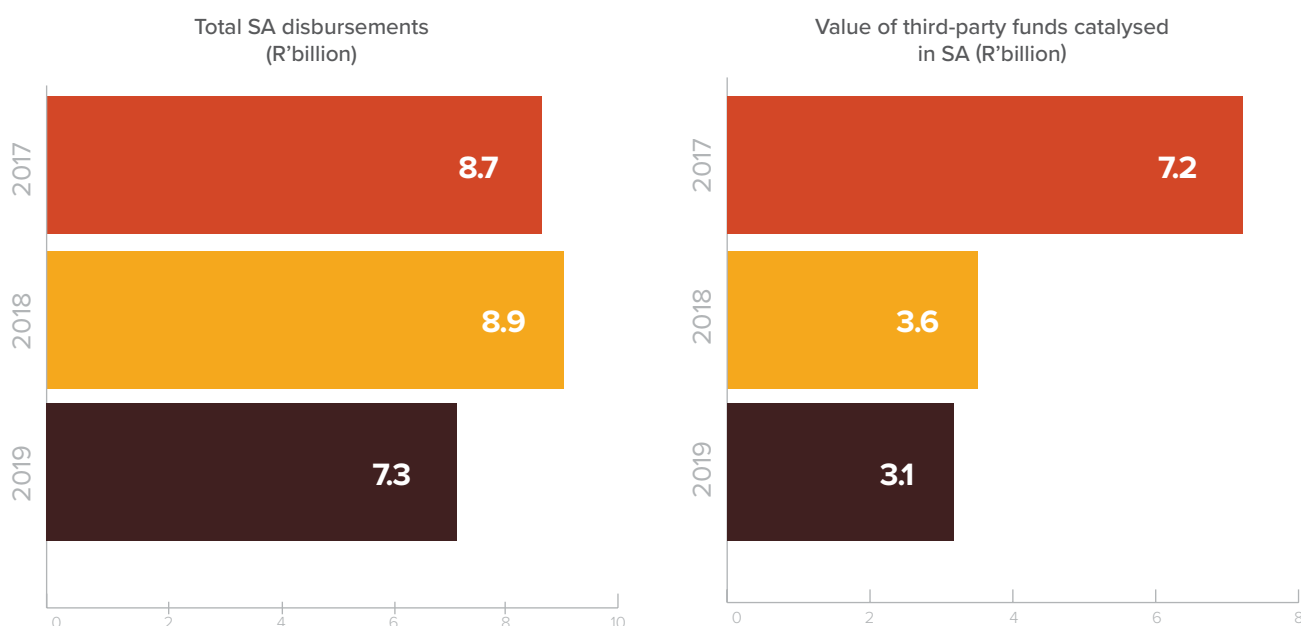
The Bank provides financing in the form of senior and mezzanine debt for balance sheet lending and project financing structures. In addition, we are developing additional financing products to meet evolving infrastructure requirements. Our client base includes municipalities in South Africa, as well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

Total approvals amounted to R39.7 billion (2018: R14.5 billion) and commitments to R17 billion (2018: R9.2 billion). Disbursements for the year totalled R9 billion (2018: R12.2 billion), including R3 billion (2018: R3 billion) to metros, R3.7 billion (2018: R5.5 billion)

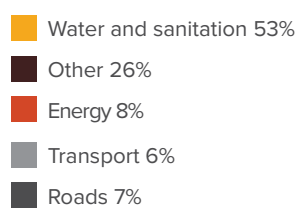
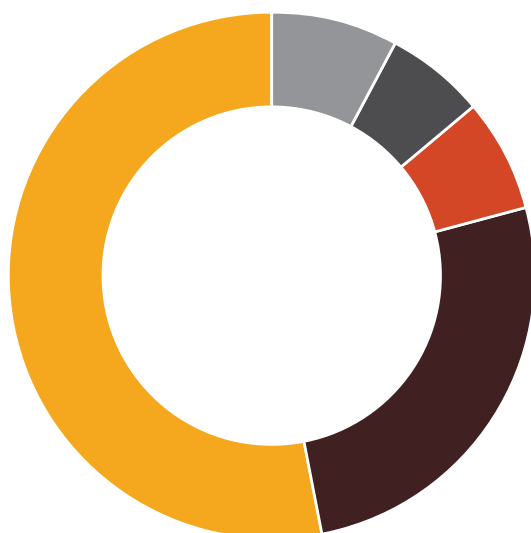
to the economic infrastructure sector in South Africa and R1.3 billion (2018: R1.5 billion) in SADC countries excluding South Africa. Disbursement to non-SADC countries amounted to R0.4 billion (2018: R1.3 billion) and the rest of the balance is for the third-party managed funds. Funds catalysed for the year amounted to R3.1 billion (2018: R6.0 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.

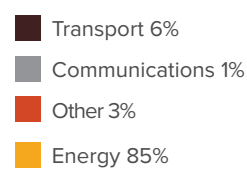
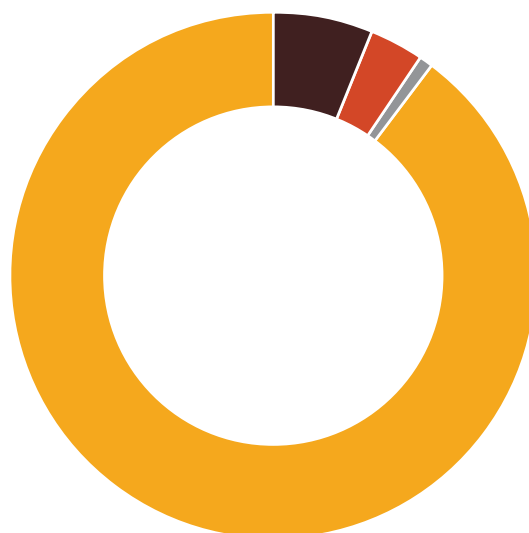
Key metrics



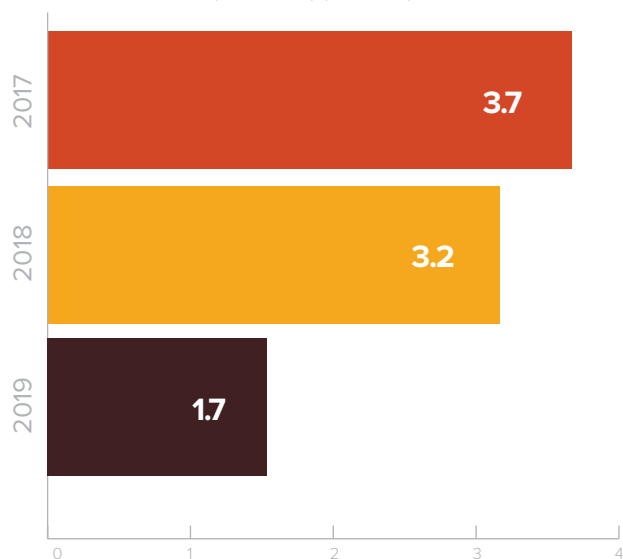
SA municipal disbursements per sector (%)



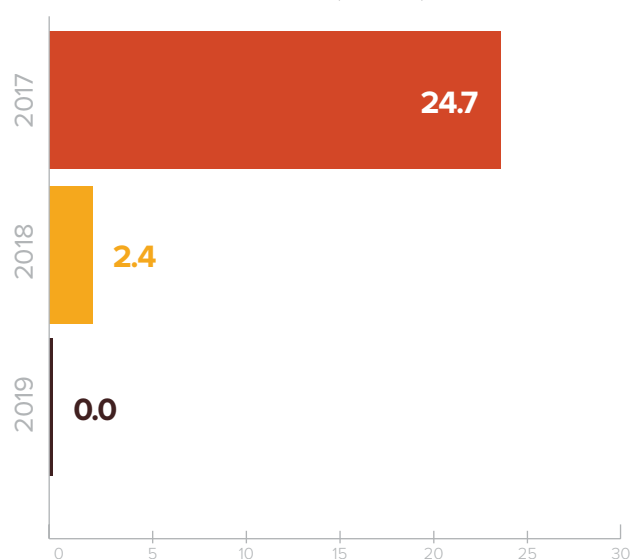
SA non-municipal disbursements per sector (%)



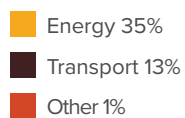
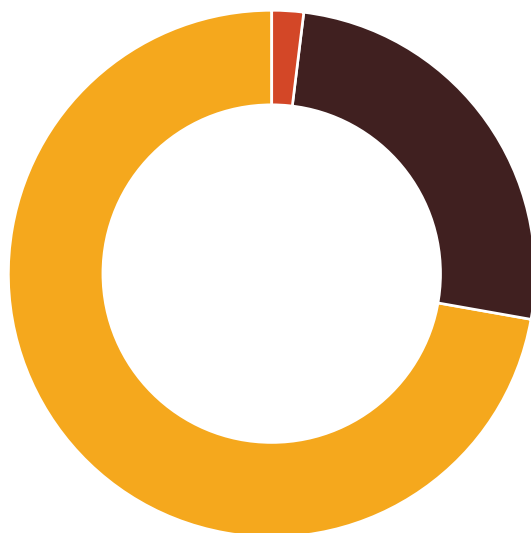
Total disbursements for the rest of Africa (excl. RSA) (R'billion)



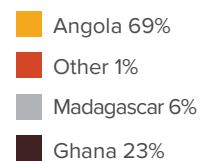
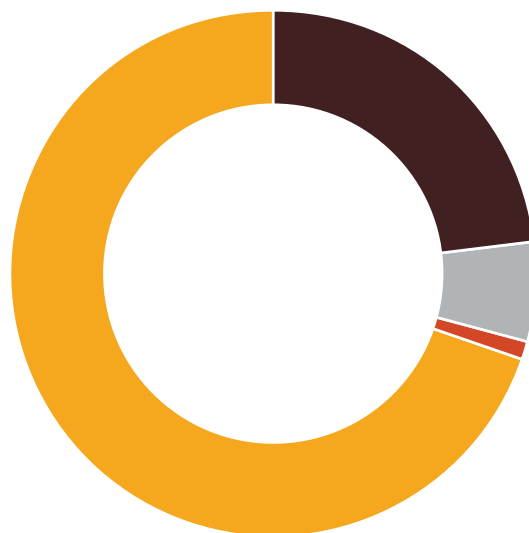
Value of third-party funds catalysed in the rest of Africa (R'billion)



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



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



		2019	2018	2017
Operational performance				
Approvals	R billion	39.7	14.5	13.4
Commitments	R billion	17	9.2	9.7
Disbursements	R billion	9.0	12.2	12.4
Financial performance				
Net interest income	R million	4 263	3 649	2 581
Net profit	R million	2 810	3 139	2 835
Total assets	R million	83 046	81 875	78 769
Net interest margin	%	5.5	4.9	4.9

Implementation

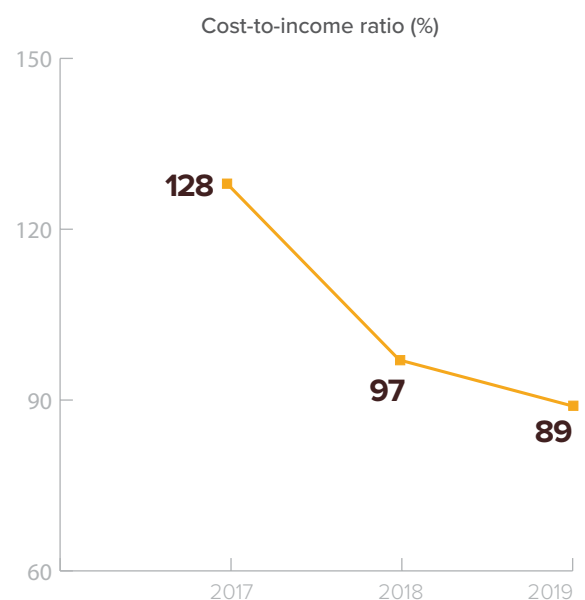
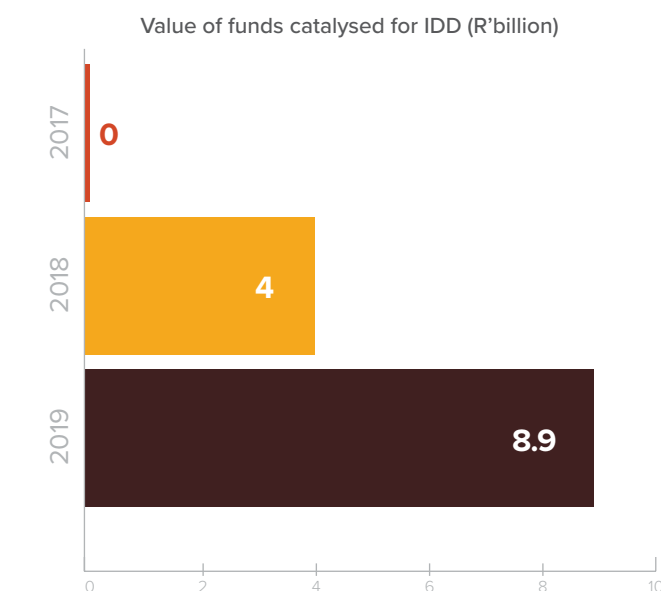
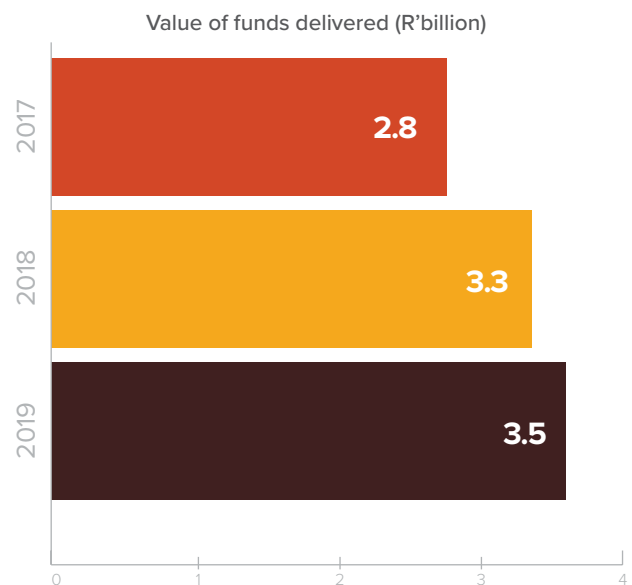
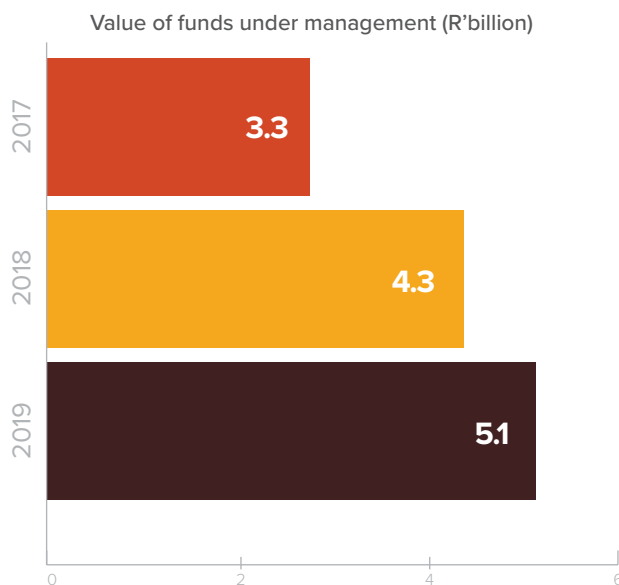
The IDD complements the Bank's integrated funding and delivery solutions while simultaneously advancing the developmental objectives. It augments the capacity to deliver infrastructure, thereby enabling better service delivery to people.

Implementation challenges in infrastructure delivery often relate to the capacity and expertise required to see projects through to completion. IDD is tasked with accelerating planned infrastructure development, supporting job creation, advancing the green economy and ensuring the delivery of value-for-money infrastructure. It works with stakeholders to improve both the speed and quality of infrastructure delivery.

During the 2018/19 financial year, the value of total infrastructure delivered of R3.5 billion was slightly below the target of R3.8 billion, and a marginal increase from R3.3 billion in the previous year. The value of funds under management of R5.1 billion surpassed targets of R4.2 billion and the value of funds catalysed by IDD was R8.9 billion, up from R4 billion in the previous year. 73% of the procurement spend for IDD third-party funds was on black-owned suppliers. The cost-to-income ratio was 89% which outperformed the benchmark of 95%.



Refer to page 28 of the Our products and services for more detail on infrastructure delivery.



