DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

RESILIENCE • RECOVERY • RENEWAL

2021

INTEGRATED ANNUAL REPORT

REPORT NAVIGATION

Our reporting suite for the year ended 31 March 2021 consists of three reports.

IAR	The **2021 Integrated Annual Report**, which is our primary communication with our stakeholders.
AFS	The **2021 Annual Financial Statements**, which includes the directors' report and the independent auditor's report.
SR	The **2021 Sustainability Review**, which provides further information on our sustainability performance.

CONTENTS

Throughout our **2021 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** where more information can be found.

OUR STRATEGIC OBJECTIVES

- Sustained growth in developmental impact
- Maintain financial sustainability
- Providing integrated infrastructure solutions
- Sustainability innovations

Refer to pages 42 to 47 for further details of our **strategic objectives**.

OUR CAPITALS

- FC Financial capital
- SRC Social and relationship capital
- NC Natural capital
- IC Intellectual capital
- HC Human capital
- MC Manufactured capital

Refer to pages 20 to 21 for further details of the **capitals** and how we use them to create value for our stakeholders.

PERFORMANCE

OPERATIONAL PERFORMANCE

R26.6 billion
otal infrastructure delivered

R13.5 billion
total loan disbursements

R0.9 billion
worth of projects prepared and committed

R8.2 billion
funds catalysed

R2.6 billion
in infrastructure implementation support delivered

R1.4 billion
infrastructure unlocked for under-resourced municipalities

DEVELOPMENT IMPACT

6 909
learners benefitted from 11 newly built schools

33 125
learners benefitted from 51 refurbished schools

1 031
local SMMEs and subcontractors employed in the construction of projects

R2.4 billion
value of infrastructure delivered by black-owned entities whilst R1.0 billion delivered by black women-owned entities

R2.1 billion
local SMMEs and subcontractors employed in the construction of projects

55
DBE COVID-19 mobile toilets were completed in Eastern Cape benefitting 16 042 learners

68
DBE SAFE VIP toilets constructed

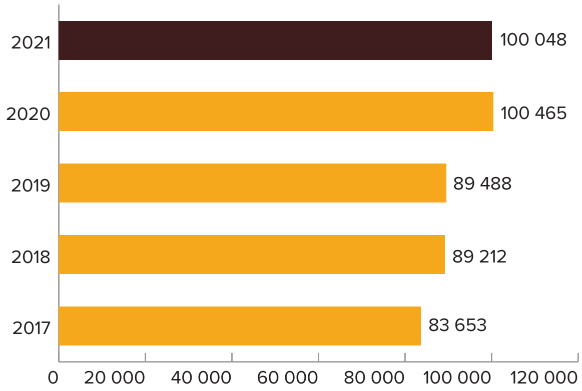
160
isolation pods delivered to the Eastern Cape Department of Health and Department of Defence

8 971
temporary jobs created

HIGHLIGHTS

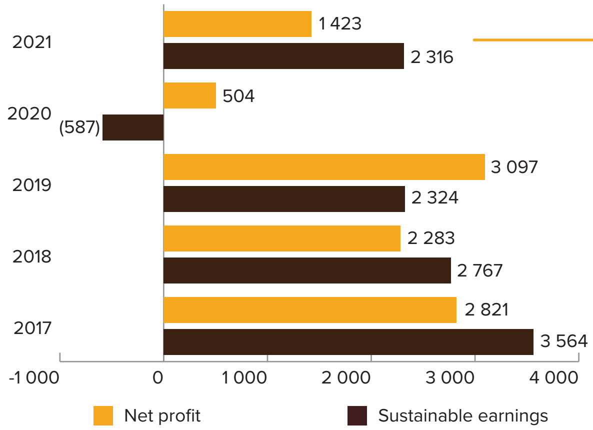
FINANCIAL PERFORMANCE

Total assets (R million)



R100 048 million

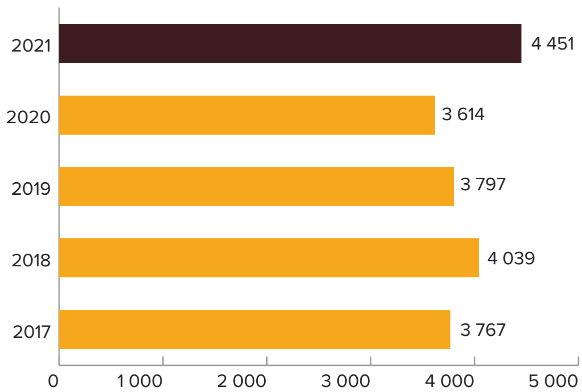
Sustainable earnings and net profit (R million)



R1 423 million
Net profit

R2 316 million
Sustainable earnings

Cash generated from operating activities (R million)



R4 451 million

GOVERNANCE

- Unqualified audits received since the inception of the DBSA
- A robust, ethical and diverse Board
- R0.7 million in irregular expenditure during the financial year under review

RATINGS AND ACCREDITATIONS

- Externally rated: DBSA foreign currency rating is Ba3 (Moody's)
- A+ rating from AADFI PSGRS is valid until August 2021
- Global Environmental Facility accreditation since August 2014, and is valid until August 2022
- Green Climate Fund EU 6-pillar accreditation is valid from January 2017 until January 2022

ACCOLADES AND AWARDS

- Tanzanian Standard Gauge Railway deal won the TXF sub-Saharan ECA-backed Deal of the Year
- Angola Sun Solar Project won the TXF sub-Saharan: ECA/DFI-backed Deal of the Year award for financing seven solar farms

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

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

INTRODUCING OUR INTEGRATED REPORT

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

This Integrated Annual Report covers our performance for the financial year ended 31 March 2021 and is our ninth report tabled in this format. The report provides information that has an impact on our ability to create sustainable value in the short, medium, and long term.

Our mandate, as well as the constitution and conduct of the DBSA Board of Directors, are governed by the Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act). Our leadership is further guided by the King IV Report on Corporate Governance for South Africa, 2016 (King IV™[1]) and the protocol on Corporate Governance in the Public Sector.

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

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

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

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

ASSURANCE

The DBSA applies a combined assurance model and draws from the combined expertise of our Risk Management, Compliance and Internal Audit units. This is complemented by external assurance providers to give a holistic assurance perspective.

For more information, see the Audit and Risk Committee report on pages 82 to 83.

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

APPROVAL BY THE BOARD

The integrity of the Integrated Annual Report is ultimately the responsibility of the Board, with assistance from the Audit and Risk Committee as well as the DBSA Executive Management. The DBSA's leadership provides management oversight to a team with the necessary skills and experience, which undertakes the reporting process. Internally, significant thought has been dedicated to articulating the DBSA's value creation story, and the Board concluded that this report represents all material matters accurately and has been presented in line with the <IR> Framework. The Board of Directors approved this report on 15 July 2021.

Mr Enoch Godongwana
Chairman

Ms Martie Janse van Rensburg
Chairman of the Audit and Risk Committee

Mr Patrick Dlamini
Chief Executive Officer

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

Not only does South Africa need aggressive investment in public and private infrastructure, we must also pay heed to climate change realities as well as our undertakings in terms of the Paris Agreement.

INTRODUCTION BY THE MINISTER OF FINANCE

The COVID-19 crisis has had a profound impact on the global and local economy as well as on the Development Bank of Southern Africa (DBSA). In response to the health threats posed by rising COVID-19 infections, both locally and abroad, South Africa instituted a nationwide lockdown late in March 2020. The restrictions on human movement and business activity resulted in a significant drop in workplace activity. The crisis negatively impacted on supply chains, from the supply of raw materials and the availability of labour to the transportation of goods and the operation of retail channels. It devastated our tourism and hospitality industries and shut the doors of thousands of small businesses. Managing cash flows and liquidity were the first priorities of large corporations and small families alike.

Almost all economies recorded sharp GDP contractions during 2020, though the rollout of vaccines from 2021 is expected to stimulate global economic recovery and restore demand. Commodity-exporting countries such as South Africa and our African partners should benefit from a surge in manufacturing and infrastructure development. Central banks are expected to maintain their current interest rate policies, although keeping an eye on rising inflation in some economies. Bond yields in developed markets are expected to track upwards. In April 2021, the IMF predicted global growth to recover to 6.0% in 2021 as vaccine rollouts and macroeconomic support intensifies. The overall picture remained murky in early 2021 as resurging infections led to renewed lockdowns and social crises in Asia and South America, with India and Brazil particularly hard hit. The length and evolution of the pandemic remains yet unknown.

COVID-19 has also cruelly exposed the steep cliff of inequality that separates South Africa's wealthy elite from the desperately poor. As people stayed at home through the various phases of the lockdown, the lack of adequate homes' for millions of South Africans became glaringly obvious, as was the missing or rundown public infrastructure that communities should rightfully expect in terms of South Africa's constitution. This calls for a concerted effort by government agencies like the DBSA and other stakeholders to work together and adequately support infrastructure rollout to poor communities that have been hit the hardest by the impact of COVID-19.

The building of infrastructure is a tried and tested method for reinvigorating economies, proving remarkably effective after economic disasters such as the Great Depression in the 1930s. Many of the dams, roads and infrastructural assets built in South Africa's 'make-work' response to the depression in the 1930s are still today utilised and appreciated by communities across the country. On 23 June 2020, President Cyril Ramaphosa hosted the Sustainable Infrastructure Development Symposium, in which 55 infrastructure projects across 6 sectors which had been earmarked as strategic integrated projects to be implemented under the auspices of the Infrastructure Development Act were announced. This program is one of the key drivers of our country's economic reconstruction and recovery efforts. It will also help address the historic chronic infrastructure underspending.