		2019	2018	2017
Operational performance				
Schools completed	Number	8	8	12
Houses completed	Number	0	112	198
Health facilities	Number	48	25	35
Jobs created	Number	8 344	8 492	9 077
SMMEs and benefited	Number	1 087	717	500
Value of spend allocated to SMMEs and subcontractors	R million	536	364	449
Financial performance				
Operating income	R million	179	169	140
Net profit/(loss)	R million	9	5	(40)
Total assets	R million	187	137	107

Leveraging our strategic partnerships

We regularly engage with international institutions, such as the African Development Bank and the World Bank. The African Development Bank invited the DBSA to partner with them in the inaugural Africa Investment Forum (AIF) held in November 2018, in South Africa. The objective of the AIF is to enhance private sector cooperation and drive investment in sectors of strategic interest within Africa.

During the year, we met with the World Bank to leverage their skills in assisting South Africa and the subregion in driving the SDGs. To succeed it is essential that we have a clear idea of what we need and what levers we can utilise within the country to find solutions to SDG aligned challenges.



Developing sustainability innovations

We have a number of exciting projects underway. One such project is a platform in which we will be engaging and attracting private sector financial institutions to co-invest in the infrastructure space within South Africa. The response has been very pleasing. Crowding in private sector investors over the next five to six years has the potential to generate close to a trillion-rands' worth of disbursements, representing over 2% GDP growth per annum. This will have a massive development impact. Another exciting project is the venture fund that we are putting in place to support small and medium enterprises in the digitally driven economy, which has become a reality.

OUR PEOPLE

Our people are central to realising our vision and strategic ambition. We are committed to creating a high performance environment that attracts and retains staff with the commitment and skills required.

We continue to prioritise training and spent R11.4 million on training and development during the year. We continued our focus on the organisational culture at the Bank as we believe this drives the organisational values, behaviours and strategy.

Our partnership with Singularity University presents us with insights into where the world is moving and how. Through technology, we can make a positive impact on the environment we live in, which is a major benefit to being a part of the global learning and innovation community.

OUTLOOK

Our strategic ambition of achieving R100 billion in total infrastructure unlocked through project preparation disbursements, infrastructure delivered and funds catalysed from third parties remains firmly in our sights. We will continue to focus on increasing investment in social and economic infrastructure as a basis for economic recovery over the medium term, while maintaining financial stability and good governance.

GRATITUDE

I would like to thank our Board for their valuable guidance during the year, our executive and all our staff for their dedication to the successful implementation of the new operating model as well as their ongoing commitment to the vision of the DBSA.

Patrick K. Dlamini

Chief Executive Officer and Managing Director

NEW SENIOR SECONDARY SCHOOL CONSTRUCTED FOR THE NYANDENI COMMUNITY

Chief Henry Boklein Senior Secondary School (CHB), located in the Nyandeni Local Municipality (Ntlaza), is a newly constructed school under the ASIDI on behalf of the Department of Basic Education. The school boasts 36 classrooms, an administration block, a media centre, a multipurpose hall, a multipurpose centre, a nutrition centre, science laboratories, a social sciences centre, a double computer room, a guard house, ablutions and external works. Approximately 1 451 learners are enrolled at the school. The school is named in honour of the late Chief Henry Boklein, who came from the tribal area. He was part of the 600 men of the 5th Battalion in the South African Native Labour Corps who drowned when their troopship, the SS Mendi, sunk in February 1917. The local community benefited during the construction of the school through employment created and participation of local entities. A total of 337 employment opportunities were created and, of these, 45 were female and 200 were youth.



Newly constructed Chief Henry Boklein Senior Secondary School

VALUE CREATION

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OUR VALUE PROPOSITION

We support infrastructure development and create value by maximising the efficient use of available resources. We offer a range of innovative services across the infrastructure financing value chain, spanning project preparation, infrastructure financing and implementation capabilities.

Our sustainability and delivery of infrastructure in South Africa and the rest of Africa, depends on our ability to effectively use and manage the resources and relationships in our value chain. These comprise the six capitals, as defined in the IIRC's Framework for Integrated Reporting – financial, manufactured, intellectual, human, social and relationship, and natural capital. The inputs of each capital underpin the delivery of our strategy and enable us to advance some of the UN's SDGs as well as the NDP goals.

Our value creation journey is underpinned by the DBSA Development Position, which is a declaration of the DBSA's ethos as it outlines the Bank's development imperatives and agenda, as well as the Bank's purpose as a DFI.

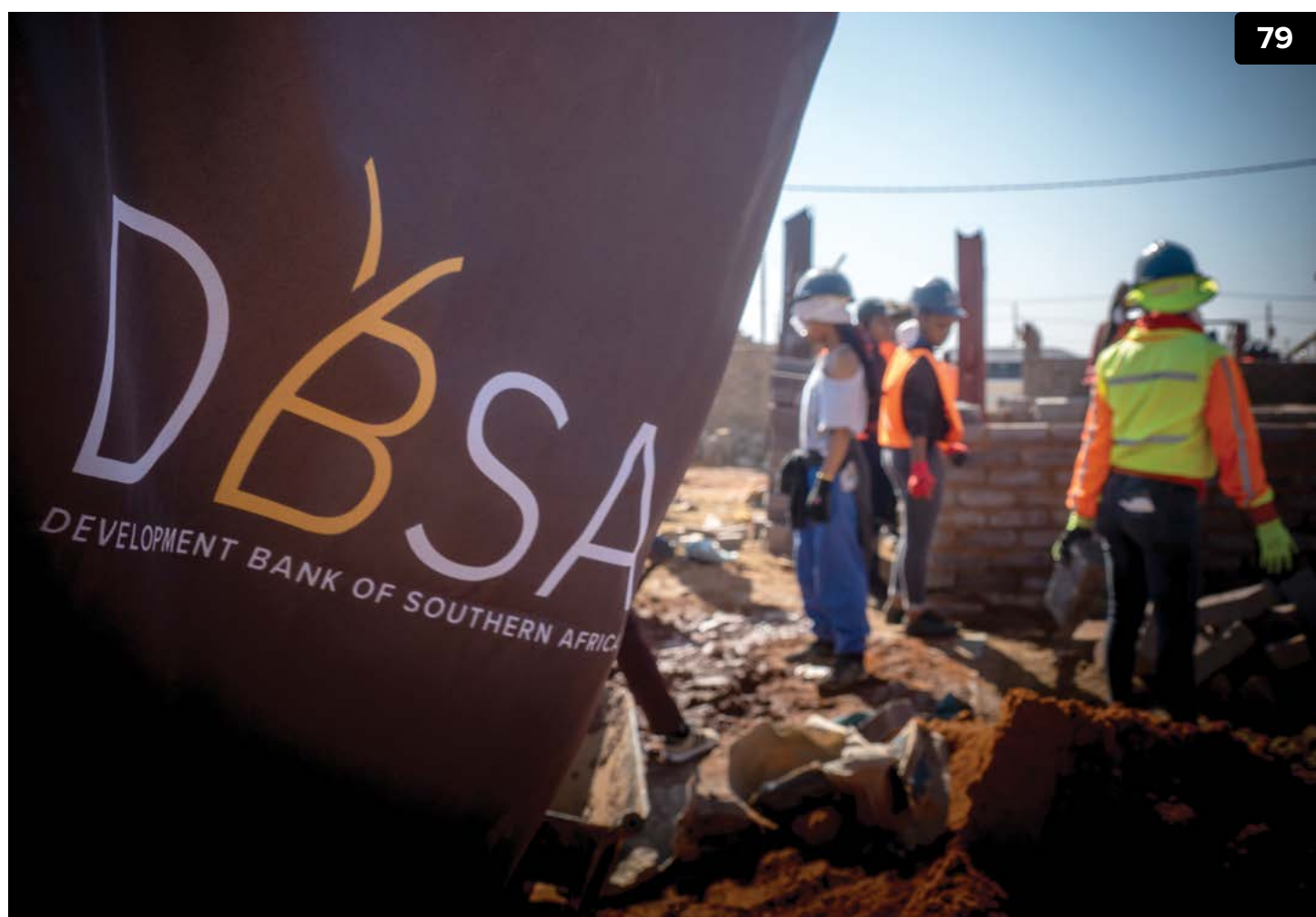
The Development Position is articulated as follows:

The DBSA contributes to a transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories.

As 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 partnership 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 multifaceted investments in sustainable infrastructure and human capacity development.





Financial capital ◦

Creating financial value

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

Our financial capital is derived from multiple sources, which include local and international financial markets as well as internally generated profits. The Bank is wholly-owned by the South African government. Our operations generate profits which are reinvested in the business. This supports the financial sustainability of the Bank. We source funding and aim to secure favourable rates for the benefit of our clients.



FINANCIAL CAPITAL

CREATING FINANCIAL VALUE

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

Our financial capital is derived from multiple sources, which include local and international financial markets as well as internally generated profits. The Bank is wholly-owned by the South African government. Our operations generate profits which are reinvested in the business. This supports the financial sustainability of the Bank. We source funding and aim to secure favourable rates for the benefit of our clients.

A key part of our growth strategy is to fund public-private partnerships and to leverage the Bank's balance sheet. Our aim is to crowd-in more risk averse private capital, expand loan syndication and develop innovative, structured solutions to remove the impediments to critical infrastructure. This will maximise the economic and developmental potential of projects, thus matching bankable infrastructure projects with funders.

The DBSA also manages third-party funds, which have been mobilised for project preparation and concessionary capital and enable access to funding and technical assistance for our clients. The IDD manages a portfolio of funds valued at R13 billion (over the next three years) and recovers 100% of its operational costs.


 Refer to the Chief Financial Officer's report for the DBSA's financial performance.

How we manage our financial capital


Maintaining credit ratings

 Refer to the Treasury and balance sheet management overview on page 93.

Attracting funding from various sources

 Refer to the Treasury and balance sheet management overview on page 92.

Capital management programme

 Refer to the Treasury and balance sheet management overview on page 92.

Sound governance and risk management processes

 Refer to How we are governed on page 46 and Managing our risks and opportunities on pages 37 – 45.

Key factors impacting financial capital

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

Value created for stakeholders

- R3.1 billion profit for the year
- R751 million employee remuneration and benefits
- R294 million suppliers' expenses
- R39 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.

Governance in action

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, chaired by the chief risk officer.

 Refer to pages 98 – 99 for the full committee reports.

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 management 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, currency risk management, funds transfer pricing and capital management.

FIVE-YEAR KEY FINANCIAL INDICATORS

		2019	2018	2017	2016	2015
Financial position						
Cash and cash equivalents	R million	2 923	3 742	2 299	2 085	3 902
Financial market assets ¹	R million	2 594	2 661	1 915	2 429	3 047
Investment in development activities ²	R million	83 044	81 873	78 768	77 064	63 123
Other assets	R million	927	936	671	768	872
Total assets	R million	89 488	89 212	83 653	82 346	70 944
Financial market liabilities ³	R million	51 283	53 573	50 613	51 791	46 163
Other liabilities	R million	1 033	1 318	1 009	1 290	1 098
Total liabilities	R million	52 316	54 891	51 622	53 081	47 261
Total equity	R million	37 172	34 321	32 031	29 265	23 683
Financial performance						
Interest on development loans	R million	7 799	7 192	6 911	6 052	4 806
Interest on investments	R million	611	559	462	489	521
Total interest received	R million	8 410	7 751	7 373	6 541	5 327
Interest expense	R million	3 915	3 905	3 704	3 355	3 003
Net interest income	R million	4 495	3 845	3 669	3 186	2 324
Operating income ⁴	R million	4 828	4 278	4 722	3 596	2 697
Operating expense ⁵	R million	1 063	906	837	975	886
Sustainable earnings/(loss)⁶	R million	2 324	2 767	3 564	1 385	805
Profit/(loss) for the year	R million	3 097	2 283	2 821	2 577	1 214
Financial ratios						
Total capital and reserves to development loans	%	49.0	45.7	44.8	42.1	41.8
Long term debt/equity	%	138.1	156.2	158.1	177.8	195.7
Debt/equity (including callable capital) ⁷	%	89.8	98.7	97.4	152.7	162.6
Cash and cash equivalents to total assets	%	3.3	4.2	2.7	2.5	5.5
Total capital and reserves to assets	%	41.5	38.5	38.3	35.5	33.4
Financial market liabilities to investment in development activities	%	61.8	65.4	64.3	67.2	73.1
Non-performing book debt as a % of gross book debt	%	4.9	4.5	3.3	3.7	5.1
Return on average total equity	%	8.7	6.9	9.2	9.7	5.7
Return on average total assets	%	3.5	2.6	3.4	3.4	1.8
ROE – based on sustainable earnings	%	6.5	8.3	11.6	5.2	3.7
Interest cover	Times	2.1	2.0	2.0	1.9	1.8
Net interest income margin ⁸	%	5.5	4.9	4.9	4.6	3.8
Cost-to-income ratio	%	22.9	21.7	18.8	28.7	34.4

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 and financial assets and liabilities, but includes revaluations on equity investments

7. Measure includes R20 billion (2018: R20 billion) callable capital

8. This ratio is calculated as net interest income (interest income less interest expense) as a percentage of interest bearing assets

CHIEF FINANCIAL OFFICER'S REPORT

The DBSA is pleased to present another set of solid financial results despite the volatile and adverse macroeconomic environment. The Bank's profitability remains impressive despite lower than target disbursements of R9 billion. The profitability for the year, in the current environment is a sound reflection of our robust strategy. The strong pipeline and high level of approvals secured during the year equally evidences the benefits of our operating model. The economic challenges in the region, as well as the continued difficult and uncertain domestic economic circumstances and weak business confidence, took its toll on disbursements. The balance sheet remains strong with asset quality (percentage of non-performing loans) within the Bank's target limit of less than 6%. The Bank's gearing improved on the back of a reduction in funding liabilities and high internally generated capital.

In addition to the adverse economic conditions, the South African environment remains competitive in the bankable municipal space wherein multiple players are vying for business in a diminishing market with fewer potential transactions. Price and value add offerings are becoming imperative, which creates opportunities for a bank like the DBSA that can offer combined products and services. The IDD segment was also impacted by delays in procurement processes and uncertainty ahead of the national elections. This is reflected in the value of infrastructure delivered, which was marginally below target. In spite of the challenges experienced during the year, the financial performance and position of the Bank remain solid.

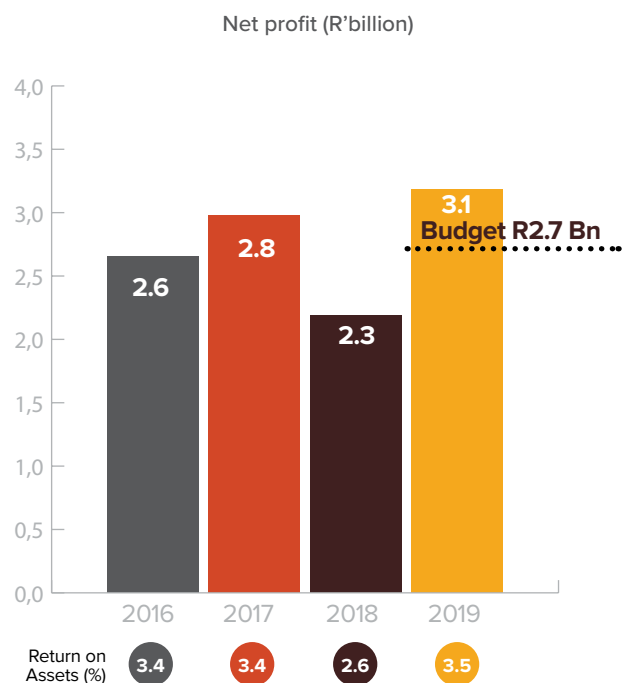
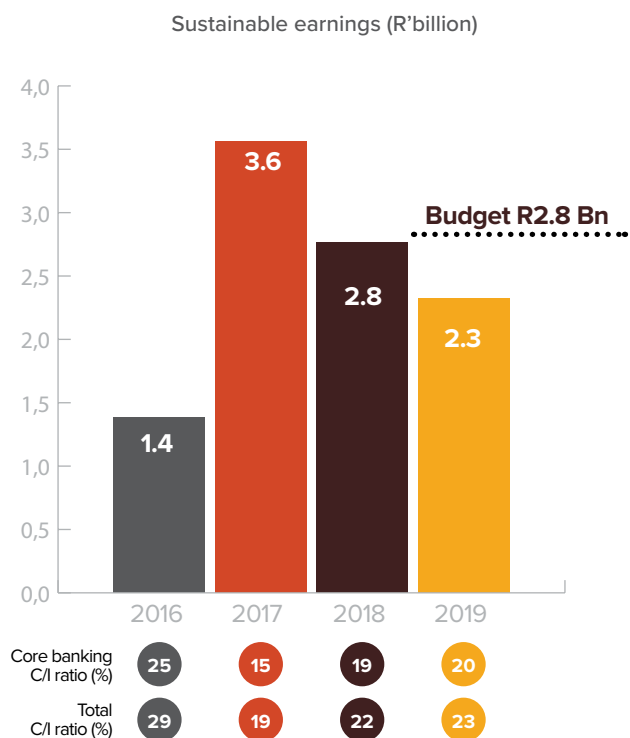
Financial performance

Profitability

Net profit increased by 36% to R3.1 billion (2018: R2.3 billion), mainly due to an increase in net interest income of 17%, a net gain on foreign exchange of R744 million (2018: loss of R302 million) and a gain on financial instruments of R28 million (2018: loss of R182 million). Operating income increased by 13% to R4.8 billion (2018: R4.3 billion). Sustainable earnings (net profit adjusted for foreign exchange and revaluation of financial instruments) decreased by 16% to R2.3 billion (2018: R2.8 billion) mainly due to the R818 million increase in the impairment charge.

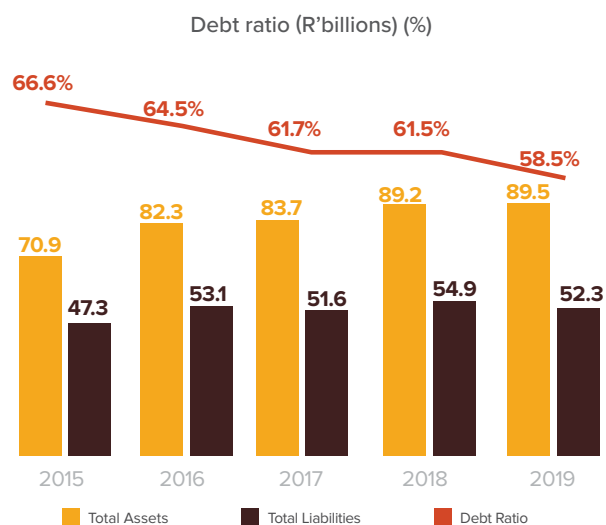
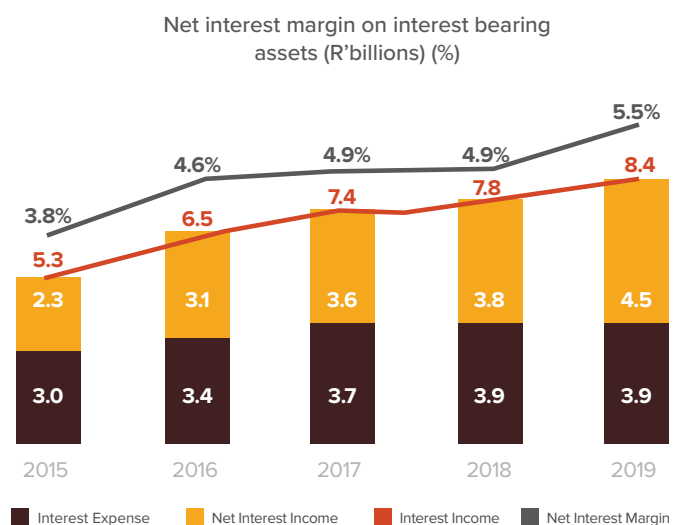
Statement of financial performance for the year ended 31 March 2019

in thousands of rand	2019	% change	2018
Interest income	–		7 750 606
Interest income calculated using the effective interest rate	8 157 805		–
Other interest income	252 034		–
Total interest income	8 409 839	9%	7 750 606
Interest expense	–		(3 905 259)
Interest expense calculated using the effective interest rate	(3 344 288)		–
Other interest expense	(571 101)		–
Total interest expense	(3 915 389)	0%	(3 905 259)
Net interest income	4 494 450	17%	3 845 347
Net fee income	193 380	2%	190 196
Other operating income	139 773	-42%	242 540
Non-interest revenue	333 153	-23%	432 736
Operating income	4 827 603	13%	4 278 083
Depreciation and amortisation	(19 579)	-24%	(25 871)
Development expenditure	(20 505)	35%	(15 154)
Grants	(18 318)	88%	(9 766)
Impairment loss on financial assets	(1 441 056)	131%	(623 178)
Net revaluation of equity investments – unrealised	41 457	-18%	50 835
Personnel expenses	(751 300)	7%	(702 880)
Project preparation	(1 405)	-80%	(7 094)
Other expenses	(292 403)	65%	(177 601)
Sustainable profit	2 324 494	-16%	2 767 374
Net foreign exchange gains/(losses)	743 713	346%	(302 057)
Net revaluation gains/(losses) of financial instruments	28 488	116%	(182 440)
Profit from operations	3 096 695	36%	2 282 877



Net interest margin management

The net interest margin has been on an upward trajectory over the past five years, from 3.8% in 2015 to 5.5% in 2019. This increase was mainly on the back of the improvement of the DBSA's debt ratio from 66.6% in 2015 down to 58.5% in 2019. Net interest income for the year was R4.5 billion (2018: R3.8 billion).



Cost optimisation and efficiency

The DBSA continues to focus on cost containment, managing its cost-to-income ratio within acceptable levels of 23% compared to the general Banking industry average of above 40%. This was a slight increase compared to the prior year's cost-to-income ratio of 21.7%. Operating expenses increased by 17% to R1.1 billion (2018: R0.9 billion), but were within the budgeted amount.

Impairment charge

The impairment charge significantly increased during the year to R1.4 billion (2018: R0.6 billion). The increase was mainly due to the adoption of IFRS 9, as well as additional expected credit loss provisions in our SADC portfolio due to economic challenges faced by Zambia. Despite the additional impairment charge, the loan book asset quality remains acceptable as demonstrated by the non-performing loans ratio of 4.8 % (31 March 2018: 4.2%), which is within the threshold of 6%.

Currency risk management

The Bank benefited from the depreciation of the rand during the year given its foreign exchange net open position. The rand depreciated from R11.83/USD on 31 March 2018 to R14.48/USD on 31 March 2019. This increased the Bank's net profits by foreign exchange gains of R744 million (2018: loss of R302 million). Our derivative portfolio ensures that we minimise the downside of foreign exchange movements while benefiting on the upside to some extent.



Balance Sheet Strengthening

Statement of financial position as at 31 March 2019

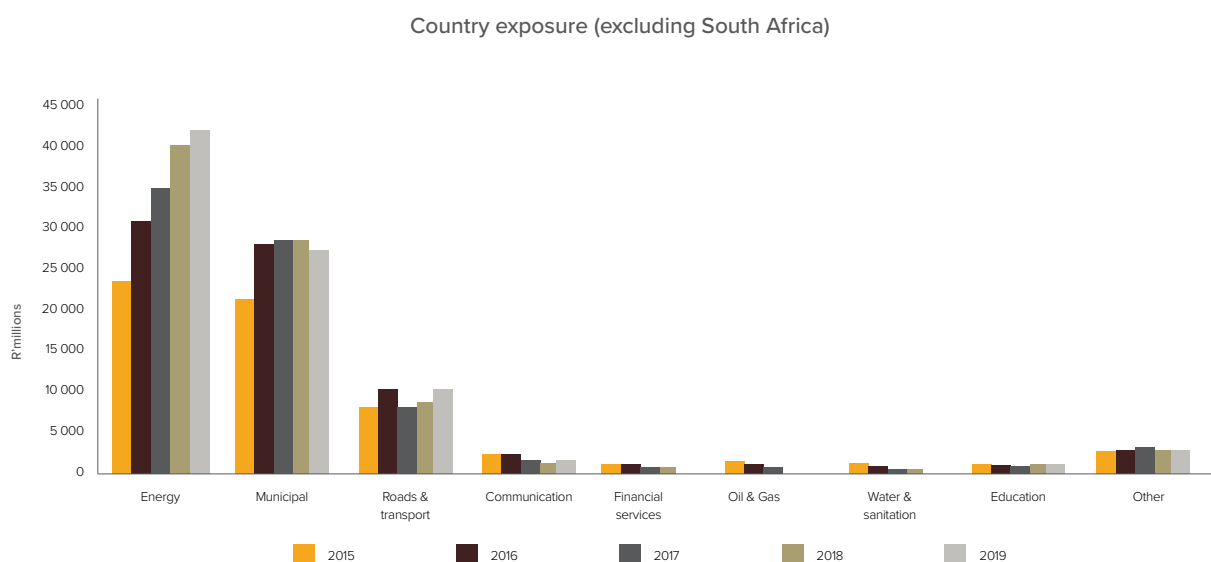
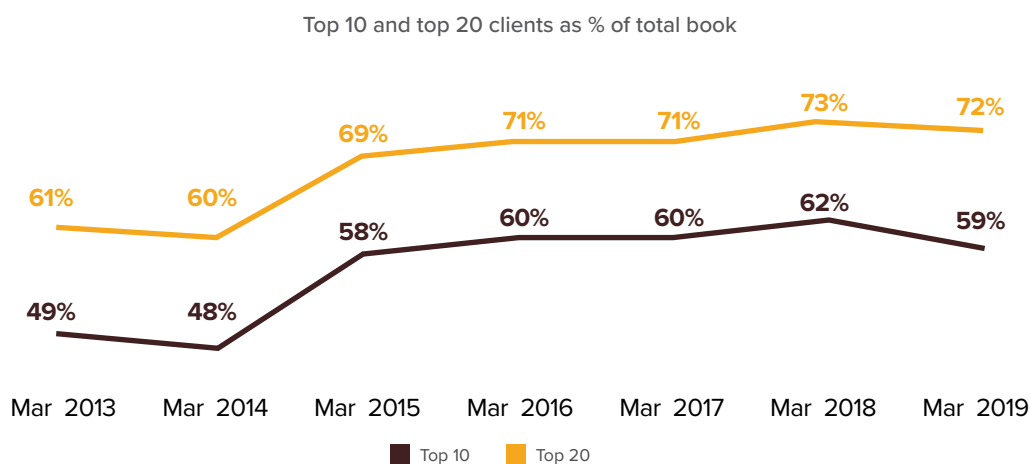
in thousands of rand	2019	% change	2018
Assets			
Cash and cash equivalents	2 922 876	-22%	3 741 853
Other receivables	365 579	-9%	399 621
Investment securities	1 880 502	32%	1 420 920
Derivative assets held for risk management purposes	713 304	-42%	1 240 445
Post retirement medical benefits investment	43 732	-4%	45 446
Equity investments held at fair value through profit or loss	5 937 578	7%	5 535 351
Development bonds at amortised cost	1 290 179	0%	1 290 361
Development loans at amortised cost	75 816 506	1%	75 047 479
Property and equipment	435 020	9%	398 760
Intangible assets	83 133	-9%	91 710
Total assets	89 488 409	0%	89 211 946
Equity and Liabilities			
Liabilities			
Other payables	678 991	-44%	1 204 264
Provisions	309 010	364%	66 640
Liability for funeral benefits	—	-100%	2 152
Liability for post retirement medical benefit	—	-100%	44 604
Liability for funeral and post retirement medical benefits	44 484	100%	—
Funding debt securities	—	-100%	39 836 758
Funding: lines of credit	—	-100%	13 677 213
Funding held at FVTPNL	6 469 451	100%	—
Funding held at amortised cost	44 516 190	100%	—
Derivative liabilities held risk management	297 798	403%	59 240
Total liabilities	52 315 924	-5%	54 890 871
Equity			
Share capital	200 000	0%	200 000
Retained earnings	22 717 877	17%	19 472 969
Permanent government funding	11 692 344	0%	11 692 344
Reserve for general loan risk	2 268 456	-13%	2 611 976
Revaluation reserve on land and buildings	—	-100%	183 809
Cash flow hedge reserve	—	-100%	151 883
Available-for-sale reserve	—	-100%	8 094
Other reserves	293 808	100%	—
Total equity	37 172 485	8%	34 321 075
Total liabilities and equity	89 488 409	0%	89 211 946

The DBSA's total assets grew by 0.3% to R89.5 billion (2018: R89.2 billion) and the debt/equity ratio remained at a prudent level of 89.8% (2018: 98.7%) compared to the DBSA Act's limit of 250%.

Development loans

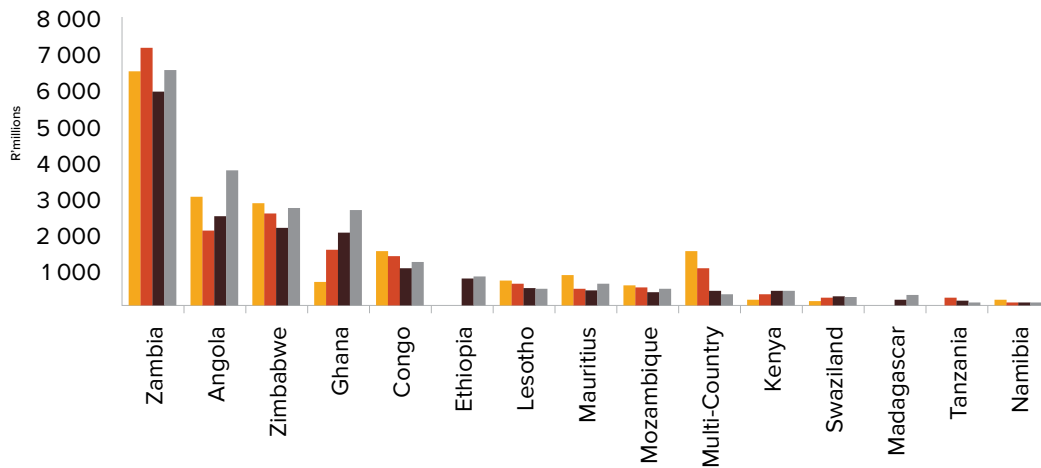
The gross development loan book increased by 3% (2018: 6%) to R82.0 billion (2018: R79.9 billion) on the back of R8.8 billion (2018: R11.9 billion) disbursements. Due to the nature of the Bank's mandate, disbursements remained highly concentrated. The top 10 loan disbursements for the year accounted for 92% (2018: 93%) of the total disbursements.

As detailed in the following graph, the top 10 and top 20 exposures comprised 59% (2018: 62%) and 72% (2018: 73%) of the total loan book, respectively.



The Bank's total exposure outside South Africa increased to R20.6 billion (2018: R17 billion). The top three countries (Zambia, Angola and Zimbabwe) constitute 63% (2018: 62%) 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) at year end was R39.0 billion (2018: R38.2 billion), representing 48% (2018: 48%) of the total portfolio. Direct loan exposure to municipalities, excluding bonds decreased in the year to R26 billion (2018: R27.2 billion). Exposure to the roads and transport sector increased to R9.9 billion (2018: R8.7 billion). Our investment in the energy sector is in line with the energy challenges facing South Africa. It is anticipated that our role will evolve over the next 20 years towards the transport, water and sanitation segments.

Quality of the loan book

The development loan book continued to show its strength and quality as 59.1% of the book is in stage 1 and 36.1% is in stage 2. In line with the credit review process, the recoverability of the loan book is assessed regularly. Based on the detailed assessment conducted, the non-performing (stage 3) development loan book increased to R4.0 billion (2018: R3.6 billion). At 4.8% (2018: 4.5%), the value of NPLs as a percentage of the gross development loan book is within the Bank's target limit of 6%. The total balance sheet impairment provision increased by 28.6% to R6.2 billion (2018: R4.8 billion) in line with the aforementioned challenges under the impairment charge.

Provisions against NPLs (stage 3) increased to R2.7 billion (2018: R2.4 billion) and the NPL coverage ratio slightly increased to 67.5% (2018: 67.4%). The NPL coverage ratio is a measure of the amount of stage 3 impairment provision held against the NPLs. Management expects to recover the unimpaired portion through the realisation of securities and other recovery methods.

Provisions against the performing book (stages 1 and 2) increased from R2.42 billion (3.1% of the performing book) to R3.49 billion (4.4% of the performing book), mainly driven by the adoption of IFRS 9 and economic challenges faced by Zambia.

Equity investments

The Bank's equity investments increased by 7% (2018: decreased 7%) to R5.9 billion (2018: R5.5 billion). The increase was mainly due to foreign exchange revaluations gains of R499 million. The DBSA 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 gearing improved on the back of a reduction in funding liabilities and high internally generated capital. Funding liabilities decreased by R2.5 billion to R51 billion (2018: R53.5 billion). The decrease was mainly due to low levels of disbursements and the use of internally generated profits to fund the Bank's disbursements. High levels of profitability resulted in an improvement in the debt ratio year on year.