Not only does South Africa need aggressive investment in public and private infrastructure, we must also pay heed to climate change realities as well as our undertakings in terms of the Paris Agreement. The newly revised Nationally Determined Contributions targets require the support of both the public and the private sectors. The DBSA is well placed to be among the leaders of the domestic green financing market.

South Africa and the DBSA were also impacted by two rounds of ratings downgrades, in March and November 2020, that made borrowing more expensive and restricted South Africa's financial manoeuvrability.

Nevertheless, South Africa is turning the corner back onto the road to recovery. The Economic Reconstruction and Recovery Plan announced by President Ramaphosa in October 2020 set the foundation for sustained economic and social recovery. Infrastructure featured strongly as a foundational basis. In June 2021, President Ramaphosa was able to inform the G7 Summit that green shoots are springing up from the disruption caused by COVID-19 and the slumping economy preceding it. Clear pointers to an upswing include a strengthening currency, a steady trade surplus, and a resurgence in mining, financial services and manufacturing.

I am immensely proud in how competently and imaginatively the Bank weathered the storms and continued thriving during this extremely testing period. The DBSA successfully embedded a remote working culture while managing ratings downgrades, SOE contagion and the sudden cash flow difficulties experienced by many of its clients. Within this difficult environment, the DBSA continued fulfilling its mandate admirably – funding worthy infrastructure projects, supporting the government and National Treasury in shoring up sectors hard hit by COVID-19, while reducing costs and maintaining a healthy balance sheet for ongoing sustainability and tangible development outcomes.

As a result, the Bank remains well positioned to support the implementation of the District Development Model and the newly operational Infrastructure Fund, which will be instrumental in South Africa's economic reconstruction and recovery.

I commend the staff and Board of the Bank for their sterling work during this difficult period.

Mr Enoch Godongwana
Minister of Finance

Signed by Minister Enoch Godongwana as the successor to Minister Tito Mboweni with effect from 5 August 2021. Subsequent to his appointment as Minister of Finance, Mr Godongwana resigned as a Chairman of the DBSA Board with effect from 6 August 2021.

Even before the pandemic, the South African government had positioned infrastructure at the centre of the stimulus needed for our economy to achieve sustainable recovery, placing pressure on the DBSA to continue to improve on its mandate to deliver infrastructure development and uplift the most vulnerable communities.

LETTER FROM OUR CHAIRMAN

We look back on an extraordinary year in which the DBSA was tested to the extremes of our individual and collective abilities. The possibility of a global viral pandemic had been ignored by many, except for a few lonely yet ultimately prophetic voices around the world.

I am proud and delighted by how competently the Bank responded to the crisis and provided inspired leadership to sub-Saharan Africa's development finance arena during this volatile year.

For the DBSA, the major insights gained from the COVID-19 crisis are the stark realities it unveiled in development finance and the societal fault lines it exposed in South Africa.

RESULTS HIGHLIGHTS

» Despite unprecedented economic conditions, the DBSA has achieved its disbursements target of R13.5 billion
» The Bank succeeded in establishing and operationalising the Infrastructure Fund
» The District Development Model became operational
» Our COVID-19 support for clients in South Africa and the SADC region did not go unnoticed

OPERATING UNDER EXTREME CIRCUMSTANCES

For the past decade South Africa's economic story has remained depressingly familiar: deteriorating economic fundamentals, declining consumer and business confidence, rising unemployment, deepening inequality and falling industrial outputs. Our country's groundbreaking NDP was simply not gaining traction due to divergent perspectives, lack of funding and chronic power constraints.

As 2020 dawned South Africa squared up to another troubling economic year, but the advent of COVID-19 in March 2020 pushed us – along with most other countries – into a sharp GDP contraction. With economies around the world suddenly freezing many commercial activities, the world's supply chain and trading activities were massively disrupted. South Africa's strict lockdown throughout April and the consequent slow easing of restrictions devastated many local industries, closed thousands of businesses and shed over a million jobs.

Government and the National Treasury were hard-pressed to provide from South Africa's limited financial resources, but must be commended for performing herculean feats under the circumstances. In April 2020 President Ramaphosa announced a R500 billion relief package to support the economy. The South African Reserve Bank also stepped in by cutting its interest rate to a historically low 3.5% and thereby helping ease the debt burden on many shoulders.

Despite these public sector efforts and pandemic-related funds established by the private sector, South Africa's GDP contracted by 7% during 2020, causing widespread personal hardship and business losses. This was our national economy's largest decline in about six decades, with the IMF predicting that South Africa's economy will recover in 2021.

Of course, the timing and speed of the global and national recoveries depends partly on establishing herd immunity through vaccination programmes and ending the restrictions on personal movement and the economy.

On the economic front, it is clear that South Africa, along with much of the world, has entered into a 'new normal' reality. Remote working and its supporting technologies have become ubiquitous and some commercial sectors are strengthening, while others are in severe decline.

The DBSA views COVID-19's silver lining – as hard as it may be to recognise yet – as the opportunity to catalyse infrastructure projects that can reorientate our nation's economy towards a fundamentally more equal and earth-friendly track.

REASSESSING THE DBSA'S STRATEGIC JOURNEY

In 2018 the DBSA Board approved the renewed purpose statement of 'Building Africa's Prosperity' by driving inclusive growth and seeking innovative solutions to spur socio-economic development across the African continent.

Our refreshed mandate is to conceptualise infrastructure projects through a programmatic approach that tackles pressing socio-economic challenges at scale by aligning with the NDP, Africa's Agenda 2063 and the UN's SDGs.

Implementing the programmatic approach requires a higher degree of coordination between all partners but will deliver the most value for DBSA expenditure when planned and deployed accurately. In so doing, we are seeking partnerships with the private sector and government entities to co-create scalable and sustainable infrastructure.

CHAMPIONING OUR PEOPLE AND COMMUNITIES

The pandemic has revealed the prevalence of poverty, weak health systems, lack of education and a lack of global cooperation, all of which have exacerbated the crisis. Even before the pandemic, the South African government had positioned infrastructure at the centre of the stimulus needed for our economy to achieve sustainable recovery, placing pressure on the DBSA to continue to improve on its mandate to deliver infrastructure development and uplift the most vulnerable communities.

Throughout the infrastructure value chain, the DBSA helps address these basic needs in local government, the social and economic sectors as well as regionally in the SADC and non-SADC regions. In the past year, these pressing needs centred our focus on augmenting electricity-generating capacity, school classrooms, proper ablution facilities, clean water and adequate medical facilities, while boosting local economies to enable families to house and feed themselves.

During the year under review, we made significant advances in playing a countercyclical disbursement role and accelerating our development impact to help South Africa and the region survive the pandemic and prepare for recovery thereafter.

LETTER FROM OUR CHAIRMAN CONTINUED

ETHICS, LEADERSHIP AND CORPORATE GOVERNANCE

We are governed by the DBSA Act and its regulations as well as the relevant provisions in the PFMA and the Companies Act. The Bank has adopted the King IV Code on Corporate Governance (King IV) and assessed its practices against the code's 16 applicable principles. We consequently took measures to meet the required governance outcomes of King IV™.

It is a sad truth that corruption and fraud, both in the public and private sectors, are endemic to modern business. The Bank has a robust ethics and governance programme in place that includes a variety of proactive measures to identify unethical behaviour. I am confident that DBSA investment and operational activities undertaken in this year of review have been above board.

DBSA IN THE MEDIA

The United Democratic Movement (UDM) allegation of maladministration, mismanagement and possible deep-rooted corruption at the DBSA, as well as of the victimisation of Board members occupied sections of the media in the past year. These allegations have serious potential reputational repercussions. At the onset, it is important to note that the Board adopts a zero-tolerance approach to unethical business practices. We generally do not comment on client-related matters in deference to client confidentialities. Matters related to the Cranbrook Group received unwarranted attention. We would like to reassure the public and our investors that write-offs follow a rigorous process and receive the highest priority in the Bank. We are confident that there was nothing unlawful or unusual about these write-offs. Assessment/Investigation conducted to date indicates that failure of the transactions in question is attributable to the economic recession in the aftermath of the 2008 financial crisis, i.e. there is no evidence of conflict of interest, collusion or fraud on transactions.

We will keep the investment community and all our stakeholders apprised of developments pertaining to this matter.

With regard to the appointment of the Board members, I wish to highlight that in terms of the DBSA Act, the appointment and reappointment of the Board members falls within the remit of the Minister of Finance. Internally, the Board through its Nomination Committee follows a meticulous process when appointing new directors. This entails Board performance evaluation, capacity assessment and succession planning prior to making recommendation to the Minister of Finance.

CONSIDERING THE YEAR AHEAD

The Board and executives have re-evaluated the relevance of DBSA's strategic approach in light of COVID-19's dramatic impact on worldwide economies. Is our planning still relevant and will our investments deliver the impacts the DBSA mandate demands?

We considered rebalancing our development finance priorities in terms of financial sustainability and sustained development impact, while maintaining sustainable balance sheet growth and income growth. Our economists foresee subdued GDP growth in the medium term with possible negative impact on our clients' repayment ability. Combined with a low interest rate environment, this is likely to exert pressure on earnings.

COVID-19 had dramatically accelerated the adoption of new technologies, which is compelling major organisations such as the DBSA to rethink their business processes and cost structures. This will require an internal realignment to create efficiencies and cross-functional capacity.

IN APPRECIATION

The pandemic has resulted in many lives lost. We extend our sincerest condolences to our colleagues, partners and broader stakeholder groupings whose friends, relatives and loved ones succumbed to the pandemic. We stand with you in your tribulations and wish you the courage to deal with this with resilience and continue living with care and gratitude.