Statement of cash flows for the year ended 31 March 2019

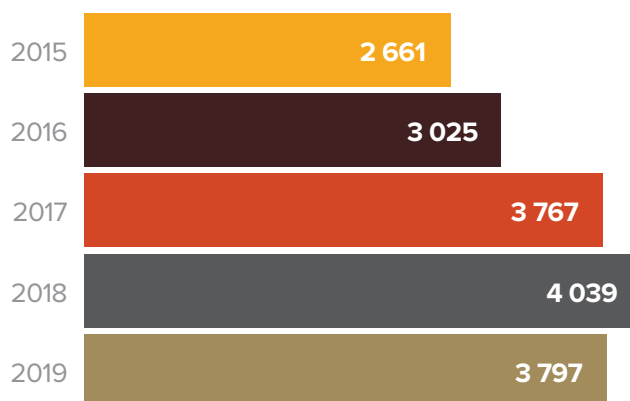
In thousands of rand

	2019	% change	2018
Net (loss)/profit adjusted for non-cash items and items separately disclosed	(745 768)		70 716
Interest received	8 178 603		7 498 264
Interest paid	(3 728 298)		(3 545 470)
Dividend received	92 241		15 956
Net cash generated from operating activities	3 796 777	-6%	4 039 466
Development loan disbursements	(8 807 786)		(11 922 527)
Development loan principal repayments	9 967 309		5 981 190
Net cash-flow from equity investments	134 856		398 151
Grants, development and project preparation expenditure paid	(19 723)		(16 860)
Advances to National Mandates	(58 004)		(46 016)
Net cash generated from/(utilised in) development activities	1 216 651	78%	(5 606 062)
Purchase of property and equipment	(26 667)		(11 849)
Disposal of property and equipment	528		90
Purchase of intangible assets	(1 176)		(15 818)
Movements in financial market assets	(317 923)		(416 692)
Net cash utilised in investing activities	(345 238)	-22%	(444 179)
Financial market liabilities repaid	(18 618 727)		(15 504 634)
Financial market liabilities raised	13 102 081		19 048 287
Net cash (utilised in)/generated from financing activities	(5 516 646)	-256%	3 543 653
Net decrease in cash and cash equivalents	(848 455)		1 532 878
Effect of exchange rate movement on cash balances	(29 478)		(90 272)
Movement in cash and cash equivalents	(818 977)		1 442 606
Cash and cash equivalents at the beginning of the year	3 741 853		2 299 247
Cash and cash equivalents at the end of the year	2 922 876	-22%	3 741 853



Refer to the Statement of cash flows on page 24 and notes thereto contained in the Annual Financial Statements.

Cash generated by operating activities (R'billion)



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

Other significant items

Implementing IFRS 9

Effective 1 April 2018, the DBSA adopted the International Accounting Standards Board's IASB's IFRS 9: Financial Instruments as issued in July 2014. The new standard brings fundamental changes to accounting for financial assets and to certain aspects of accounting for financial liabilities. IFRS 9 replaces IAS 39 and introduces new requirements, which include the expected credit loss impairment model together with new requirements for the classification and measurement of financial instruments. The Bank has retrospectively adopted the IFRS 9 standard with an adjustment to its opening retained earnings on 1 April 2018 and has elected not to restate its comparative annual financial statements, as permitted under IFRS 9. An 8.52% (increase in provisions) transition adjustment to opening retained earnings was recorded.

Compliance

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

Outlook

Financial sustainability remains a key strategic imperative and the Bank will continue to focus on net interest margin, cost containment, balance sheet strengthening, currency risk management and liquidity management.

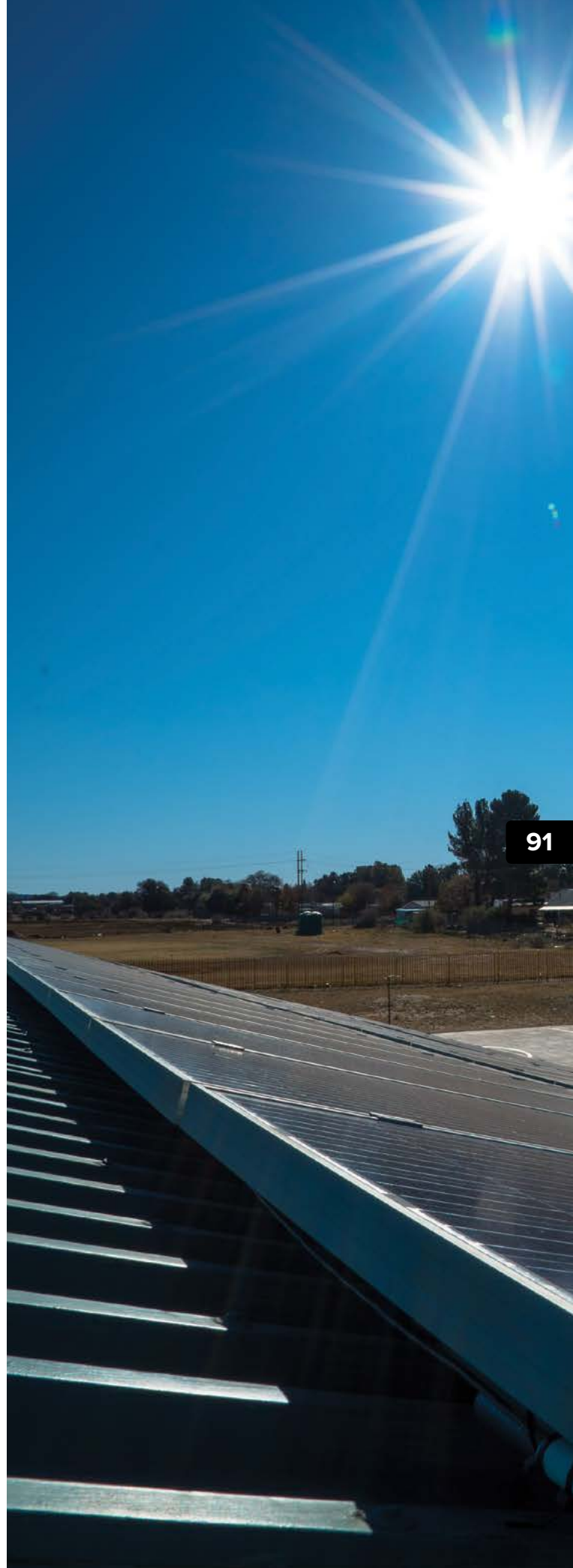
The DBSA remains optimistic about the financial prospects for the coming year. The Bank has established a healthy loan book to drive net interest income, our main source of income. Despite the low economic growth expectancy in South Africa, there is a substantial pipeline of opportunities and a need for infrastructure investment, that are expected to drive improved disbursements in the year ahead. Prospects in the region outside SADC remain very promising on the back of high growth rates in these economies.

Appreciation

I would like to thank the DBSA's stakeholders for their continued support and commitment to enabling our developmental impact.



Boitumelo Mosako
Chief Financial Officer

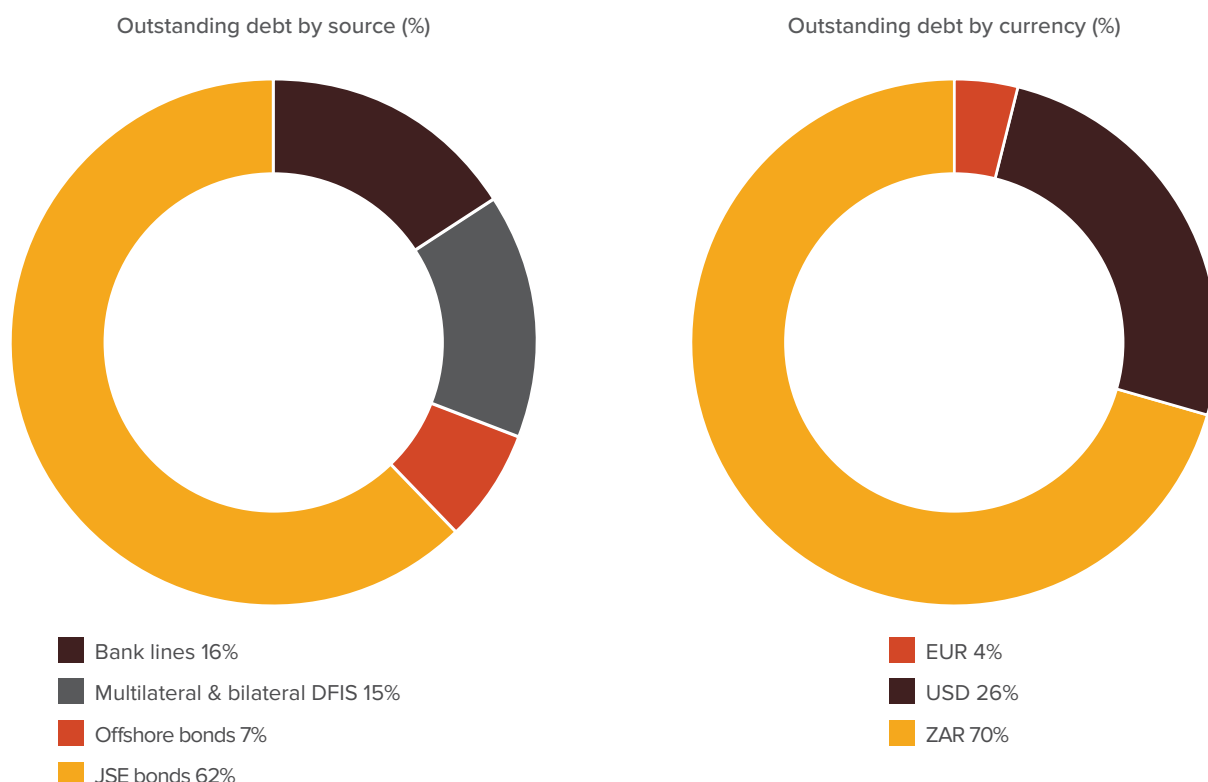


TREASURY AND BALANCE SHEET MANAGEMENT OVERVIEW

Funding

Gross new debt raised during the year ending 31 March 2019 amounted to R13.1 billion equivalent (including foreign currency borrowing totalling USD394 million) with net borrowings for the period amounting to R5.5 billion equivalent.

The charts below depict the split of the Bank's outstanding debt by source and currency, respectively, as at 31 March 2019:



Liquidity

Liquidity levels and ratios were maintained within the Bank's Board approved policy limits, with liquid assets held primarily in the form of call deposits, money market investments and government bonds.

Total liquidity as at 31 March 2019 amounted to R4.7 billion, well within all applicable policy stipulations. The Bank further 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 bank lines amounted to R1.6 billion equivalent, with undrawn balances on lines of credit from DFIs amounting to R1.2 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 2019, the Bank had on-balance-sheet equity of R37.17 billion as well as callable capital of R20 billion. Total available capital for gearing, therefore, amounted to R57.17 billion. With outstanding debt of R52.31 billion, the gearing ratio excluding callable capital as at financial year end stood at 1.4 times, and including callable capital, at 0.91 times, well within the regulatory 2.5 times threshold.

Exchange rate risk management

Exchange rate risk is managed through matching assets and liabilities to the extent possible with residual risk managed through cross currency swaps, forward exchange contracts, and currency options. Whereas the net foreign exchange gain as at 31 March 2019 amounted to R744 million, the net open foreign currency positions were substantially hedged, with downside risk in the event of appreciation in the rand contained well within the Board approved risk parameters.

Credit ratings

The Bank's credit ratings remained unchanged during the year, with the respective foreign currency issuer ratings and outlook maintained at the equivalent of the sovereign's. The table below depicts the DBSA credit ratings as at 31 March 2019.

Agency	Issuer rating type	Short term	Long term	Outlook
Moody's	Foreign currency	Prime-3	Baa3	Stable
	National scale	P-1.za	Aa1.za	Stable
Standard & Poor's	Foreign currency	B	BB	Stable
	Local currency	B	BB+	Stable

Bokpoort CSP Project



AUDIT AND RISK COMMITTEE REPORT

For the year ended 31 March 2019

We are pleased to present our report for the financial year ended 31 March 2019. The Audit and Risk Committee has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter has regulated its affairs in compliance with this charter, and has discharged its responsibilities as contained therein.

Membership

The Audit and Risk Committee members and their attendance are reflected on page 51 in the Summary Governance report. In compliance with Treasury Regulations 271.3 and 271.4, the Chairperson 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.



The names and qualifications of directors serving on the Audit and Risk Committee are detailed in the Board of Directors section of the Integrated Annual Report on pages 52 – 56.

Impact of King IV

King IV recommends disclosing the date that the external auditor was first appointed. The Auditor-General was first appointed on 19 July 2018. They were appointed for the ensuing year at the AGM on 13 December 2018. King IV recommends that the Audit Committee be responsible for the auditor independence oversight as recommended by the IRBA and provides factors that may influence the independence of the auditor. The committee has to apply the independence test of the external auditor annually to ensure that reporting is reliable, transparent and a fair representation for the use of stakeholders. The committee has satisfied itself of the auditor's independence. Audit quality is enhanced by reporting on significant audit matters arising from the audit and how the matters were addressed.



The significant audit matters, together with the Audit and Risk Committee's responses where applicable, are detailed in the Independent Auditor's Report to Parliament contained on pages 3 – 10 of the Annual Financial Statements.

King IV introduces the term "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 sets the tone for organisations to realise risk that 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.



The DBSA's significant risks, together with the opportunities they bring and their impact on the DBSA's strategy, are detailed in the section Managing our risks and opportunities on pages 37 – 45.

King IV recommends a combined assurance model that includes "five lines of assurance" to incorporate all assurance providers to enable an effective control environment to strengthen decision-making. Horizontal assurance includes internal audit, risk and compliance whilst vertical assurance includes line managers, frameworks, policies, procedures and system controls. Internal audit remains a pivotal part of governance relating to assurance. The internal audit function will be relied on not only to contribute insight to the organisation, but to provide foresight through the use of pattern recognition, trend assessment, analysis and scenarios. As more reliance will be placed on internal audit, the Committee and the Board will apply their minds to the assurance standards expected from the internal auditors.

Audit and Risk Committee responsibility

The functions of the Audit and Risk Committee are 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.

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulations 271.7 and 21.10(b) and (c).

Section 51(1)(a)(ii) of the PFMA states the following:

- (a) The Accounting Authority must ensure that the public entity has and maintains
 - (i) Effective, efficient and transparent systems of financial and risk management and internal control
 - (ii) A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77
 - (iii) An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective

The Audit and Risk Committee's responsibilities also include:

- Considering the appointment, rotation and/or termination of the external auditor(s) and its nomination to the Board for consideration

- Approving the terms of engagement of the external auditor(s), including their audit fee and determining the nature and extent of any non-audit services
- Monitoring and reporting to the Board on the independence, objectivity and required skills and competence of the external auditor(s) to execute the audit in terms of International Standards on Auditing
- Monitoring the effectiveness of the processes to create awareness and develop an understanding of relevant legislation and regulation to ensure compliance by management
- Performing IT governance on behalf of the Board to ensure proper system security, data integrity and business continuity, disaster recovery and review of the reports of the Chief Information officer
- Overseeing over the enterprise wide risk management (ERM) approach to and managing, risk exposures
- Consideration, of the expertise, resources and experience of the CFO, finance and internal audit functions

Combined assurance

The Audit and Risk Committee's corporate governance processes comply with the requirements of King IV with respect to ensuring that a combined assurance model is applied to provide a coordinated approach to assurance. The model aims to optimise the assurance coverage obtained from risk, internal providers and external assurance providers on risks attached to the DBSA.

Assurance by management

During the year, the committee:

- Received and reviewed the reports from management regarding the adequacy of impairments on development loans 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; and 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 for the year pertaining to the Annual Financial Statements for the year ended 31 March 2019 and the interim results for the six months ended 30 September 2018

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 whistleblowing hotline operated by Whistle Blowers and employees are encouraged to report any suspected corrupt, fraudulent, criminal or unethical practices

IT governance

The Audit and Risk Committee provides oversight over the IT systems, automated controls and mechanisms within the DBSA's operating environment focusing on the following activities:

- The policies reviewed and approved for the period included Enterprise Architecture Policy, ICT Backup and Restore Policy, IT Security Policy and Acceptable Use Policy with their supporting standards and procedures
- The implementation of the ICT business aligned strategy included the review and implementation of the ICT operating model. ICT risk management reporting is aligned and managed within the Bank's ERM framework
- The approved cyber security strategy provides guiding principles to safeguard the Bank's data to maintain and preserve its confidentiality, integrity and availability. Goal oriented and independent cyber security incident simulations were conducted to evaluate the adequacy of the security controls. The overall residual rating outcome of the cyber risk was reported as low, which is within the Bank's appetite
- The enterprise architecture provides oversight of the sourced technologies for the enablement of the strategic and operational objectives. The technology investments requiring capital expenditure are reviewed by the ICT Steering Committee and recommendations made to the Executive Committee of the Bank for approval
- IT risks are monitored, reviewed and reported on a quarterly basis at the Audit and Risk Committee. The internal audit function issues reports annually on the overall adequacy of the control environment to provide assurance of governance setting, IT general controls as well as operational and financial risk management. The assurance provided is informed by the outcome of the audits/reviews conducted based on an approved risk based audit plan
- Future areas of focus include the implementation of recommended and remedial actions from various reports for continuous improvement and control efficiencies of internal systems. In addition, prioritised initiatives to support business strategy, integration platform for interoperability and deployment of productivity tools implementation is underway

The effectiveness of internal control

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.