In October 2020, three DBSA board members concluded their tenures with DBSA. We thank Ms Bulelwa Ndamase, Mr Lufuno Nematswerani and Ms Letlhogonolo Noge-Tungamirai for their contributions to the Board's deliberations and decisions during their terms with us.

A sincere word of gratitude to Ms Zanele Monnakgotla, who served this institution with distinction as Chairman of the Social and Ethics Committee until 28 February 2021.

We welcome new Board members – Ms Maseapo Kganedi, Mr Gaby Magomola, Mr Petrus Matji and Mr Bongani Nqwababa. We look forward to their invigorating contribution to Board deliberations and providing the necessary stewardship to the Bank. Their individual and collective experience will enrich this Board.

On behalf of the Board, I would like to express deep gratitude to the CEO Patrick Dlamini, his executive management team and each DBSA employee for their immense efforts to carry the Bank's mandate forward during this challenging year.

We would like to express our grateful thanks to the Minister of Finance, Tito Mboweni, his team at the National Treasury and other government partners.

Finally, I give heartfelt gratitude to my colleagues on the Board, who continue to guide and support me.

The hard work and dedication of all these people have enabled the DBSA to deliver significant results in the face of extreme challenges, and I am confident that we can continue raising our performance to new heights through the coming year.

Mr Enoch Godongwana
Chairman

About the DBSA

WHO WE ARE

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

OUR VISION

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

OUR PURPOSE

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

OUR MISSION

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

» Improve the quality of life of people through the development of social infrastructure

» Support economic growth through investment in economic infrastructure

» Support regional integration

» Promote sustainable use of scarce resources

OUR VALUES

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

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

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

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

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

OUR CULTURE

The Board sets the tone by leading the Bank ethically, effectively and responsibly within acceptable risk parameters. The Board has overall responsibility for the Bank, including overseeing management's implementation of strategic objectives, the governance framework and corporate culture.

People are a key enabler towards effective strategy execution and delivery on our mandate. Our corporate cultural practices, processes, frameworks and governance structures are anchored in our value systems.

We regularly conduct culture surveys to measure our culture entropy. This is in recognition of the fact that our culture and our people, our collective knowledge, skills and experience form part of the foundation to enable innovative and competitive solutions for our clients and value for all stakeholders.

The DBSA organisational culture is characterised by employees who live our values of collaboration, professionalism and a strong customer orientation in service to our communities. It is further exemplified by employee behaviour that displays high moral conviction, accountability, responsiveness, proactivity as well the ability to embrace change and innovation and lead by example. This is our winning organisational culture.

In the past year that was characterised by 'work-from-home', culture interventions became critically important. Staff engagements and culture surveys assumed centre stage to achieving a high-performance culture towards a high-performance organisation that recognises and rewards superior performance equitably.

OUR HISTORY

1983 – 1994

The DBSA was established as a policy instrument of public finance to facilitate infrastructure development within the homeland constitutional dispensation that prevailed. In this period, the DBSA grew its development loan book from R186 million (1983) to R4.6 billion (1994). With the dawn of democracy in 1994, Professor Wiseman Nkuhlu became the first African to assume the Chairmanship of the DBSA.

1994 – 2000

Under the new constitutional and economic dispensation of South Africa, the DBSA's role and function transformed to a DFI with a sharp focus on infrastructure development in southern Africa, enshrined in the DBSA Act. This period saw total assets grow from R6.3 billion to R16 billion as the institution responded positively to the needs of the broader post-apartheid South African society.

2001 – 2006

Intensifying its focus on development impact, the DBSA enhanced its position as a knowledge institution, reinforced risk management and embedded a robust governance framework. By 2006, the Bank's total portfolio had grown to R26.5 billion. Our SADC portfolio had grown to R4 billion.

2007 – 2010

In response to an increased drive for accelerated delivery from government and its development partners, the DBSA expanded its efforts in addressing infrastructure delivery gaps. DBSA's response saw its total asset portfolio grow to R45 billion. Landmark projects like the Gautrain, stadium construction in preparation for the 2010 Soccer World Cup, airport refurbishments, roads expansion and similar defined this era. This period also saw the first renewable energy projects funded by the DBSA.

2010 – 2016

Recognising the socio-economic imperative of regional integration, the DBSA expanded its investment mandate to include regional infrastructure development. Development loans grew to R76 billion with the Rest of Africa accelerating to R17 billion exposure, representing healthy diversification. In this period, the DBSA again responded to the energy challenge of the country as evidenced by growth in its energy sector exposure.

2016 onward

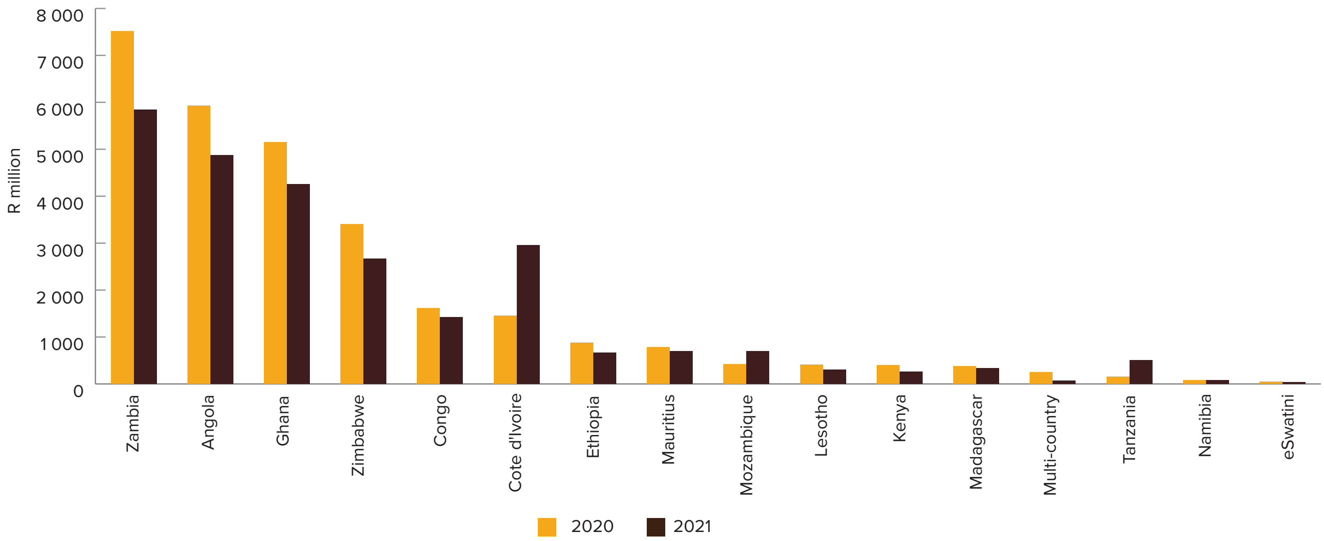
To expand its developmental impact in the context of a challenging operating environment, through catalysing investments by the private sector into public infrastructure, the Bank evolved from a traditional financing DFI to a DFI involved in the entire project life cycle from planning and preparation to financing, building and maintaining. During 2020, the DBSA reached a major milestone with total assets exceeding the R100 billion mark.

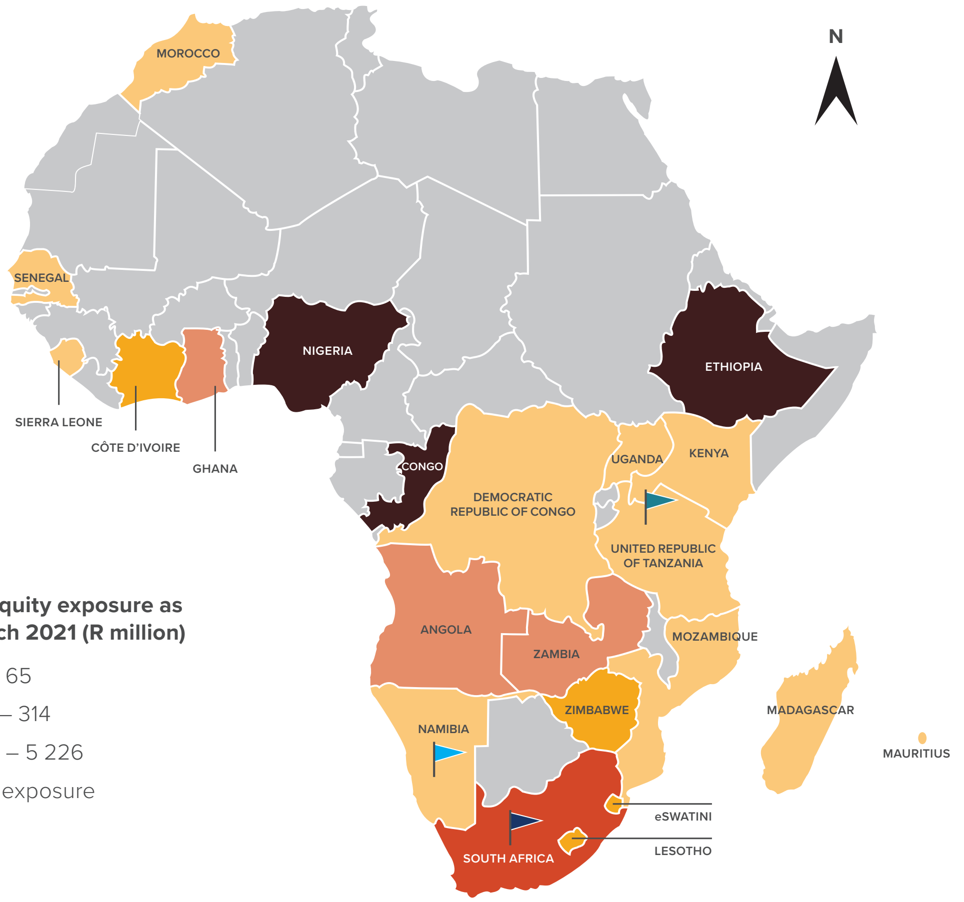
WHERE WE OPERATE

DBSA'S EXPOSURE AND FOOTPRINT

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

Gross development loans 2020/21 excluding RSA





Total loan exposure as at March 2021 (R million)

- 41 – 808
- 809 – 1 821
- 1 822 – 2 961
- 2 962 – 6 013
- 6 014 – 83 066

Total equity exposure as at March 2021 (R million)

- 0 – 65
- 66 – 314
- 315 – 5 226
- No exposure

WHAT WE DO

OUR MANDATE AT A GLANCE

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

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

OUR DEVELOPMENT POSITION

The development position of the DBSA was approved by the Board in 2018. The position outlines the ethos of the DBSA and forms the departure point from which the DBSA delivers on its mandate. Furthermore, taking from our renewed purpose statement, 'Building Africa's Prosperity', the DBSA looks to drive inclusive growth and find innovative solutions to spur socio-economic development across the African continent. Our development position frames how we intend to deliver on our mandate. The focus is on driving sustainability through innovative solutions and remaining financially sustainable while accelerating development outcomes. The development position is critical to the long term trajectory of the DBSA and defines the boundaries of its direction on development and development impact. The development position of the DBSA is reflected as follows:

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

ALIGNING TO GLOBAL, REGIONAL AND NATIONAL DEVELOPMENT PLANS

UN's SDGs

The United Nations has developed 17 SDGs to support its 2030 Agenda. The SDGs are broadly aimed at ending poverty and inequality, protecting the planet, and ensuring peace and prosperity for all. The SDGs inform all investments made by the DBSA. As a DFI with a domestic and continental footprint, SDGs 6, 7, 9, 11, 13 and 17 are our main priorities, while SDGs 1, 3, 4 and 5 are indirectly supported by our core activities.

SADC's Vision 2027

Regionally, SADC's Infrastructure Vision 2027 was developed to establish a strategic framework to guide the development of a seamless, cost-effective and transboundary infrastructure within southern Africa. This vision is anchored on six pillars consisting of energy, transport, information and communication technologies (ICT), meteorology, transboundary water resources and tourism. The vision is further brought to action by the SADC Regional Infrastructure Development Master Plan. The objectives of both Agenda 2063 and Vision 2027 inform our investment decisions. As we collaborate with various stakeholders on the continent, we are determined to contribute to the goals we have collectively set.

AU's Agenda 2063

To transform Africa into the global powerhouse of the future, the AU has developed Agenda 2063 as a master plan. Signed in 2015 by various African heads of state, Agenda 2063 is a strategic framework geared towards the socio-economic transformation of the African continent over the next 50 years. While Agenda 2063 is focused on Africa's aspirations for the future, it also identifies critical flagship programmes to boost Africa's economic growth and development, ultimately leading to the rapid transformation of the continent. The DBSA has already aligned itself with Agenda 2063 through supporting the Africa Continental Free Trade Agreement and the North South Corridor, amongst others. The development of the Inga Dam is expected to be a game changer in the generation of clean and affordable electricity, and the DBSA continues to monitor developments and opportunities to participate.

South Africa's NDP 2030

The DBSA's mandate and strategy are aligned to the South African NDP Vision 2030 as well as the Integrated Urban Development Framework and relevant industry-specific programmes and plans. The NDP sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality in South Africa. Accelerated economic growth, which is a key objective of the NDP, will enable the country's social and economic transformation. The Bank plays a vital role in the implementation of South Africa's NDP through large-scale infrastructure projects in the energy, transport, water and ICT sectors as well as by resolving social infrastructure bottlenecks and expanding regional integration.

Refer to pages 36 to 37 for details on how we support the NDP.

OUR RESPONSE TO THE COVID-19 PANDEMIC

The COVID-19 pandemic has altered the global landscape in the past year, affecting every sector of every industry as well as individuals and communities. The Bank's challenge in 2020/21 has been to respond to the wide-ranging effects, both direct and indirect, from currency fluctuations and impact on viability of projects to staff health and safety. While the Bank's operations were undoubtedly impacted by COVID-19, there were positive outcomes such as reduced general and administration expenses due to lockdown restrictions, as well as the region being forced to fast-track and implement the digitisation strategy envisaged by the AU Agenda 2063.

THE BANK RESPONDED QUICKLY AND APPROPRIATELY TO THE COVID-19 PANDEMIC

Key Business Continuity Management (BCM) risks related to COVID-19	DBSA response
Loss of business or disruption of essential business services	» Developed a comprehensive communication plan » Increased usage of online meeting platforms, e.g. Microsoft Teams, use of secure Virtual Private Networks (VPN), Bank-enabled Access Point Name (APN) gateway supporting 3G/4G to enable connection to DBSA servers remotely » Implementation of temporary 'workarounds' » Infrastructure Delivery Division (IDD) projects relating to the health sector continued during the nationwide lockdown
Loss of staff members due to illness	» 'Work-from-home' strategy implemented » DBSA campus sanitised » Limit placed on number of on-site employees at any time
Increase in cyberattacks due to opportunism by hackers during a crisis	» Increased ICT monitoring » Staff training on cyber scams
Adverse impact on reputation due to perceptions of a lack of duty-of-care principles by employer and employees	» Frequent proactive communication to staff through various channels » Appropriate business continuity responses in place
Loss of access to DBSA facilities, e.g. the DBSA campus due to exposure on the campus or nationwide restrictions	» 'Work-from-home' strategy implemented
Direct effects on staff and project sites	
Number of DBSA cases reported on/off-site » Zero COVID-19 incidents attributed to on-site infections were reported during the year » Cumulatively, 17 off-site cases have been reported since the advent of the pandemic	**IDD project site incidents** » Zero COVID-19 incidents attributed to on-site infections were reported during the year » Cumulatively, 25 off-site cases have been reported since the advent of the pandemic
Mitigation measures » All projects submit occupational health and safety resumption plans to IDD SHEQ specialists for approval before resuming works » Two COVID-19 compliance audits are conducted on sites per month » Physical travel to project sites by IDD teams is only considered if a meeting or inspection cannot be held virtually through electronic platforms » Before travelling to site, all IDD project teams follow comprehensive procedures	

OUR RESPONSE TO THE COVID-19 PANDEMIC CONTINUED

Detailed breakdown of COVID-19 projects

The DBSA has funded the COVID-19 initiatives to the value of R104 million in support of the communities and clients in South Africa and SADC. The initiatives are as follows:

- National Disaster Management Centre
- Provision of screening units
- Consumables for 25 district municipalities
- Provision of isolation pods
- Provision of testing capacity support (CSIR)
- CPAP ventilators prototype (CSIR)
- Support to the Department of Science and Innovation
- Consumables support to SADC member states
- Supply and delivery of COVID-19 consumables on behalf of the Department of Health

Performance negatively impacted by COVID-19 pandemic

- At the end of the 2020/21 fiscal year, the value of infrastructure delivered was at R2.63 billion out of an adjusted target of R3.5 billion, with fee income of R137 million from a budgeted R149.4 million.
- Certain clients reprioritised funding towards COVID-19 interventions, resulting in reduced project budget allocations for 2020/21. These slowed down some construction activities to avoid non-payment of contractors.
- Interruptions by local business forums persisted, notably in KwaZulu-Natal and Pretoria Central. Our Social Facilitators, together with IDD management, continue to address the impasses around these disputes.

Mitigation and recovery actions

- As part of the Bank's liquidity risk management strategy, prudential liquidity holdings were increased substantially to counter the effects of the debt market dislocation brought about by the COVID-19 pandemic.
- IDD has put in much effort in accelerating project implementation, addressing impediments and supporting contractors in catching up to the recovery schedules.
- Weekly progress updates were held with some clients, notably the Department of Basic Education, to keep them updated on the progress of sanitation projects.
- IDD has been building a pipeline and fast-tracking the planning of new programmes to get these underway. New projects with the Department of Defence, Department of Tourism, Letaba College and Department of Correctional Services were initiated.
- IDD continues to manage operational costs to mitigate the sustainability risk associated with the current constrained financial performance. Operating expenditure came in below budget, with the only increases being legal costs and communication costs (due to use of mobile data needed to work from home).

How we create value

OUR VALUE CREATION MODEL

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

Refer to pages 39 to 41 for more information on our external environment.

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

Refer to pages 58 to 62 for more information on our stakeholders.

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

Refer to pages 24 to 31 for more information on our infrastructure development value chain.

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

Refer to pages 70 to 106 for more information on our performance related to the six capitals in the year under review.

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

Refer to page 14 for more information on our contribution to these initiatives.