However, the Auditor-General identified deemed non-compliance within the IDD procurement insofar as commodities designated for local content and production were procured from suppliers who had not submitted a declaration on local production and content.

The deemed non-compliance has no financial impact on the Bank's financial performance and financial position. The deemed non-compliance arose from the manner in which the Bank interpreted the relevant National Treasury Instruction Note 15 on procurement of steel products in construction contracts.

The Bank's interpretation has been supported by an external legal opinion. Following the Bank's consultation with National Treasury, they have undertaken to review the relevant Practice Note as it is not the intention of National Treasury to issue prescripts that are unclear with potential to expose institutions to audit findings and possible irregular expenditure. In the interim, management is reviewing the procurement processes in relation to goods and services procured from designated sectors for local production and content to ensure there is interpretation alignment.

The Bank maintained an effective internal control environment in line with the interpretation of the respective instruction note on local production and content. The Bank maintains a stance of zero tolerance for any form of impropriety as it upholds the highest possible corporate governance standards by ensuring adherence to all relevant legislative requirements (DBSA Act, PFMA, Companies Act, etc.) including good governance codes, such as King IV while recognizing that corporate governance goes beyond a set of frameworks, principles, policies and rules.

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 and reviewed by the Board of Directors during the year under review.

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:

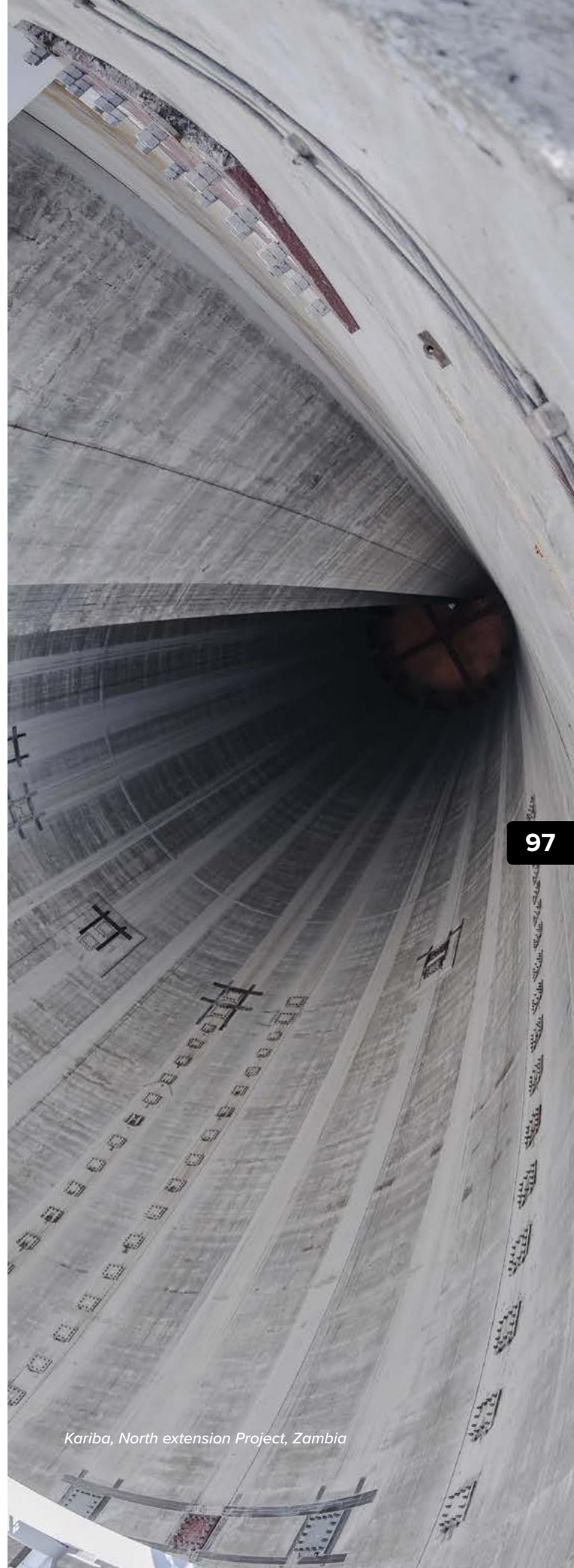
- Reviewed the Integrated Annual Report and Sustainability Review
- Reviewed and discussed the audited Annual Financial Statements with the independent external auditor and the accounting authority
- Reviewed the independent external auditor's management letter and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed significant adjustments resulting from the audit

The Audit and Risk Committee has evaluated the Annual Financial Statements for the year ended 31 March 2019 and considers that they comply, in all material respects, with the requirements of sections 27 to 31 of the Companies Act, the PFMA, the IFRS and that the adoption of the going-concern basis in preparing the Annual Financial Statements is appropriate. It is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the independent external auditor.

The Audit and Risk Committee has also reviewed the Integrated Annual Report as submitted and recommends it for approval by the Board.



Gugu Mtetwa
Chairperson of the Audit and Risk Committee



Kariba, North extension Project, Zambia

BOARD CREDIT AND INVESTMENT COMMITTEE REPORT


For the year ended 31 March 2019

We are pleased to present our report for the financial year ended 31 March 2019.

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


Membership

The BCIC members and their attendance are reflected on page 51 in the Summary Governance report. The chairperson is an independent non-executive director and has the requisite business, financial and leadership skills for the position. All the committee members have development and financial literacy, with the majority being non-executive directors.

 The names and qualifications of directors serving on the BCIC are detailed in the Board of Directors section on pages 52 – 56.

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 sets 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.

 The DBSA's significant risks, together with the opportunities they bring and the impact on the DBSA's strategy are detailed in the section Managing our risks and opportunities on pages 37 – 45.


BCIC responsibility


The Board has delegated the responsibility for the management of credit and investment risk to its BCIC, supported by the executive management level Investment Committee. BCIC 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.

The Investment Committee, which is chaired by the Chief Risk Officer is responsible for approving transactions that would result in the aggregate exposure to a single obligor being below the approval limits delegated by the BCIC. The committee is also responsible for recommending aggregate exposures of more than the approved delegated limits to the BCIC.

In managing credit and investment risks further, the DBSA, through its Group Risk Assurance division, also seeks to embed policies and processes on credit and investment risk appetite and prudential limits. It guides the formulation of risk strategy and businesses' risk positioning by ensuring that sound risk principles and practices are adopted and maintained.

Finally, the DBSA, in support of its mandate, seeks to align development impact with credit and investment risk decisions and to optimise reward by evaluating risk exposures and ongoing outcomes in tandem.

 Refer to pages 14 – 15 for a summary of the outputs and estimated development outcomes.

 Refer to pages 87 – 89 of the Chief Financial Officer's Report for an overview of the quality of the credit portfolio.

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	Above MS10	
Municipal clients	R1 000 million	R500 million	
Other public sector clients	R500 million	R250 million	
State-supported programmes	R500 million	R250 million	
Private sector clients	All	All	
Rest of Africa	MS1 – MS10	MS11-MS13	Above MS13
SADC: Low-risk countries	USD50 million	USD20 million	All
SADC: Medium-risk countries	USD20 million	USD10 million	All
SADC: High-risk and post-conflict countries	USD10 million	All	All
SADC: Private sector clients	All	All	All
Rest of Africa	All	All	All

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.

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 931	R5 202	R7 133	73%
Non-municipal clients	R1 181	R25 756	R26 937	96%
SADC	-	R2 719	R2 719	100%
Rest of Africa	-	R2 891	R2 891	100%
TOTAL	R3 112	R36 568	R39 680	92%

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



Anuradha Sing

Chairperson of the Board Credit and Investment Committee

ENSURING THE SAFETY OF RURAL LEARNERS IN KWAZULU NATAL

The DBSA is constructing a bridge that will serve over 125 learners from the remote villages of KwaShukela and Nondabuya, in the Jozini and uMhlabuyalingana local municipalities. A lack of transport and direct access routes to the schools mean that rural learners walk long distances and swim across rivers daily to get to school and to return home. This poses significant safety and health risks to the children including drowning, waterborne diseases and the threat of crime. The pedestrian bridge will be constructed as a permanent solution providing direct access to the schools across the uHlanjana River. In the meantime, the Bank is providing two buses for scholar transport to affected learners.



The children catching the bus as an interim measure until the pedestrian bridge is constructed



KHI Solar One, Northern Cape





Intellectual capital ◦

Creating intellectual value

Our intellectual capital is our considerable industry specific expertise and know-how in infrastructure, as well as our reputation.

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 underpins the sustainability of our investments and commands respect from our peers. Our relationships with global DFIs expose the Bank to best practice technical skills through knowledge sharing with strategic partners.





INTELLECTUAL CAPITAL

CREATING INTELLECTUAL VALUE

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Our growth strategy has a strong future focus and as such we are actively driving innovation and breakthrough thinking for greater impact within the Bank. A key focus is the innovation and culture journey of the DBSA, to ensure that we are fostering the organisational capacity and capability to respond to the rapidly changing world in which disruption and change are constants. Significant progress has been made with a number of new financial products and concepts that are now market ready.

Significant growth in development is possible in Africa particularly if investments are focused on driving projects that dramatically increase the adoption of a new generation of technologies. There is considerable potential in Africa to drive development by 'leapfrogging' older technologies, while addressing the large infrastructure, technology, and policy gaps in Africa.

The DBSA, as a DFI, is 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. As an SOC we have access to high risk capital available to buffer investments in models that are new or not clearly defined.

How we manage our intellectual capital

Strategic partnerships



Refer to pages 32 – 34.

Strategic engagements in industry events



Refer to pages 46,76 and 118.

Embedding a culture of innovative thinking



Refer to page 106.

Innovation unit



Refer to page 106.

Key factors impacting intellectual capital

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

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



Refer to page 106.

Governance in action

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 the current global, African and South African context, there is a growing imperative to maximise our development impact. As a development bank, we achieve this through providing additionality. Development finance, by definition, fills a niche not addressed by other forms of available capital. The DBSA is in a position, through our capital resources, to create additional value that will facilitate and accelerate sustainable infrastructure development. Our input goes beyond capital investment to encompass a range of additional roles and activities that together contribute towards realising the developmental position of the Bank.

Augmenting efficiency and collaboration

Refocusing our business to offer end-to-end solutions across the infrastructure delivery value chain, has led to a greater level of coordination and more effective use of both our balance sheet and resources. This is clearly evident looking at the pipeline at the end of our first year since the operating model review. Disbursements were significantly lower than anticipated, but to some extent this reflects the operating conditions that prompted our review of the operating model. Implementing the new operating model has not been without challenges but, the progress made in developing new products, growing the pipeline and cementing existing business processes has been encouraging. We recognised that there were stresses and challenges ahead that could be countered with enhanced levels of efficiency and focus. On the upside, we have the largest pipeline that we have ever recorded, reflecting a significant level of focus and maximisation of skills. While there will always be extraneous and external factors that will potentially impact disbursement levels, building a strong pipeline of transactions and a solid investment future creates a springboard for success.

Enhancing the DBSA's catalytic role

Our revised strategy aims to augment disbursements by increasingly focusing on the 'catalytic' role of enabling sustainable infrastructure development, through taking early-stage risk, expanding loan syndication and developing new structured products to increase our developmental impact. Central to our strategy is the mobilisation of capital from third-party investors, especially private parties and commercial financial institutions. The DBSA has an extensive network of strategic partnerships established over decades. In South Africa, the Bank is positioned between the public sector and private sector. Outside the country, we are seen as an African entity that is there for the benefit of other African countries and entities. In addition, we have access to sources of concessionary capital, through international DFIs. The Bank is also in a position to provide capital in 15-year loans, or to take on early-stage risk.

Enabling economic growth through climate resilience

Our established business and solid financial position has allowed us to focus on new product development and our development impact. This has led to the design of new products that are focused on sustainable development, with the intended long term outcome of mainstreaming these types of investments. The progress made with the CFF has been very encouraging. We anticipate the first disbursements this year. The CFF capital will be used to fill market gaps and crowd-in private investment, targeting commercially viable technologies that do not currently attract market rate capital at scale. The facility will target investments that focus on infrastructure projects that mitigate or adapt to climate change. The purpose of the facility is to galvanise a shift to low emission sustainable development pathways.

Another such project is the Embedded Generation Investment Programme (EGIP), aimed at creating a track record of embedded generation renewable energy projects successfully reaching financial close. This will open a market for embedded generation in South Africa. This financing mechanism is intended to crowd-in funding from commercial lenders and to assist South Africa to make further inroads towards its climate change objectives. Approximately USD84 million of the USD200 million funding will be deployed to provide B-BBEE funding to enable the participation and ownership of local communities and SMEs in renewable energy.

Investing for greater social impact

In setting a trajectory for investing for greater impact, the DBSA recognises that a fresh approach to accelerating development and drastically reducing poverty and inequality is required. To this end, while maintaining focus on the traditional business, we are developing the Bank's breakthrough thinking capacity and capability with the aim of solving persistent developmental challenges. Opportunities exist in Africa to invest in the formation of new industries that will facilitate leapfrogging technologies and bypassing legacy platforms that perpetuate poverty and underdevelopment. In the past year, we have launched a number of initiatives to enhance innovative thinking and identify solutions. These include the development of investment platforms focused on bringing innovation into private and public sector infrastructure investment to accelerate development. We are driving greater investment in the development of engineering and technology skills to prepare the youth for the 4IR and address chronic youth unemployment. At the DBSA campus, we are developing facilities to showcase and demonstrate new technologies to drive greater investment in energy, water and waste technologies of the future.

Creating a development dividend

Backed by the DBSA's capacity to assume more investment risk in pursuit of its mandate, in 2015, R2 billion was allocated to initiate a High Development Impact Investment Portfolio of new products. Over the past few years a number of new financial products and concepts have been developed, some of which are market ready. These investment platforms aim to create an enabling environment while addressing the triple challenges of inequality, unemployment and poverty and ensuring inclusivity of previously disadvantaged groups. The ring fenced capital will be used across four investment portfolios aligned with the DBSA's mandate, both in South Africa and across the African continent. The platforms include:

High impact infrastructure investments

Focused on investing in infrastructure that is high risk but delivers large-scale positive social, environmental and financial impact. Investment will be on a macro scale and will leverage a collaborative approach to funding. While the risk assumed in this process will be higher, the portfolio would still anticipate yielding a sustainable financial return.

Angel investment for previously disadvantaged

Focused on angel investing by providing funding to individuals with scalable business models that significantly address public service delivery in new and unconventional means but who cannot access commercial funding. The DBSA will crowd-in third-party funds that target the previously disadvantaged. The purpose of this portfolio is for the DBSA to create capacity in these businesses and provide back-end support, which will enable them to become scalable. There is a particular focus on women and youth.

Investment in 4IR technology and alternative infrastructure

Focused investing in 4IR technology and infrastructure that democratises information and infrastructure in a manner that exponentially increases Africa's capacity to support and supply public services to its citizens. This targets a sector that is highly specialised and requires experienced personnel to identify high impact, innovative digital technology companies that provide technology-based solutions with innovative business models.

Post-DLabs financial and non-financial support interventions

The DLabs were initially conceptualised to provide access to the skills of the future for under served youth. The DLabs have evolved to become social impact organisations which provide a space to enable communities through access to resources and skills. It is envisioned that they will become self-sustaining structures over a three-to- five-year period.

We have realised through the development of the DLabs and the Hub precincts, that there is a need for capital and mentoring support required by individuals who complete these training programmes. In response to the lack of capital available to the entrepreneurs benefiting from the DLabs, we have conceptualised a new product that will provide financial infrastructure. This community based financing structure will support emerging businesses owned by women, youth and the previously disadvantaged, who do not have access to capital. This will enable micro business owners to build more sustainable businesses and create employment. The community based model will allow entrepreneurs to grow but also ensure that sufficient value is retained within the community.

The innovation and culture journey of the DBSA

The need to develop breakthrough thinking capacity and capability, especially amongst management and leadership, is critical. In 2016, we embarked on a journey to foster a culture of innovation at the Bank, to harness our non-financial capital resources to enhance our development impact.

An innovation programme was introduced to leverage internal innovation within the organisation and embed innovative thinking in the operating culture of the Bank.

A product development unit was established to examine ways of using the balance sheet more effectively to find solutions for existing and future infrastructure challenges on the continent.

We are in the process of developing the mechanism to evaluate this capability to assist with identifying development areas to ensure that an appropriate culture is sustained for this change.

INFRASTRUCTURE DELIVERY AND KNOWLEDGE COMMITTEE REPORT

For the year ended 31 March 2019

We are pleased to present our report for the financial year ended 31 March 2019.

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.