OUR VALUE CREATION MODEL CONTINUED

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

OUR CAPITAL INPUTS

SRC **SOCIAL AND RELATIONSHIP**

Our relationships with clients, funders, partners and government

» 16 countries in which we have active exposures
» 87 municipal clients

See pages 92 and 93 for more information

HC **HUMAN CAPITAL**

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

» 606 permanent employees and long term contractors

See pages 96 to 99 for more information

IC **INTELLECTUAL CAPITAL**

Our brand, innovation capacity and experience

» Over 38 years' experience in infrastructure development
» Knowledge derived from due diligence, project development, credit granting and post-investment processes
» Identifying and managing risk
» Development of enabling financial products

See page 87 for more information

MC **MANUFACTURED CAPITAL**

Our business structure and operational processes

» Physical and digital infrastructure
» The DBSA campus

See pages 104 to 106 for more information

FC **FINANCIAL CAPITAL**

Our equity and debt funding from investors and clients

» R39.2 billion capital and reserves
» R4.5 billion cash generated from operations
» R1.4 billion net profit
» R59.5 billion financial market liabilities

See pages 70 and 71 for more information

NC **NATURAL CAPITAL**

Our natural resources

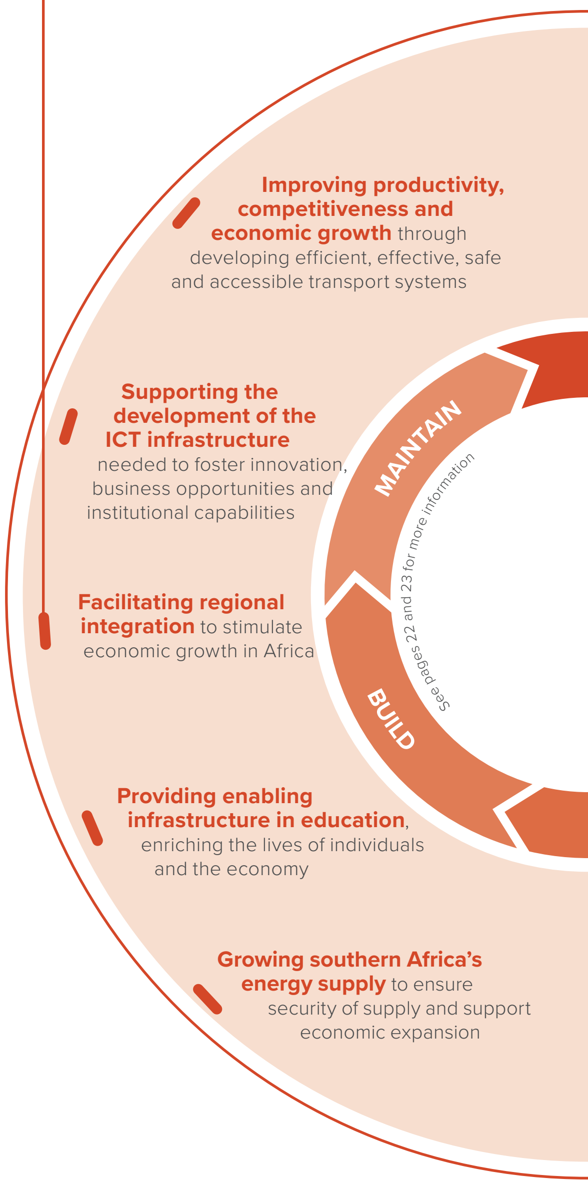
» 0.5 megawatt of electricity consumed
» 3.9 kilolitres of water consumed

See pages 104 to 106 for more information

OUR BUSINESS ACTIVITIES

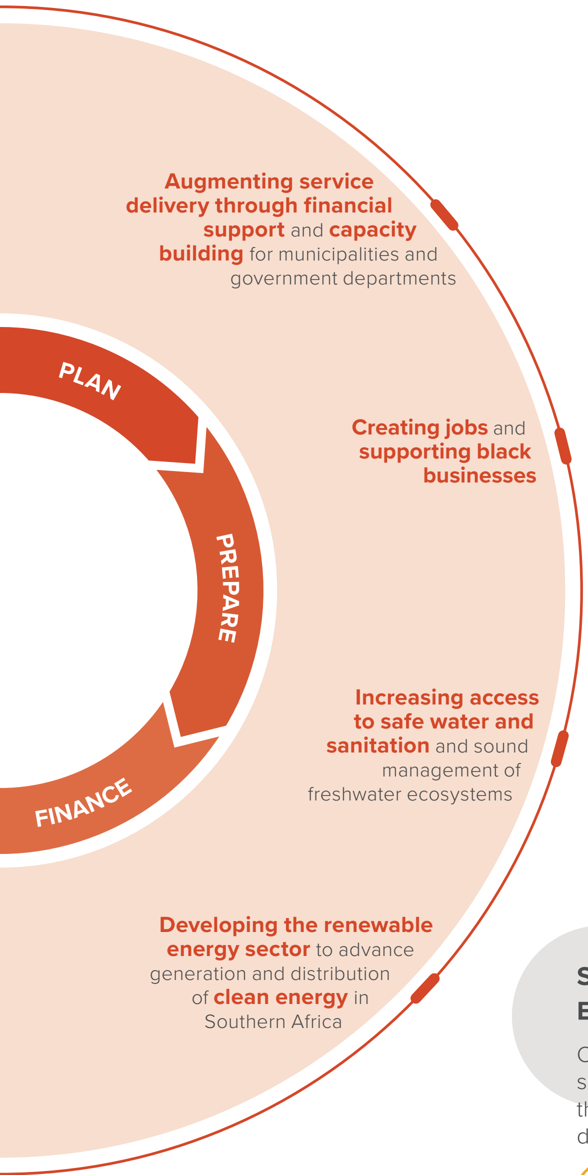
Our top risks

- Credit risk
- Successive waves of COVID-19
- Cybersecurity risk
- Liquidity risk
- Reputation risk
- Business environment and operations
- People and culture risk



Our material matters

- Ability of clients to repay their loans
- Unfolding impacts of the COVID-19 pandemic
- Increasing reliance on technology
- Liquidity and balance sheet management
- Maintaining high standards of ethics and integrity
- Operating in diverse macroeconomic environments
- Human capital development



OUR OUTPUTS

Safeguarding the Bank's sustainability

R100 billion total assets (2020: R100.5 billion)

R1.4 billion net profit (2020: R0.5 billion)

R4.5 billion cash generated from operating activities (2020: R3.6 billion)

R15 million training and development spend (2020: R24.3 million)

Local government

R4.8 billion total disbursements to five metros, small metros and intermediate cities (2020: R2.5 billion)

R1.4 billion infrastructure unlocked for under-resourced municipalities (2020: R1.4 billion)

Social sector

R155 million disbursed for social infrastructure (2020: R196 million)

R2.6 billion infrastructure delivered (2020: R4.1 billion)

R104 million to COVID-19 response programmes in South Africa and the SADC region

Economic sector

R4.0 billion disbursed for economic infrastructure (2020: R7.3 billion)

SADC and Non-SADC

R4.5 billion total disbursements for the rest of Africa (excl. RSA) (2020: R4.4 billion)

R7.5 billion value of third party funds catalysed in the rest of Africa (2020: R11.9 billion)

See pages 32 and 33 for more information

OUR STAKEHOLDER OUTCOMES

For clients:

» Clear, honest and complete information about products, services and impacts

» Accessible and effective customer complaint mechanism

» Improving existing relationships based on client experience and overall satisfaction

For employees and service providers:

» To enhance employees' engagement and commitment as their efforts contribute to our success

» Our objectives can only be achieved if we enjoy the loyal support of our suppliers

» Suppliers provide the valued expertise, products and services required to maintain our business and facilitate growth

For investors and funders:

» Provide investment opportunities

For community and civil society:

» Provide fair chances for local suppliers and SMMEs

» Review supporting SDGs or local development goals

» Assist in maximising development impact

» Social facilitation of community participation in infrastructure delivery

See pages 58 to 62 for more information

SUPPORTED BY A CORE OF STRONG GOVERNANCE, ETHICS AND INTEGRITY

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

See pages 108 to 113 for more information

OUR INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

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

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

OUR INFRASTRUCTURE VALUE CHAIN

PLAN

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

PREPARE

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

FINANCE

- Long term senior and subordinate debt
- Corporate and project finance
- Mezzanine finance
- Structured finance solution

BUILD

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

MAINTAIN

- Supporting maintenance/improvement of social and economic infrastructure projects

PLAN AND PREPARE

As a state-owned DFI, we have a critical role to play in providing risk capital in the planning and preparation stages of sustainable infrastructure developments. Our highly skilled, end-to-end project development and preparation team derisks projects and catalyses investment positions to attract third party capital.

Project preparation actively builds the DBSA's pipeline, thus strengthening the sustainability of the Bank. A key focus area of the DBSA is project preparation in South Africa, where we provide infrastructure planning to municipalities to develop a project pipeline that attracts both private and public sector funding for sustainable development. Project preparation remains the most critical component for attracting private capital flow to infrastructure investments in developing countries. The scarcity of bankable projects hinders infrastructure investment in South Africa, the SADC region and the rest of the African continent. Key challenges in creating bankable projects include lack of capacity, capability in capital projects planning as well as limited financing.