Membership

The chairperson is an independent non-executive director. The majority of committee members are non-executive directors and all committee members have the requisite business, financial and leadership skills for the position.



The IDKC members and their attendance are reflected on page 51 in the Summary Governance report.



The names and qualifications of directors serving on the IDKC are detailed on pages 52 – 56.

IDKC responsibility

The IDKC is a subcommittee of the Board of Directors and supports the Board in the execution of its duties. The committee is accountable to the Board to properly consider and evaluate any matter that it has been mandated to deal with. 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.

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. Relationships of trust should be built with the regulators to ensure the organisation is not at risk of any material non-compliance of any current and future compliance related matters. The committee does not envisage any insurmountable obstacles in this quest.

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

The DBSA is committed to supporting government in accelerating the implementation of agreed infrastructure and implementation programmes on a fully funded and/or cost recovery basis. These strategic mandates may include the provision of project management and other support in key priority sectors critical to the achievement of the national objectives of economic growth, job creation and infrastructure delivery. The mandate of the committee does not extend to the financing needs of the programmes supported. The IDKC is responsible for:

- Providing strategic guidance on the support to be provided to public entities and spheres of government in priority sectors
- Recommending to the Board a framework to guide the selection of new government infrastructure delivery and strategic mandates and programmes for implementation by the DBSA
- Considering and approving all new strategic mandates and programmes for implementation by the DBSA
- Delegating to the CEO the responsibility for consideration and approval of all new projects within an approved mandate. The CEO will recommend for approval by the IDKC appropriate frameworks, portfolio risk management strategies, risk tolerances, appetite limits, policies and procedures to be adopted by the DBSA to monitor and mitigate exposure
- Monitoring compliance to the framework and progress on the implementation of mandates and programmes that fall under the committee's purview
- Identifying issues related to implementation of the programmes for tabling at the Board of Directors for consideration or decision



Refer to pages 75 – 76 for an overview of performance results for the Infrastructure Delivery Division.

Infrastructure delivery

As a DFI focused on infrastructure, the DBSA is required to constantly monitor developments in infrastructure planning and implementation and the enabling environment that impacts on the delivery of infrastructure and its financing.

The committee:

- Considers and recommends best practice related to DFIs and infrastructure planning, financing and implementation
- Reviews the overall performance of infrastructure delivery
- Provides strategic guidance to the gathering and analysis of project and spatial information to improve infrastructure planning, financing, delivery tracking and performance



Knowledge management

As a knowledge organisation, the DBSA is committed to facilitating processes of internal and external knowledge development and sharing to facilitate appropriate learning to enhance its status as an infrastructure DFI. The committee:

- Recommends for approval by the Board a knowledge management strategy for the DBSA that has both an internal and external focus and incorporates a transversal knowledge management system for the DBSA and a research strategy. A key focus area for the year was to refine the research agenda to the key challenges faced in South Africa and propose adequate solutions as well as the measurement of development impact
- Monitors the implementation and impact of the DBSA's knowledge management strategy
- Identifies knowledge management outputs or issues considered relevant by the committee for tabling for consideration or decision by the Board of Directors

During the year under review, the Committee considered the following reports:

- Report on the status of SDGs in South Africa
- The conceptualisation of development indicators and a shadow scorecard
- Gender Lens Financing Concept Note
- Recommended to the Board the approval of the KMR Research Agenda 2018/19
- The After Action Review on IDD Operating Model Phase 1
- The Anticipated Development Results Report 2017/18
- The Implications of the ANC's 54th Conference Resolutions on the DBSA
- The IDD Internal Audit Review Report
- The Climate Change Policy Framework
- The DBSA's Development Impact 2012-2017
- An analysis of the benefit of the Bank's MoUs
- Water and sanitation investment opportunities
- ICT opportunities in SADC
- The IDD Growth Plan and Strategy 2022
- iShack Project lessons learnt
- Evaluation findings – VCT phase 2 building rehabilitation and renovations
- Off-grid technologies
- The annual review of the IDKC Terms of Reference
- The adoption of the IDKC Annual Agenda Plan
- The DBSA's position on coal

The Committee reviewed the following reports on a quarterly basis:

- Knowledge Management and Research Progress Report
- DBSA Environmental and Social Safeguards Standards
- Project Preparation Progress Report
- Knowledge Management and Research Agenda Status Review

Martie Janse van Rensburg

Chairperson of the Infrastructure Delivery and Knowledge Management Committee

BUILDING HOUSES TO CELEBRATE NELSON MANDELA'S CENTENARY

The DBSA sponsored the construction of five houses in Orange Farm, with the Bank's staff assisting with the build process. The project, which was part of a collaboration with the Nelson Mandela Foundation and Habitat for Humanity to mark the celebration by building 100 houses in disadvantaged communities, created a positive and lasting change in the community. The DBSA went the extra mile, not only sponsoring the construction of a superstructure, but adding finishes such as tiles, and installing gutters, water tanks for harvesting rain water as well as sinks and kitchen cabinets, fridges, stoves and microwaves for all five families. The transformative impact was evident in the jubilation and expressed appreciation by the families who received the houses.



The DBSA staff volunteering their labour to support contractors in the CSI sponsored build process that changed the lives of families in Lawley, Orange Farm



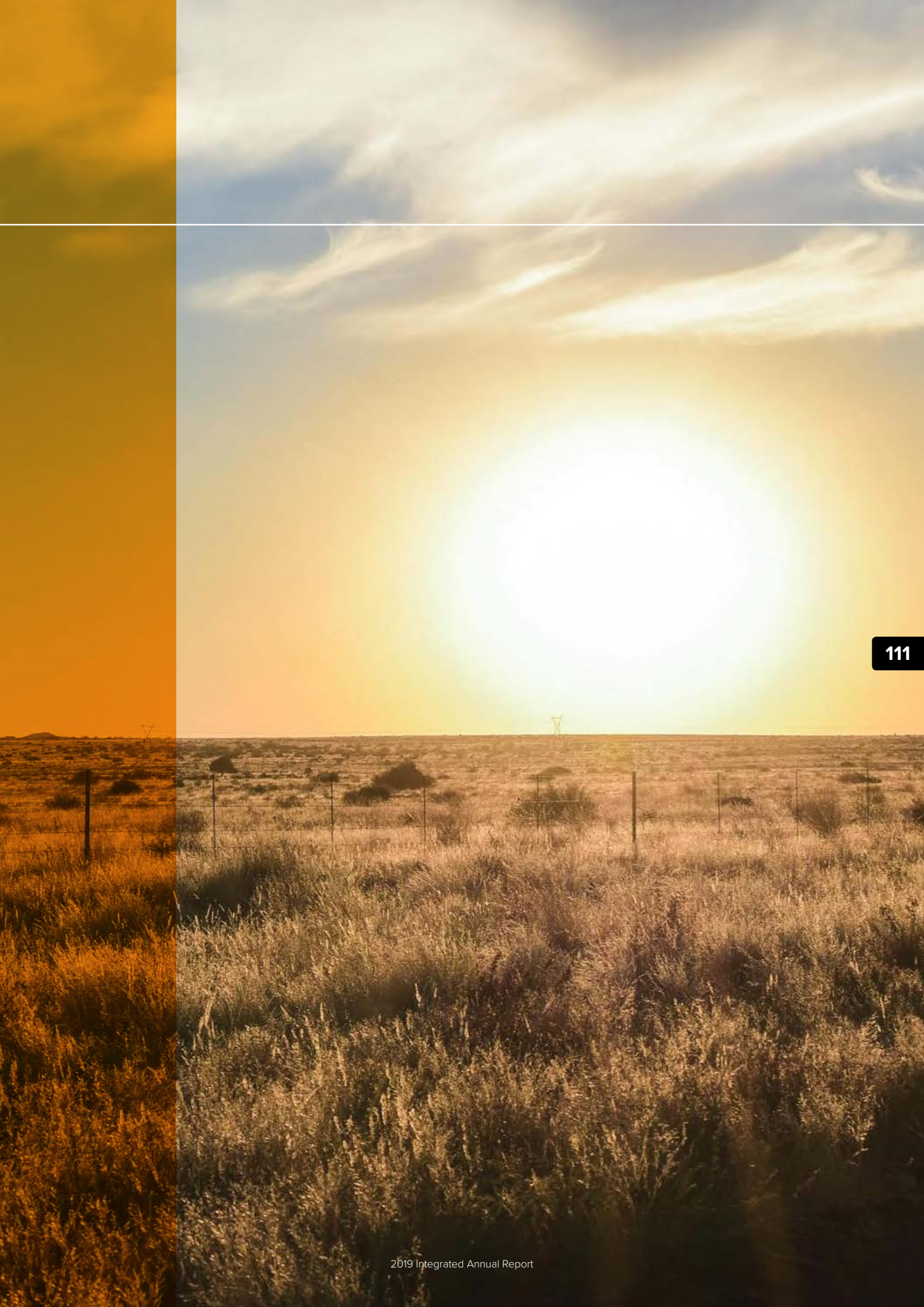


Social and relationship capital ◦

Creating social and
relationship value

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

As a state-owned DFI we are considered a trusted advisor to government and SOCs. We capitalise on our position as a conduit between the private and public sectors to drive development impact. Our position further enables the Bank to make a meaningful contribution to infrastructure related policy development and, as in so doing, unlock infrastructure development and accelerate service delivery.



SOCIAL AND RELATIONSHIP CAPITAL

CREATING SOCIAL AND RELATIONSHIP VALUE

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

As a state-owned DFI we are considered a trusted advisor to government and SOCs. We capitalise on our position as a conduit between the private and public sectors to drive development impact. Our position further enables the Bank to make a meaningful contribution to infrastructure related policy development, and in so doing, unlock infrastructure development and accelerate service delivery.

Building relationships with organisations and institutions in the infrastructure space enhances our reputation as one of the leading African DFIs. We seek out and nurture strategic partnerships that will be beneficial to the Bank. Our strong relationships with strategic investment partners nationally, regionally and internationally enhance the development and growth of the Bank's pipeline. Our partnerships enable the mobilisation of resources for lending and non-lending opportunities and the creation of co-financing opportunities. We capitalise on these partnerships to source deal flow and access grant and concessional funding, which enable the DBSA to reduce the cost of loans or provide technical assistance to our clients. Strategic partnerships also facilitate the sharing of information and enhance market insight. Our partnerships also offer the opportunity to link our clients with the latest thought leadership.

The DBSA has an active stakeholder engagement programme and we strive to maintain an open dialogue with our stakeholders within all of our activities. We believe that this dialogue and the development of strategic partnerships are not only fundamental sources of information but are also important for responsible corporate governance. Stakeholder dialogue is also vital for the effective execution of the DBSA's mandate.

The DBSA strives to allocate 1% of the net profit after tax for corporate social investment. We target the areas of education and health. The DBSA pro-actively identified its flagship projects, consulted and engaged with various stakeholders in the relevant sectors and affected communities to deliver to community needs in different areas where the Bank operates.

How we manage our social and relationship capital

- Coverage team dedicated to building relationships with funders;
- Meeting clients' expectations;
- Regular and meaningful stakeholder engagement; and
- CSI projects.

 Refer to Corporate Social Investment from pages 57 – 61 of our Sustainability Review.

Dedicated social facilitation capacity at all projects implemented by IDD



Refer to Our Stakeholders and Strategic Partners on pages 32 – 34 for further details of our stakeholder engagement.

Key factors impacting social and relationship capital

- Financial stability of the DBSA
- Strong governance structures

Value created for stakeholders

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

Governance in action

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).

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.

ENGAGING WITH OUR STAKEHOLDERS

How we identify our stakeholders

Our stakeholder strategy includes identification of the critical stakeholders we engage with, objectivity in such engagement, a robust partnership approach and ethical and professional engagement. We consider our stakeholders to have some form of capital at risk, mostly financial or human capital, or something to gain or lose, as a result of the DBSA's actions.

The identification of stakeholders forms a very important step in the Bank's stakeholder relationship management framework, and great care and effort are dedicated to this process.

The DBSA has established a methodology for identifying relevant stakeholders in a systematic manner, guided by their attributes. Set criteria are used to ascertain whether the organisations and individuals with which the Bank has some level of relationship may or may not be deemed stakeholders.

Client engagement

Our engagements with clients are guided by our five values: high performance, shared vision, integrity, innovation and service orientation. We are regarded with high esteem by clients and partners as a result of our strong focus on collaborations to innovatively share information and knowledge and build capacity on a global scale.

We consistently work with speed and build lasting relationships by rendering comprehensive high quality and reliable infrastructure financing products and services. We strive to ensure that clients know the DBSA as a trusted partner that co-creates integrated solutions to improve people's lives through our sustainability initiatives.

Attribute description

Tension	Stakeholders who present contentious issues that need a rapid response from the Bank from financial, socioeconomic, social and environmental perspectives.
Responsibility	Stakeholder to whom the DBSA has or is likely to have legal, ethical, moral or commercial responsibility.
Influence	Stakeholders who wield power to impact the Bank's decision making, strategic direction and priority plans.
Dependency	Stakeholders whose operations are directly or indirectly impacted by the Bank's activities and those whose activities have a direct impact on the Bank's operations.
Diverse perspectives	Stakeholders whose divergent positions on issues lead to exploration

How we engage with clients

We endeavour to establish lasting relationships with clients to ensure success for both their business and ours over the long term. Our client engagement interventions are led by our frontline business teams with the support of the Strategic Stakeholder Partnership Unit (SSPU). Every business frontline unit serves as a point of contact with our clients. Each point of contact is an integral part of our machinery to establish long term relationships and partnerships. Our success is measured through customer/client loyalty and the extent to which customers are willing to promote the DBSA and/or return for repeat business. Engagements enable us to assess clients' perceptions of the Bank's products and services.

We use the engagements to gauge any possible gaps in the quality of DBSA's menu of products and services, importantly, the survey helps us to continually track the general experience of our customers, and possibly resolve any outstanding issues.

Sharing sustainability approaches

As a leading DFI operating primarily in SADC, our purpose is to accelerate sustainable socioeconomic development with the intent to improve the quality of life of the people of the SADC region and the entire African continent. Knowledge sharing and transparency are essential ingredients to achieving this goal of sharing some of our winning solutions in financing and delivering physical, social and economic infrastructure. Various stakeholders in and outside of Africa call on us to share lessons to aid their business strategies.

We host clients, partners and various stakeholders who seek to benchmark the country's energy funds strategies, transport infrastructure improvement and new markets for financing to engage with our teams of experts to exchange knowledge

on our infrastructure solutions. We also facilitate meetings/sessions and project site visits for such partners with our clients as they develop strategies to improve the sustainability of their products and services.

Community engagement

We contribute to sustainable development and improve the quality of life of people in Africa south of the Sahara through our CSI programme. Our engagement maintains our good reputation through visible demonstration that we care for the well-being of the communities in which we operate, contribute to the sustainability of the SADC region and exercise accountable and responsible business practices. We make long term commitments to few flagship projects and build collaborative relationships with service providers, including government departments, non-profit organisations and other companies. We do not merely respond to requests for funding but are more proactive in engaging with beneficiary communities and get intimately acquainted and involved in projects.

How we determine involvement

The DBSA, through its responsibility to improve people's quality of life, fosters access to education, health care and safe drinking water and creates employment opportunities through involvement in social and economic infrastructure delivery and financing. We support the sustainable development of communities located close to our project sites and/or municipalities who are our clients based on their social challenges and priorities. We engage with our investment officers and social development facilitators to engage with communities to agree on priority CSI interventions. Our community initiatives align and support the Bank's contribution to the SDGs.

TRANSFORMATION

Economic transformation seeks to significantly improve the level at which the DBSA uses its mandate and value chain of activities to effect the change in the society, in line with national policy frameworks. The DBSA uses a number of levers to advance economic transformation within infrastructure development and these include:

- The B-BBEE rating, including preferential procurement, skills development, employment equity, and supplier/enterprise development
- Direct lending to the previously disadvantaged
- 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, health and captive energy sectors

Supplier development for micro small and medium enterprises

The Bank has identified micro, small and medium enterprises (MSMEs) as a vehicle to drive sustainable market access for black-owned small-scale suppliers in big projects and day-to-day consumables. In 2017, we embarked on a black women supplier development intervention which saw the absorption of our kitchen staff, who in the past worked as casual staff, 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.

Our supplier 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 the listed companies in particular to transform their supply chains from exclusively white-owned suppliers to black-owned ones. The Bank as recipient of services from our kitchen suppliers, serves as an incubator helping our beneficiary supplier/cooperative 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 2019

We are pleased to present our report for the financial year ended 31 March 2019.

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

Membership

The SEC members and their attendance are reflected on page 51 in the Summary Governance report.

The Chairperson is an Independent Non-executive Director. All committee members are Non-executive Directors and all members have the requisite business, financial and leadership skills for the position. The CEO is not a member of the committee but attends meetings by invitation.



The names and qualifications of Directors serving on the committee are detailed in the Board of Directors section on pages 52 – 56.

Due to the importance of gender equality an insights from 2018 entropy score, the Committee considered the introduction of Gender Mainstreaming in the DBSA and reviewed the updates on progress made in terms of implementation.

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.

Zanele Monnakgotla

Chairperson of the Social and Ethics Committee

Social and ethics committee 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 Whistleblowing Policies
- Considers and recommends for approval to the Board the ethics management programme

During the year under review, the Committee considered the Gender Gap Pay Analysis, 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,

The Committee also considered the quarterly Ethics Reports, Stakeholder Relations Reports, Environmental and Sustainability Reports, EE Procurement Transformation Reports, Human Capital Reports, Corporate Social Investment Reports and the DBSA and IDD Occupational Health and Safety Reports.



Natural capital ◦

Creating natural capital value

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Natural capital is our positive and negative impact on natural resources through our operations and business activities.

Our natural capital is derived from the use of natural resources such as land, water and power. We are contributing to the creation of natural capital through the development of products that promote environmental responsibility and our support of climate action in financial institutions. Our accreditation as a GEF agency entrenches the Bank in the global arena as a provider of financial assistance to environment and climate change projects.



NATURAL CAPITAL

CREATING NATURAL CAPITAL VALUE

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Our natural capital is derived from the use of natural resources such as land, water and power. We are contributing to the creation of natural capital through the development of products that promote environmental responsibility and our support of climate action in financial institutions. Our accreditation as a GEF agency entrenches the Bank in the global arena as a provider of financial assistance to environment and climate change projects.

How we manage our natural capital:

- The DBSA's Environmental Policy and Environmental and Social Safeguard Standards
- Co-funding of the Renewable Energy and Independent Power Producers (REIPPP) program
- Green Climate Fund to upscale investment in climate change and adaptation
- Support to the Department of Water Affairs: Water Research Commission
- Energy efficient buildings

Key factors impacting natural capital

- Financial stability of the DBSA
- Strong governance structures

Value created for stakeholders

- Access to climate financing

Governance in Action

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.

GREEN CLIMATE FUND

In October 2018, the DBSA was awarded funding valued at USD\$55.6 million from the Green Climate Fund (GCF) to establish a R2 billion Climate Finance Facility (CFF). The GCF is a global fund set up as a funding mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to support developing countries in responding to climate change. The Bank will provide R650 million and is in advanced discussions with a local institution for the balance.

The CFF is a first-of-its-kind application based on the Green Bank model, adapted for emerging market conditions. It offers globally significant proof-of-concept value to middle and lower income nations seeking to address market barriers and quickly scale up the high levels of private investment required by the Paris climate commitments.

The CFF uses its capital to fill market gaps and crowd-in private investment, targeting projects that are potentially viable, but cannot currently attract market rate capital at scale without "credit enhancement". It will focus on infrastructure projects that mitigate or adapt to climate change.

The CFF will invest responsibly as a self-sustaining financial institution that is break-even and structured to complete repayment of debt funding and the initial capitalisation as provided by the GCF, the PIC, the DBSA and any participating DFIs. In addition to South Africa, the facility will also extend financing to the common monetary area, which includes Namibia, Swaziland and Lesotho.

Through this initiative, the DBSA will support eight of the SDGs and in the process, support the South African Government in terms of their proposed Nationally Determined Contributions emanating from the Paris Agreement. The Paris Agreement calls on countries to reduce carbon emissions incrementally in order to collectively meet the global target of limiting the increase in the global average temperature to below two percent.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT INITIATIVES

The Bank is actively broadening its support for a greener economy and sustainable green infrastructure and contributes to the following:

- Support to the Department of Water Affairs: Water Research Commission
- Participating in international initiative "Advancing Environmental Risk Management Project", aimed at better determining how natural capital is addressed in environmental appraisal and credit risk assessments, undertaken by the UN's Natural Capital Finance Alliance, led by the United Nations Environment Programme Finance Initiative
- Contributing to the Annual International Development Finance Club Partnership's International Development Finance Club's Green Finance Mapping Survey, which outlines the contribution of the DBSA loan book in supporting climate mitigation and adaptation activities
- Providing inputs into the Climate Action for Finance Institution's initiative which comprises over 30 international Banks and coordinates lessons learnt and promotes climate action in finance institutions

- Implementing a project in partnership with CPI AFD, addressing the implications (including financial risks) for South Africa of potential future stranded assets in the coal, platinum and iron ore mining, power generation, rail and port infrastructure, liquid fuels refining and distribution sectors due to the transition to a low carbon economy
- Managing and Implementing the Green Fund, on behalf of the South African government to support green initiatives with project finance, research and capacity building grants to assist a transition to a more resource efficient and sustainable development society
- As an accredited GEF Implementing Agent, the DBSA management team has held discussions with the GEF to consider possible pipeline opportunities under the GEF 7, particularly where they align with the DBSA's focal areas and sectors
- Implementing micro to large projects nationally and within Sub-Saharan Africa as an institution accredited to the GCF

ENVIRONMENTALLY SUSTAINABLE OPERATIONS

The DBSA has developed (and continues to refine) its Environmental Appraisal Framework (EAF) and Environmental and Social Safeguard Standards (ESSS) which outline the Bank's approach to environmental appraisal and due diligence. The EAF is aligned with national and international best practice for environmental assessment and is implemented by the Bank's environmental analysts.

The EAF and ESSS ensure that the Bank's environmental appraisals are consistent in supporting and enhancing the Bank's decision-making processes. They mitigate and manage environmental risk, while also ensuring increased development impact.

The Bank is reducing the impact of its operations, including greening its site and buildings, in order of magnitude of impact 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 combine to reduce the Bank's carbon emissions, water use, waste generation and maintaining a sustainable campus.

OFF-GRID CAMPUS

The DBSA aspires to provide to leadership to achieve greater impact through showcasing technologies and solutions that will accelerate the rate of development. In this vein, the Off-grid DBSA Campus Project was conceived.

The aim is to take the DBSA off the grid, significantly improve the DBSA's water and waste management, and provide a platform to showcase new technologies/innovations within the DBSA's mandated sectors.

There are two elements: the Off-grid DBSA Campus Project and the Adjacent Vacant Land Fencing Project. During the year under review, EXCO approved R10 million for a feasibility study for the Off-grid DBSA Campus Project and R20 million for fencing the adjacent vacant land.





Human and manufactured capital

Creating value with human and manufactured capital.

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Human capital is the people we employ as well as others we work with.

Our human capital is represented by our employees, partners, customers and suppliers. It is also manifested in the availability of appropriate skills. Our employees are a critical driver of the DBSA's business performance and sustainability and the high calibre of current management at senior operational level is instrumental in creating value and long term sustainability for the organisation.



HUMAN AND MANUFACTURED CAPITAL

MANUFACTURED CAPITAL

Our manufactured capital represents our business structure and operational processes, including our physical and digital infrastructure, our products, as well as our information technology.

CREATING VALUE WITH HUMAN CAPITAL

Human capital is the people we employ as well as others we work with.

Our human capital is represented by our employees, partners, customers and suppliers. It is also manifested in the availability of appropriate skills. Our employees are a critical driver of the DBSA's business performance and sustainability and the high calibre of current management at senior operational level is instrumental in creating value and long term sustainability for the organisation.

How we manage our human capital

- Build critical skills and leadership capability to drive and sustain high performance
- Develop and implement a people strategy plan to drive sourcing, attraction, manage talent as well as develop a robust succession pool
- Embed a diverse and inclusive workforce as a source of competitive advantage
- Implement priority action plans emanating from the Culture Survey to engage and motivate the DBSA team
- Build Human Capital capability to drive effective and integrated service delivery
- Enable technology to plan and execute strategies that raise productivity through proper people management that enhances effectiveness and efficiencies within the organisation



Refer to the Human Capital section on pages 30 – 33 of the Sustainability Review for further information on our efforts to preserve and enhance this capital

Key factors impacting human capital

- Availability of skills
- Company culture
- Remuneration
- Reputation

Value created for stakeholders

- Job creation
- Training and development
- Knowledge exchange

Governance in Action

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

Human Resources, Remuneration and Nominations Committee

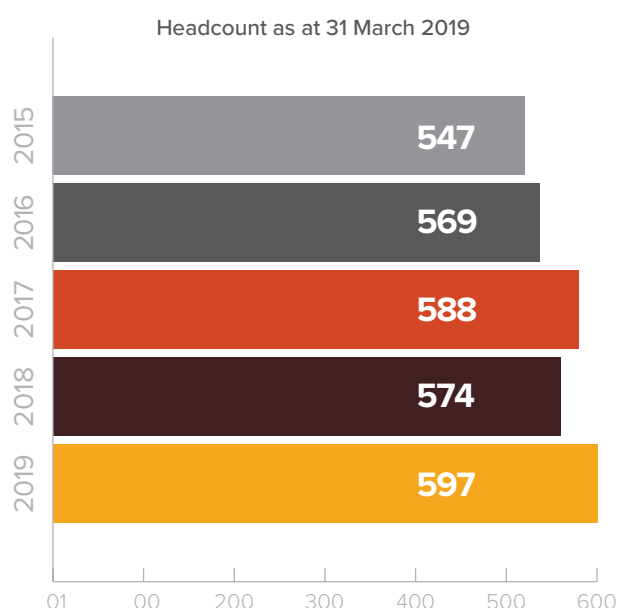
The committee oversees the human capital strategy, training and development and the culture change programme as well as performance against scorecards. The committee oversees employment equity and other human capital statutory reports. The committee oversees remuneration in terms of the annual staff 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

At year-end, the DBSA employed 597 (2018: 574) permanent and fixed term contract employees. Staff retention is a crucial focus area and there are various retention incentives for critical skills in the year.



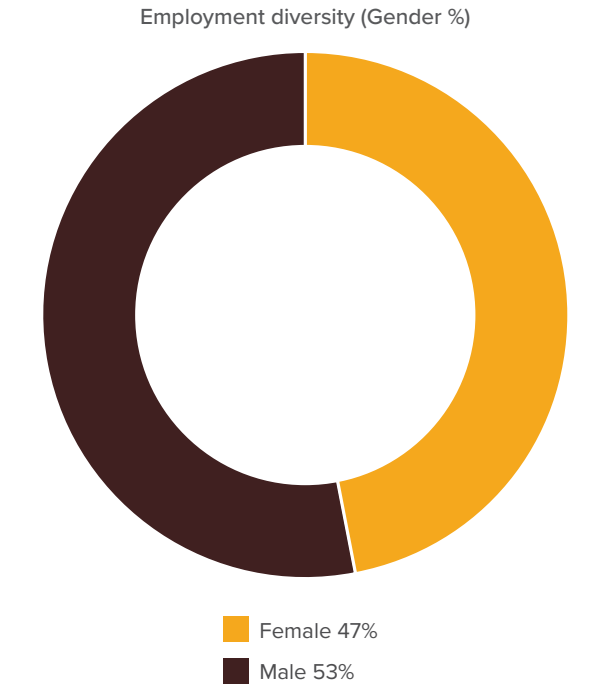
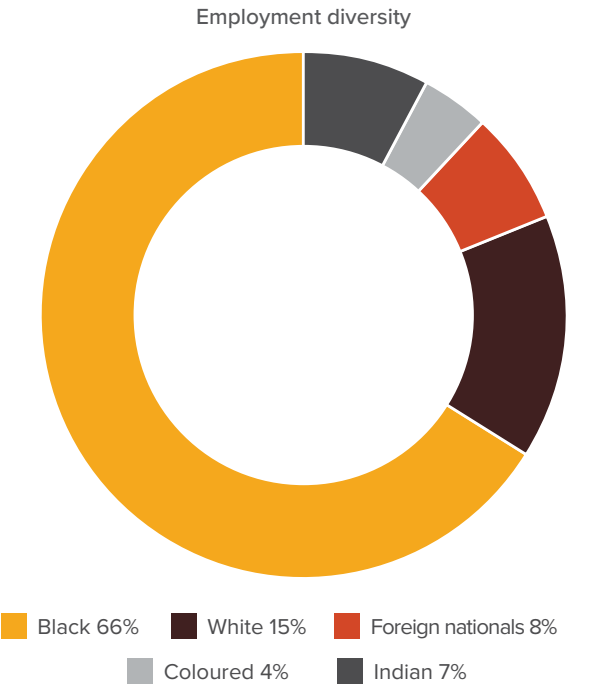
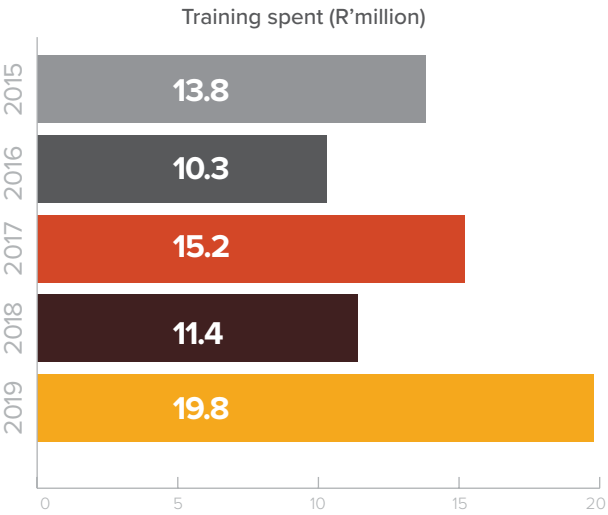
As we operate in a sector with a shortage of many of the business critical skills we require to deliver on our strategy, the DBSA has initiatives in place to attract the best talent and the opportunity for our employees to work and develop their careers. At least 5% of the DBSA's guaranteed pay payroll is set aside for training and development of employees.

All employees are encouraged to take ownership of their development journey. Employees, together with management, are expected to complete annual individual development plans.

This is to ensure that they consistently stay relevant in their field of expertise, close any skills gaps and build their careers accordingly.

The DBSA in the 2018/2019 financial year invested R30.6 million in skills development.

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



GENDER MAINSTREAMING AT THE DBSA

The DBSA adopted a programmatic approach to gender mainstreaming into the business, which includes the following four programmatic pillars:

- 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.

The DBSA's four pillars for gender mainstreaming comprise the following:

Building financial products to promote gendered financing solutions

The team held a series of Women and Finance Workshops with women entrepreneurs and women from the financial services sector, including DFIs, investment houses and commercial Banks, to facilitate the DBSA playing a proactive role by developing a targeted strategy for its gender lens financing. These workshops aimed to identify unmet financing and other needs of women led companies and develop specific solutions to address these needs to support the expansion of female led businesses. The intention is to work internally to structure product solutions, which the DBSA may provide to women entrepreneurs.

One of the main entry points for women-led projects is through our Project Preparation Division. The DBSA is currently piloting a project owned by a young entrepreneur hoping to provide food, security and jobs through an innovative agricultural process. In the interest of mainstreaming gender, the DBSA is adopting a business-unusual approach to financing this project.

Embedding gender mainstreaming into loan approval processes

The DBSA ensures that all its projects prepared and executed with GEF and GCF financing address gender considerations at all stages of project development (from project concept to project execution phase). Over the last three years, the DBSA has expanded the relevant teams' due diligence expertise to produce gender mainstreaming reports and oversight support for the GEF and GCF pipeline. In support of this requirement, the

DBSA has produced a Gender Mainstreaming Environmental and Social Safeguard Standard, and undertaken staff training (team and professional training).

Based on achievements in building gender considerations into the GEF and GCF project cycle, the Investment Support Team is working on a project to embed gender considerations in the DBSA investment value chain. The project will pilot at least two investment projects in the 2019/20 financial year, where gender will be addressed in the project appraisal. Recommendations for addressing gender mainstreaming in the DBSA loan approval decision making will be made on the basis of these two pilots.

Entrenching gender mainstreaming into the DBSA operational culture

The DBSA conducted the annual Barrett Culture Change Survey for 2018/19 and, for the first time, disaggregated findings on a gender basis. A cross divisional team will unpack the findings and propose interventions to address any gender barriers as part of an integrated approach to gender mainstreaming in the Bank as a whole.

The Learning and Development team has been working towards identifying suitable middle management women for training. Through the Bank's membership of the 30% Club and Business Engage, professional, middle management and senior women are exposed to people and topics relevant to management best practice. The intention is to create a pipeline of women who could move up in professional, management and senior executive positions. The DBSA's gender programme is tied to national initiatives and targets.

The IDD has explored sources of finance in Government that would provide training for targeted skills development. For example, the Unemployment Insurance Fund has identified funds for the training of women engineers and quantity surveyors. To date, 625 out of 1250 women learners are benefiting from practical learning experiences on all currently active IDD sites. The DBSA is also developing mentorship programmes for professional women and facilitating their registration at relevant professional bodies.