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

FINANCE

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

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

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

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

BUILD AND MAINTAIN

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

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

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

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

HOW WE ASSESS OUR EFFECTIVENESS IN OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

DBSA'S FINANCIAL AND ORGANISATIONAL SUSTAINABILITY

Financial key performance indicators

	2021			2020		
	Actual	**Target**	**Variance**	**Actual**	**Target**	**Variance**
Secondary and under-resourced municipalities						
Value of infrastructure unlocked	R1.4 billion	R0.9 billion	↑56%	R1.4 billion	R0.8 billion	↑75%
Project preparation						
Value of projects prepared and committed	R0.9 billion	R2.5 billion	↓64%	R2.4 billion	R5.0 billion	↓52%
Infrastructure financing						
Total disbursement	R13.5 billion	R13.5 billion	0%	R15.4 billion	R13.5 billion	↑14%
Third party funds catalysed						
Value of funds catalysed	R8.2 billion	R13.5 billion	↓67%	R43.1 billion	R46.7 billion	↓8%
Infrastructure delivery						
Value of infrastructure delivered	R2.6 billion	R3.5 billion	↓26%	R4.1 billion	R4.0 billion	↑2%
Financial						
Sustainable earnings	R2.4 billion	R1.0 billion	↑240%	(R0.6 billion)	R2.8 billion	↓121%
Net profit/(loss)	R1.4 billion	R0.9 billion	↑250%	R0.5 billion	R2.5 billion	↓80%
Cash generated from operations	R4.5 billion	R2.5 billion	↑76%	R3.6 billion	R4.1 billion	↓12%
Cost-to-income ratio (financing business)	27.1%	36.0%	↑25%	28.0%	33.0%	↑15%
Net interest margin	5.3%	4.7%	↑13%	5.1%	5%	↑2%
Debt/equity ratio (excluding callable capital)	152.1%	141.9%	↓7%	164.9%	138.0%	↓20%
Non-performing loans ratio	7.7%	6.0%	↓12%	7.2%	6.0%	↓20%

GOVERNANCE KEY PERFORMANCE INDICATORS

0.06%
irregular expenditure – DBSA

Zero
incidents of unethical behaviour reported

Compliance
with PFMA

Clean
audit opinion

LEARNING AND GROWTH INDICATORS

R15 million
training and development spend

602
people trained

6.11%
rate of employee turnover

TRANSFORMATION INDICATORS

90%
of procurement spend on black-owned suppliers for IDD third party fund

39%
of procurement spend on black women-owned suppliers for IDD third party fund

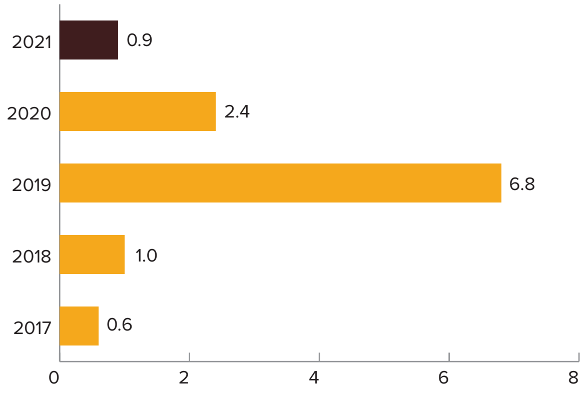
R2.4 billion
worth of infrastructure projects delivered by B-BBEE entities

R2.1 billion
worth of projects for B-BBEE entities approved for project preparation funding

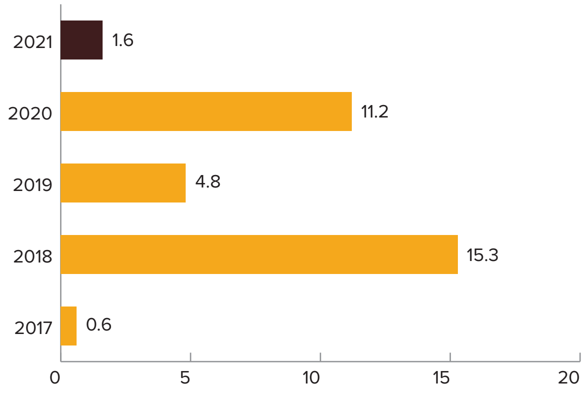
HOW WE ASSESS OUR EFFECTIVENESS IN OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN CONTINUED

PLAN AND PREPARE: VALUE CREATED IN 2021

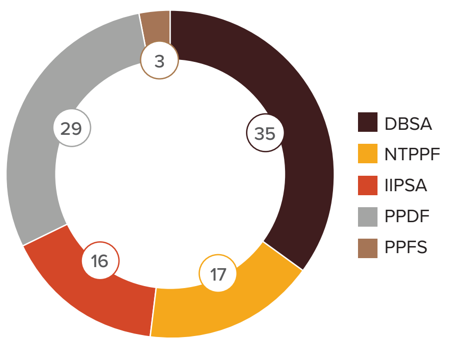
Value of projects approved and committed for funding by the DBSA (R billion)



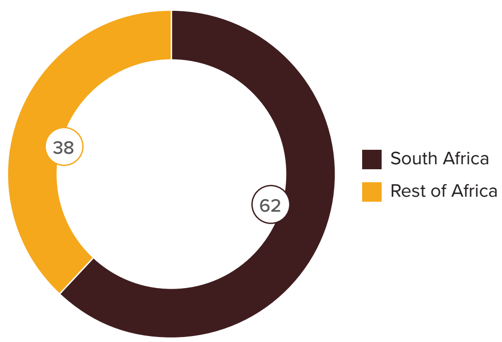
Value of projects prepared but funded by third parties (R billion)



Project preparation pipeline – by funder (%)



Project preparation pipeline – by geography (%)



		2021	2020	2019	2018	2017
Operational performance						
Value of projects approved and committed for funding by the DBSA	R billion	0.9	2.4	6.8	1.0	0.6
Value of projects prepared but funded by third parties	R billion	1.6	11.2	4.8	15.3	0.6
Value of projects for black-owned entities approved for project preparation funding	R billion	2.2	1.9	3.2	–	–
Financial performance						
Operating income	R million	18	21	2	22	31
Net loss	R million	(99)	(120)	(81)	(32)	(22)

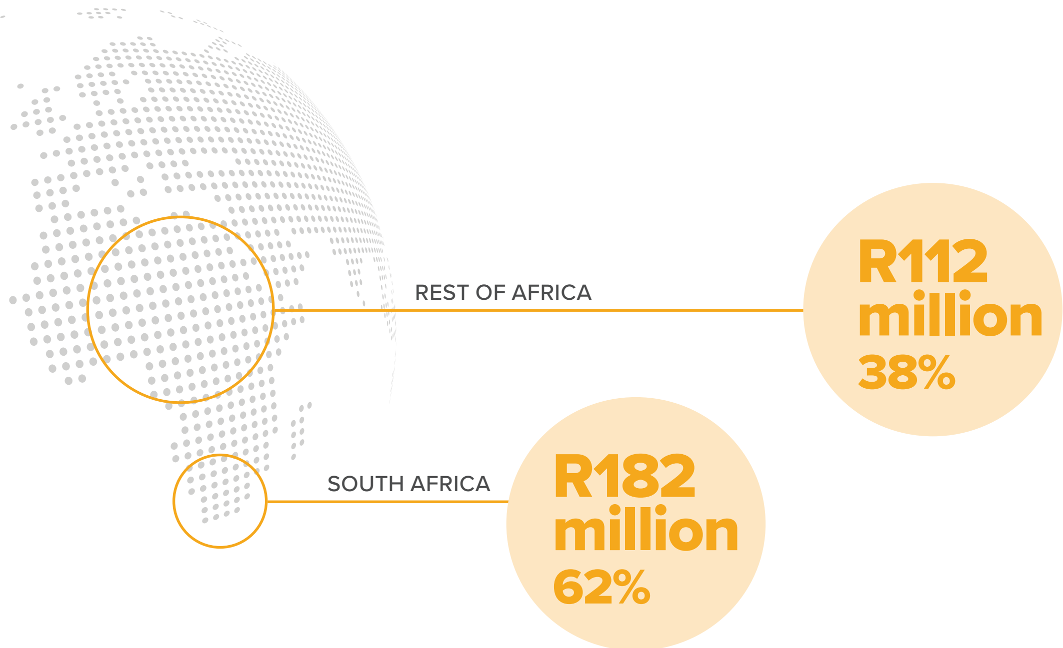
Third party funds to deliver on the DBSA's development mandate

R million	Total commitments 2021	Total disbursements 2021
Infrastructure Investment Program South Africa (IIPSA)	46	98
National Treasury Project Preparation Fund (NTPPF)	50	36
SADC Project Preparation Development Fund (PPDF)	85	49
AFD Project Preparation Feasibility Studies (PPFS)	11	–
Global Environment Facility (GEF)	–	16
Green Climate Fund (GCF)	303	13

Project preparation pipeline – by funder

Funder	Amount (R million)	Percentage (%)
DBSA	102	35
NTPPF	50	17
IIPSA	46	16
PPDF	85	29
PPFS	11	3
Total	**294**	**100**

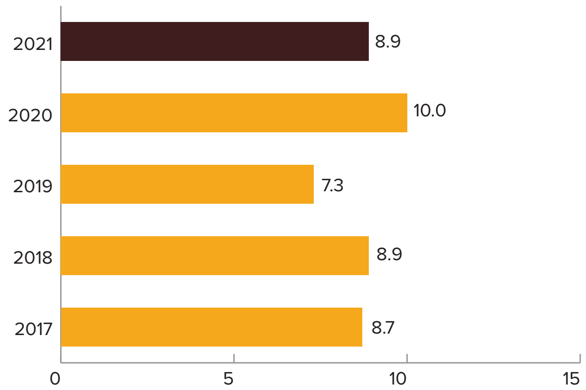
Project preparation pipeline – by geography



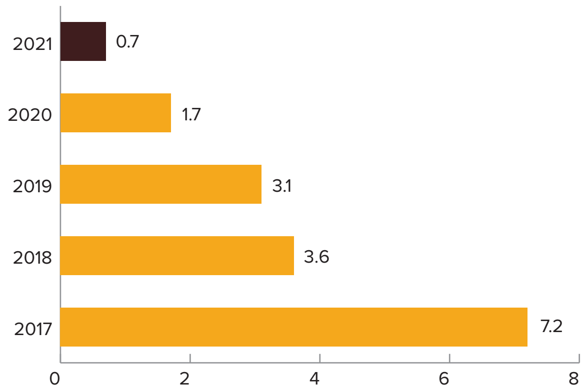
HOW WE ASSESS OUR EFFECTIVENESS IN OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN CONTINUED

FINANCE: VALUE CREATED IN 2021

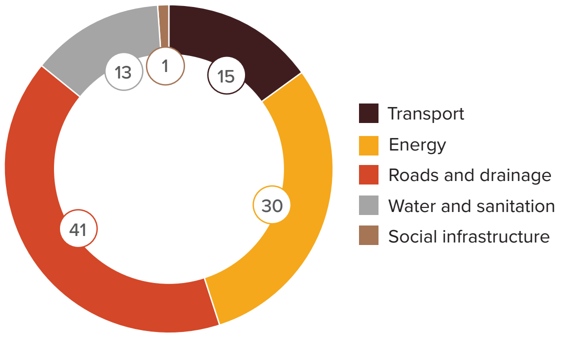
Total SA disbursements (R billion)



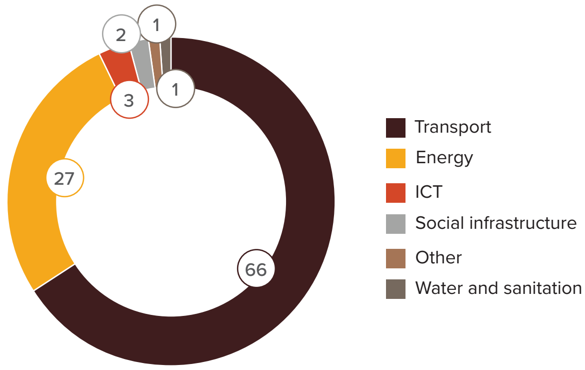
Value of third party funds catalysed in SA (R billion)



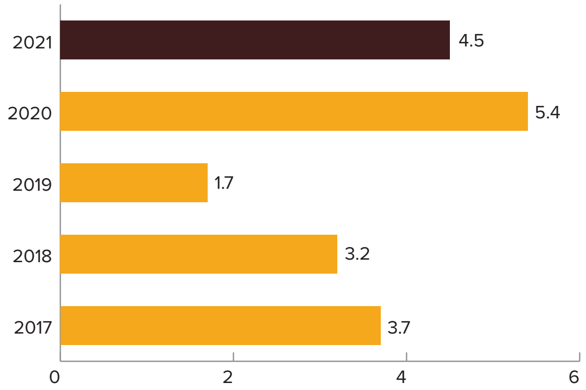
SA municipal disbursements per sector (%)



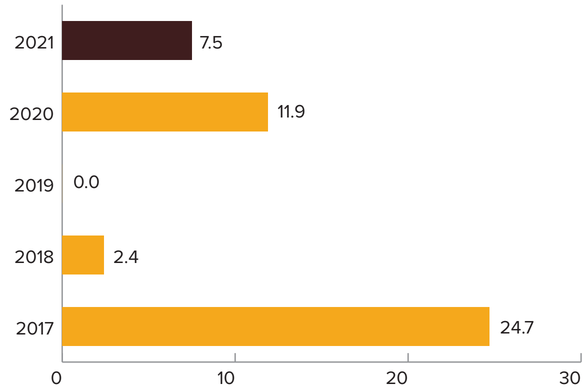
SA non-municipal disbursements per sector (%)



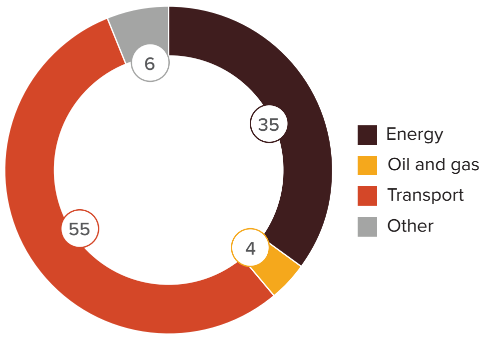
Total disbursements for the rest of Africa (excl. RSA, R billion)



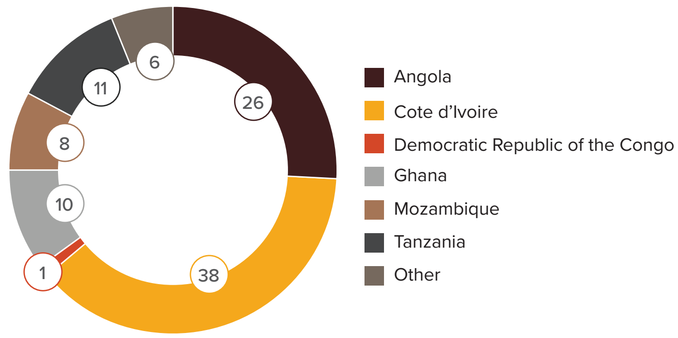
Value of third party funds catalysed in the rest of Africa (excl. RSA, R billion)



Rest of Africa disbursements (excluding RSA) (%)



Rest of Africa disbursements per country (excluding RSA) (%)

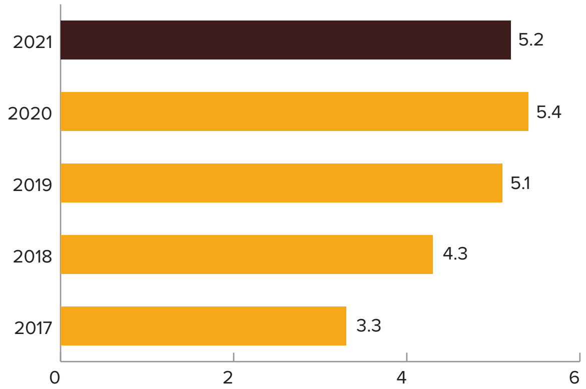


		2021	2020	2019	2018	2017
Operational performance						
Approvals	R billion	14.4	31.5	39.7	14.5	13.4
Commitments	R billion	10.9	27.2	17.0	9.2	9.7
Disbursements	R billion	13.5	15.4	9.0	12.2	12.4
Financial performance						
Net interest income	R million	4 682	4 171	4 263	3 649	2 581
Net profit	R million	2 853	(729)	2 810	3 139	2 835
Total assets	R million	89 499	93 548	83 046	81 875	78 769
Net interest margin	%	5.3	5.1	5.5	4.9	4.9

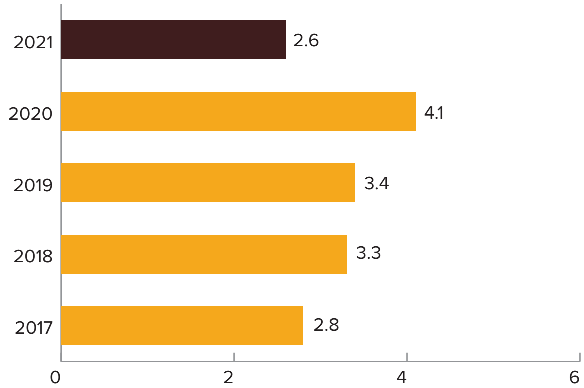
HOW WE ASSESS OUR EFFECTIVENESS IN OUR INFRASTRUCTURE DEVELOPMENT VALUE CHAIN CONTINUED

BUILD AND MAINTAIN: VALUE CREATED IN 2021

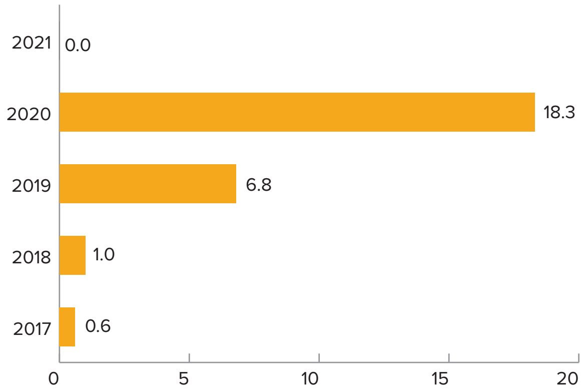
Value of funds under management (R billion)



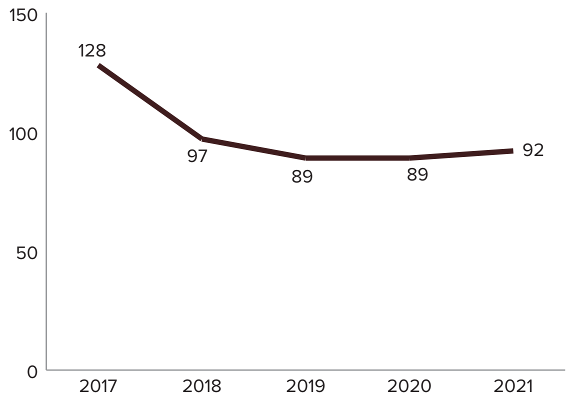
Value of infrastructure delivered (R billion)



Value of funds catalysed for infrastructure delivery (R billion)



Cost-to-income ratio



		2021	2020	2019	2018	2017
Operational performance						
New schools built	Number	11	4	8	8	12
Schools refurbished	Number	51	110	107	128	77
New ventilated improved pit (VIP) latrines at schools	Number	68	–	–	–	–
New water tanks at schools	Number	422	–	–	–	–
Houses completed	Number	0	200	0	112	198
Health facilities	Number	6	2	48	25	35
DBE COVID-19 mobile toilets in Eastern Cape (EC)	Number	55	–	–	–	–
Water tankers delivered	Number	5	–	–	–	–
Energising of boreholes (Eskom)	Number	9	–	–	–	–
Prefabricated screening units delivered to 25 DMs in seven provinces	Number	25	–	–	–	–
Isolation pods delivered to EC Department of Health and Department of Defence	Number	160	–	–	–	–
Jobs created	Number	8 190	9 758	8 344	8 492	9 077
SMMEs benefitted	Number	1 031	1 219	1 087	717	500
Value of spend allocated to SMMEs and subcontractors	R million	611	948	536	364	449
Financial performance						
Operating income	R million	137	207	179	169	140
Net (loss)/profit	R million	(36)	18	9	5	(40)
Total assets	R million	208	153	187	137	107

OUR DEVELOPMENT OUTPUTS – THE VALUE WE CREATED IN 2021

LOCAL GOVERNMENT

The DBSA has extensive expertise in financing municipal and local government infrastructure. In this sector we focus on supporting the development and maintenance of basic household infrastructures, such as water, sanitation, electricity and human settlements. We also support community services and enable infrastructure that promotes economic growth and sustainability. The DBSA provides financial and non-financial products to municipalities, which play a crucial role in regional economies. Infrastructure is key to unlocking their sustainability.