Building partnerships to promote gender equity and catalyse gendered finance solutions

The DBSA continues to participate actively in all GEF gender mainstreaming activities, including the 2018/19 review and update of the *GEF Gender Implementation Strategy*, which outlines principles and requirements to mainstream gender in GEF program and project design, implementation, and evaluation. At the recent 54th GEF Council and Assembly, where the DBSA participated in a side event entitled Gender Responsive Approach for Greater Impacts in GEF 7, a shift from a gender aware "do no harm" approach to a gender

responsive “do good” approach focusing on gender as an asset was launched. Our partnerships are important, especially those with commercial Banks, other DFIs and investment institutions. We aim to develop a suite of products to address the needs of women-owned companies and to create a value chain of products that will be offered by various partners, including the DBSA.

The gender mainstreaming initiatives have taken root across the DBSA, where staff have ‘domesticated’ the processes in their normal infrastructure financing processes. As the DBSA completes its first year of gender mainstreaming, it enters a period of implementation, monitoring and evaluation. The Bank’s commitment to the programme continues through the valued support of the Executive and Board and will be strengthened through adoption by middle management and professional levels.



HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE REPORT

For the year ended 31 March 2019

We are pleased to present our report for the financial year ended 31 March 2019. The Human Resources, Remuneration and Nomination Committee (HRNC) has adopted an 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.

Membership

The HRNC members and their attendance are reflected on page 51 in the Summary Governance report. The Chairperson is an Independent Non-executive Director. All committee members are Non-executive Directors and all members have the requisite business, financial and leadership skills for the positions.

The CEO is not a member of the committee but attends meetings by invitation.



The names and qualifications of Directors serving on the committee are detailed in the Board of Directors section on pages 52 – 56.

Human resources, remuneration and nominations committee responsibility

The Board of Directors has established the HRNC to support it in the execution of its duties with respect to the implementation of the human capital strategy, nomination of Directors and executive remuneration, Directors' affairs, as well as compliance with King IV, the DBSA Act and Regulations and any additional corporate governance requirements of the DBSA. The Board of Directors is the focal point of corporate governance in the DBSA. The committee is ultimately accountable and responsible for the performance, affairs and behaviour of the DBSA. The HRNC has the responsibility to ensure that there are adequate processes, policies, systems and procedures to ensure sound corporate governance.

The committee meets at least four times a year. It utilises the services of independent advisors on matters relating to remuneration. Specific responsibilities of the committee include:

Governance, nominations and directors' affairs

- Assist the Board in its determination and evaluation of the adequacy, efficiency and appropriateness of the governance structure and practices
- Advise and assist the Board with issues of strategic importance that are beyond the mandate of other Board committees
- Establish and review a Board continuity plan for approval by the Board entailing

- A review of the performance of and planning for successors to the Executive and Non-executive Directors
- Measures to ensure continuity of tenure of Non-executive Directors
- A regular review of the composition of skills, experience and other qualities required for the effectiveness of the Board
- A biennial assessment of the Board as a whole, which assessment shall be coordinated by the Chairperson of the Board and assisted by the Company Secretary
- Assess regularly the conduct and competence of Directors and Board committees, the overall effectiveness of the Board and report thereon to the Board
- Regularly review the required mix of skills and experience on the DBSA Board with a view to identifying any skills gaps in the Board
- Recommend to the Board potential candidates for membership to the Board
- Develop a plan for identifying, assessing and enhancing Director competencies
- Ensure that Executive Directors and management succession plans are in place
- Review the performance of the CEO

Remuneration

- Consider for approval by the Board the remuneration policy and employment practices in addition to any other strategic human resource issues referred to it by management and the Board of Directors in line with market trends and prevailing legislation
- Review and recommend performance incentive policies applicable to the Executive Directors and Group Executives to the Board of Directors to ensure that they are fairly rewarded for their individual and joint contribution to the DBSA performance
- Determine remuneration, retention incentive and termination policies and procedures for executive management
- Make recommendations to the shareholder for consideration regarding the fees of the Chairman and the Non-executive Directors
- Make recommendations to the Board for approval of the aggregate annual staff salary increase
- Recommend for approval percentage limits to which executive management may authorise remuneration for staff such as the maximum bonus as a percentage of total cost to company and how much may be discretionary
- Consider and recommend to the Board for approval the quantum of incentive pool for executives of the DBSA
- Determine and review superannuation arrangements
- Obtain for the Group whatever remuneration related information the committee may need from time-to-time.



Refer to note 43 of the Annual Financial Statements for fees paid to Non-executive Directors, Executive Directors and Group Executives

Human resources

- Review and recommend the DBSA human capital strategy and risk management strategy to be implemented. Further detail regarding the remuneration philosophy and policies is provided in the Remuneration report on page 128.
- Monitor implementation and execution of the human capital strategy and transformation as well as issue policy requirements for implementation by management. A key focus area for the committee was the monitoring of the DBSA's culture change programme. Significant improvements were achieved
- Review performance scorecards. Refer to the Directors' report in the Annual Financial Statements report for the performance against the 2018/19 Balanced Scorecard
- Oversee employment equity and other human capital statutory reports
- Oversee the implementation of the DBSA's training and development plan.

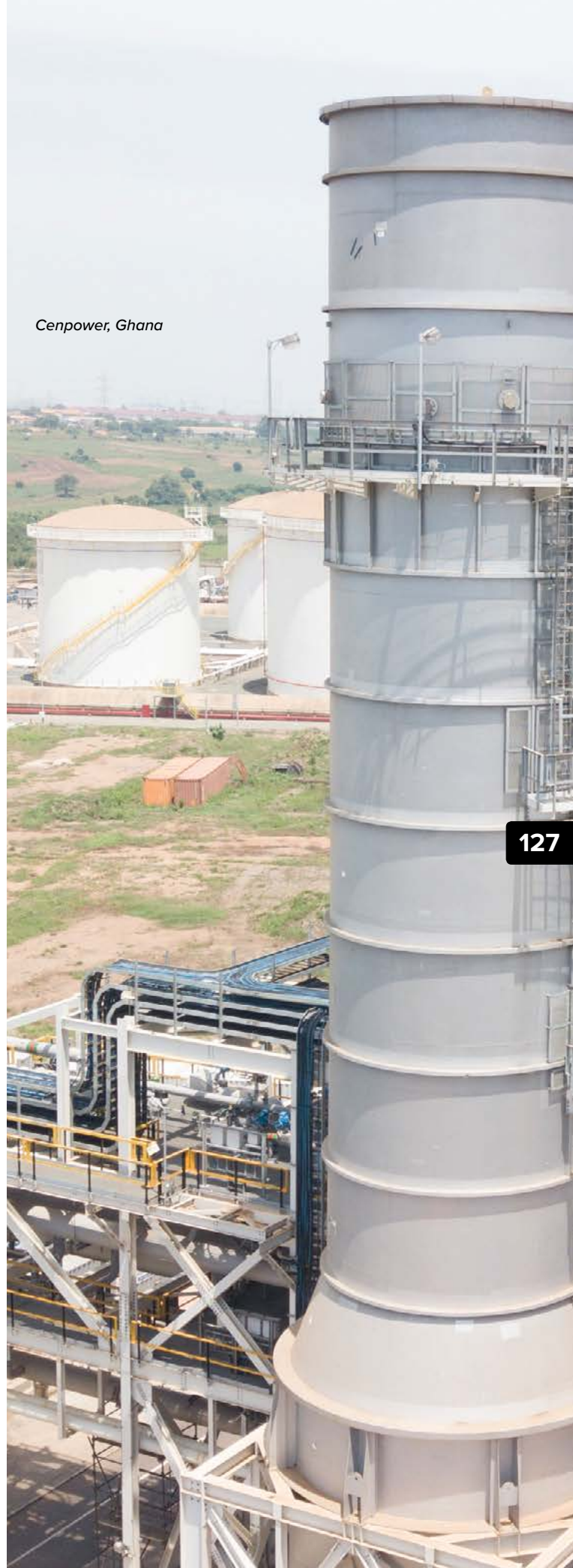


Refer to pages 122 – 123 for further detail regarding the DBSA's employment and diversity numbers, as well as investment in training programmes. (shown on pages 122 – 123 of this report for HRNC)

Patience Nosipho

Chairperson of the Human Resources, Remuneration and Nomination Committee

Cenpower, Ghana



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, motivates 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. Overall, the organisation's performance from a financial sustainability and development impact perspective was satisfactory. This is evidenced by the work delivered by DBSA management and 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 approved the proposed corporate and CEO scorecards for 2018/2019 financial year
- Assessed the corporate and CEO performance for 2018/2019 against the approved corporate and CEO scorecard
- Approved the annual increase envelope for employees and executives
- Approved of the short term incentive (STI) pool for employees and executives
- Approved the headcount and personnel expenditure budget for next financial year (2019/2020)
- The committee mandated 21st Century to conduct a benchmarking analysis of executive management total reward packages relative to the market
- Approved the allocation of STI for the CEO and executives.
- Approved 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 of the performance conditions for the organisation for the 2019/2020 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:

Total Rewards

	Guaranteed Pay	Variable Pay			Non-financial
Description	<ul style="list-style-type: none"> Cash Salary Company Benefits (Provident Fund, Medical Aid & 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 as yet)	Retention Incentives: for the retention of key staff (interim solution – will be removed once the long term incentive scheme is implemented)	<ul style="list-style-type: none"> Development & 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 & Environment
Objective	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Encourage continuous high levels of performance Long term financial sustainability Retention 	Retention of critical and scarce talent	<ul style="list-style-type: none"> Preferred and nurturing Employer Conducive working environment
Eligibility	All	All	Executive Management & Key Talent	Executive Management & Key Talent	All

Guaranteed pay

We target to pay employees within the market grade pay range for each job. However, guaranteed pay can be above the pay range to attract and retain critical talent or below the range for people who are new to the role and still need to grow into it.

We use independent providers to ensure we pay employees competitively. Salary benchmarking against other SOEs and other financial services companies are performed at least annually to keep track of market movements. The benchmarking reviews also take into account factors such as company size, assets, etc. The market data is used to assist in making remuneration decisions.

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 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, forex 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 114% which equated to 92.5% 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 economic conditions and the relative performance of the DBSA, a bonus pool of 77% 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.

 Refer to the Directors' report on pages 16 – 18 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 43.2 to the Annual Financial Statements

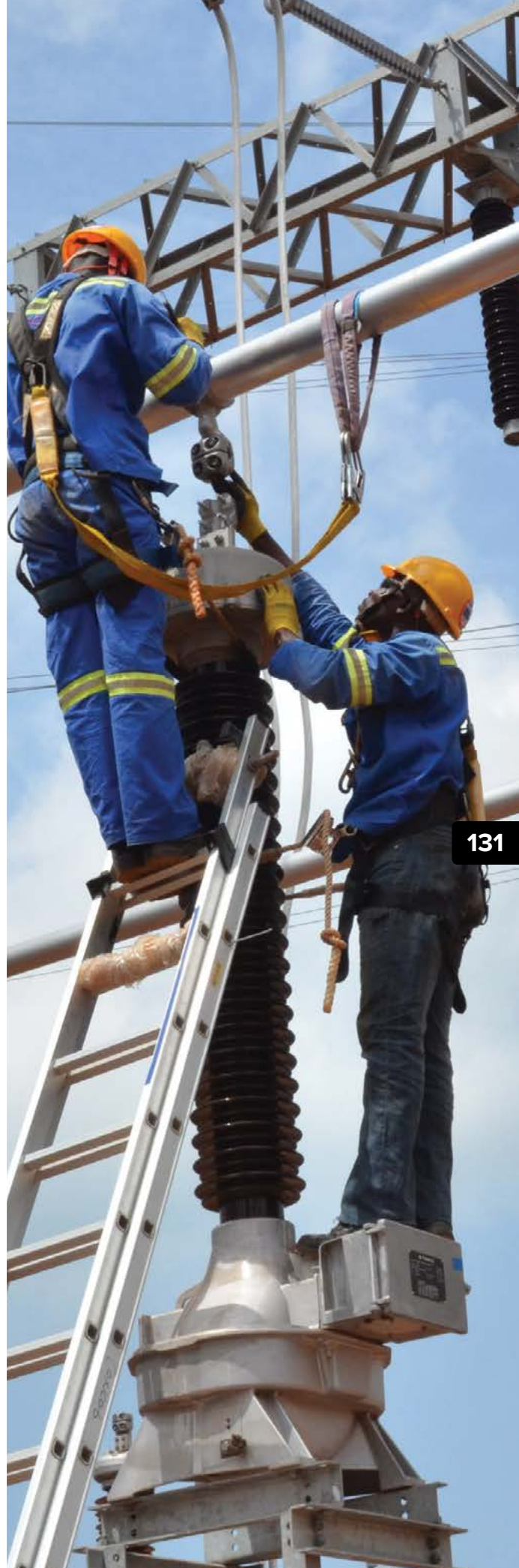
Payments on Termination of Office

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.

Future Areas of Focus

HRNC anticipates the following key focus areas for the next year:

- Prudently reviewing and monitoring the performance of the organisation and the CEO to ensure that the Shareholder directive is executed
- Ensuring alignment of performance conditions for incentives are appropriate, fair and responsible
- Engaging with the Minister of Finance in respect of long term sustainability of the organisation and the appropriate incentives that will make that possible
- Continually reviewing and assessing the Human Capital and People Strategy / Plan that will drive successful execution of the DBSA strategy
- Monitoring and continually assessing remuneration governance frameworks and alignment of executive remuneration disclosures in line with King IV requirements



ENHANCING LEADERSHIP IN EDUCATION

The DBSA sponsors a school leadership development programme through Partners for Possibility (PfP). To promote its development of social infrastructure the Bank is contributing to the development of thirty school principals. This will facilitate improved leadership in schools enhancing education of the learners, improving relationships among the school community stakeholders and accelerating community development. It is intended that the quality of education from quality leadership will have long term impact on employability and better quality of lives for impacted families and communities. The initiative is in line with the NDP which calls for the Department of Basic Education to align the interests of all stakeholders to support the common goal of achieving good educational outcomes that are responsive to community needs and economic development. Community involvement in any community development project is critical. The PfP programme encourages engagement of community and volunteerism of the DBSA leadership and staff, to offer their skills and time.



Enhancing leadership in Education



ACRONYMS AND ABBREVIATIONS

4IR	Fourth Industrial Revolution
Agenda 2063	A vision and an action plan adopted by the heads of state and government of the African Union at their 24th Ordinary Assembly held in Addis Ababa in January 2015
AfD	Agence Française de Développement
AfDB	African Development Bank
AIF	African Investment Forum
ASIDI	Accelerated Schools Infrastructure Delivery Initiative
AU	African Union
CFF	Climate Finance Facility
COMESA	Common Market for Eastern and Southern Africa. A free trade area with twenty member states stretching from Libya to Swaziland.
COP	Conference of Parties. 'Parties' are countries that ratified the UN Framework Convention on Climate Change in 1992 at the Earth Summit in Rio de Janeiro
CPI	Climate Policy Initiative
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
EAC	East African Community
EAf	Environmental Appraisal Framework
ECD	Early Childhood Development
ECOWAS	Economic Community of West African States, a regional economic union of fifteen countries located in West Africa
ESSS	Environmental and Social Safeguard Standards
FDI	Foreign Direct Investment
GCF	Green Climate Fund, a global fund set up as a funding mechanism of the United Nations Framework Convention on Climate Change
GDFI	Gross Domestic Fixed Investment
GEF	Global Environment Facility
IIPSA	Infrastructure and Investment Programme for South Africa, a joint European Union National Treasury initiative, administered by the DBSA that seeks to enhance sustainable economic growth and the delivery of key services affecting development in South Africa and in the SADC region
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IPP	Independent Power Producers
ITMAP	Integrated Transport Master Plan
IUDF	Integrated Urban Development Framework
MOU	Memorandum of Understanding
NATMAP	The National Transport Master Plan
NDP	National Development Plan
PACBP	Pan African Capacity Building Programme
PFMA	Public Finance Management Act, No 1 of 1999
PPDF	Project Preparation and Development Facility
PSP	Private Sector Participation – a framework used to govern the relationship between Schedule 2 state-owned companies (SOCs) and the private sector when jointly undertaking projects
REIPPP	Renewable Energy Independent Power Producer Programme
RIDMP	Regional Infrastructural Development Master Plan – a SADC initiative
SADC	Southern African Development Community
SAPP	The Southern African Power Pool – a cooperation of the national electricity companies in Southern Africa created in August 1995 in Kempton Park, South Africa, under the auspices of the Southern African Development Community
SDG	Sustainable Development Goals – a set of 17 global developmental goals with 169 targets among them, spearheaded by the United Nations through a deliberative process with its 193 member states
SOC	State-owned Company
SOE	State-owned Enterprise
SSA	Sub-Saharan Africa
UNECA	United Nations Economic Commission for Africa

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

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