	2021 target	2021 actual
Top 5 Metros	R3.7 billion	R4.5 billion
Small Metros and Intermediate Cities	R1.0 billion	R0.3 billion
Total	**R4.7 billion**	**R4.8 billion**
Planning support to secondary and under-resourced municipalities Infrastructure unlocked to secondary and under-resourced municipalities through planning support	R0.9 billion	R1.4 billion

SOCIAL SECTOR

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

	2021 target	2021 actual
Disbursements support activities		
Social infrastructure	R400 million	R155 million
Mandate programmes		
Infrastructure delivered	R3.5 billion	R2.6 billion
Third party funds catalysed through infrastructure delivery	R13.5 billion	R8.2 billion

Sphere of government	Sector	Number
National and provincial	Education	New = 11 Refurbishment = 51
	Health	New = 160 Refurbishment = 6
	Economic	Refurbishment = 7
	Public Works Facilities	Refurbishment = 7
Municipal	Water and Sanitation	New = 545
	Health	New = 25
	Waste	Refurbishment = 2
	Environmental	Refurbishment = 6

ECONOMIC SECTOR

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

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

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

Energy

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

Transport

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

ICT

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

	2021 target	2021 actual
Disbursements support activities		
Economic infrastructure	R3.7 billion	R4.0 billion
Project preparation		
Projects prepared and committed for DBSA funding	R2.5 billion	R0.9 billion
Projects prepared and committed by other funds	R5.0 billion	R0.2 billion

SADC AND NON-SADC SECTORS

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

	2021 target	2021 actual
Rest of African continent (excluding RSA)	R4.8 billion	R4.5 billion

OUR OUTCOMES – THE DEVELOPMENT IMPACT WE HAVE

INFRASTRUCTURE FINANCING

Estimated development impact from R10.9 billion (2020: R27 billion) commitments made during the year:

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

70 122
(2020: 22 924)

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

39 945
(2020: 88 386)

Rehabilitation of roads – total households impacted:

101 698
(2020: 15 618)

Sanitation (includes reticulation, upgrading and construction of wastewater treatment works) – total households impacted:

19 876
(2020: 16 557)

Anticipated direct construction jobs

8 320
(2020: 11 610)

Anticipated direct operational jobs

2 980
(2020: 2 430)

Planning support
to municipalities (non-lending)

IMPLEMENTATION SUPPORT TO MUNICIPALITIES (NON-LENDING)

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

154 028
(2020: 76 553)

30 COVID-19 intervention projects completed and 10 are in implementation

40

Kilometres of road improved

6.2
(2020: 34.5)

Temporary jobs created

781
(2020: 1 099)

NON-MUNICIPAL (SOUTH AFRICA)

Education:
Student beds completed

1 437
(2020: 0)

Total project impact: Anticipated student beds

2 509
(2020: 0)

Classrooms

30
(2020: 0)

REST OF AFRICA

Reduction of carbon emissions: total impact of

19 234
tonnes per annum

Anticipated direct construction jobs

1 740
(2020: 350)

Total project impact:

59MW
(2020: 29MW)

Anticipated direct and indirect construction jobs

4 240

INFRASTRUCTURE IMPLEMENTATION

Development outcomes from the delivery of infrastructure during the year funded by DBSA:

Infrastructure projects completed:

641
(2020: 186)

including COVID-19 interventions with a total of 199 COVID-19 projects completed funded by DBSA

Number of urban housing units completed:

130
(2020: 200)

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

R2.4 billion
(2020: R3.4 billion)

Schools

Learners benefitting from 51 refurbished schools:

33 125
(2020: 65 732 from 110 refurbished schools)

Learners benefitting from 11 newly built schools:

6 909
(2020: 2 062)

Learners benefitting from new ventilated pit latrines:

16 042
(2020: 0)

Municipal projects

Municipal projects that were completed:

13
(2020: 43)

Employment creation

Jobs created:

8 190
(2020: 9 758)

SMME and subcontractor development

Number of local SMMEs and subcontractors that benefitted:

1 031
(2020: 1 219)

OUR OUTCOMES – THE DEVELOPMENT IMPACT WE HAVE CONTINUED

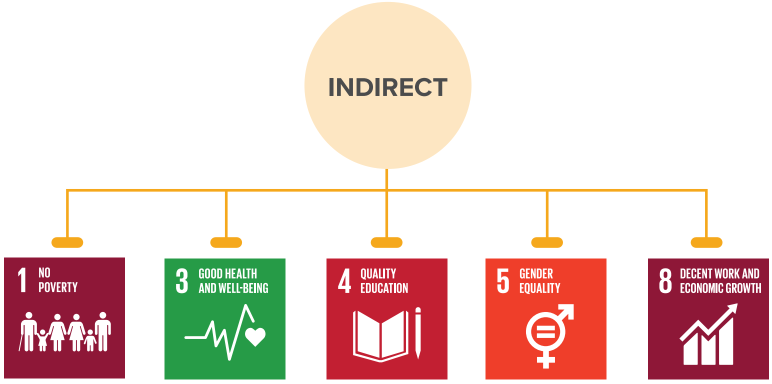
HOW WE SUPPORT THE NDP AND SDGS

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

Direct

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

SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 6 Ensure availability and sustainable management of water and sanitation for all	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	» Funding of bulk water reticulation and sanitation infrastructure » Post implementation reviews » Provision of implementation capabilities for water and infrastructure development in municipalities » Managing the delivery of appropriate sanitation infrastructure in public schools in SA
SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	» Preparation and funding of IPPs » Preparation and funding of renewable energy programmes » Providing planning and implementation support to under-resourced municipalities
SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	» Funding of various water and sanitation, renewable energy, mass transit and ICT projects » Managing the revitalisation of industrial parks
SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	» Housing Impact Fund » Support to urban development programmes » Financing of municipal infrastructure » Implementing agent for Ekurhuleni infrastructure programme
SDG 13 Take urgent action to combat climate change and its impacts	**NDP Outcome 10** Protecting and enhancing our environmental assets and natural resources	» Funding of IPPs » Regional hydroelectric projects » Embedded power generation » Climate Finance Facility
SDG 17 Strengthen the means of implementation and revitalise the global partnership for sustainable development	**NDP Outcome 11** Create a better South Africa, contribute to a better and safer Africa in a better world	» Partnerships with global and regional DFIs » Association of 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 supported emerging contractors (SMMEs) in the delivery of infrastructure » The DBSA also provides programme implementation agency services to government departments and municipalities in South Africa to enhance delivery of social and economic infrastructure
SDG 3 Ensure healthy lives and promote well-being for all across all ages	**NDP Outcome 2** A long and healthy life for all South Africans	» Infrastructure implementation work on behalf of the Department of Health » Funding private healthcare groups
SDG 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	**NDP Outcome 1** Quality basic education **NDP Outcome 5** A skilled and capable workforce to support an inclusive growth path	» Implementation work on behalf of the National Department of Basic Education and Provincial Education Departments » Funding of student accommodation programme
SDG 5 Achieve gender equality and empower all women and girls		» An emphasis on gender mainstreaming in the DBSA's B-BBEE and economic transformation initiatives
SDG 8 Promote inclusive and sustainable economic growth, employment and decent work for all	**NDP Outcome 4** Decent employment through inclusive economic growth	» Development impact mandate » Promotion of employment of local labour and contractors in projects where the DBSA is an implementing agent

SDGs	NDP OUTCOMES	THE DBSA'S CONTRIBUTION
SDG 10 Reduce inequality within and among countries		Funding of projects in SADC, e.g.: » Angola: Renewable energy generating plants across multiple sites to diversify the country's energy mix » DRC: Assisted Apalia in deploying off-grid hybrid energy, telecoms and media (TV and Radio) in rural areas of sub-Saharan Africa. Apalia's pilot is located in the DRC. » Mozambique: Rehabilitation and upgrading of Mozambique's energy supply network starting with the cities of Pemba and Maputo » Tanzania: Construction of the Dar es Salaam to Makutupora rail network to increase throughput from the agriculturally rich Great Lakes region into the port Funding of projects outside SADC: » BitPesa: Provision of foreign currency to facilitate efficient cross-border transactions for the Ghana and Burkina Faso energy interconnector

Our operating context and how we respond

OUR EXTERNAL ENVIRONMENT

MACROECONOMY

Global

The COVID-19 pandemic brought about significant disruptions and volatility in the market throughout the year under review. The introduction of lockdown restrictions across the world meant that the way business is conducted was forced to change fundamentally. Companies across the whole spectrum had to adapt the way they interacted with customers, employees and the general stakeholder environment. All major economies except China registered historic contractions in real GDP in 2020.

The successful rollout of vaccines in major economies is expected to bolster global economic recovery and, in turn, demand for commodities. This will be particularly advantageous for commodity-exporting countries. Global financial conditions are expected to remain supportive, as major central banks are predicted to maintain their current policy rate setting over the medium term. Asset valuations remain at risk for market corrections, with bond yields poised to tick higher in developed markets. The recovery in commodity prices continues in line with the improved outlook for global economic recovery.

The IMF expects global growth to recover to 6.0% in 2021 (2020: -3.3%) on the back of expected benefits from vaccine rollouts and additional macroeconomic policy support.

Uncertainty and downside risks to the growth outlook were mainly focused on early 2021, with resurgences in virus infections having led to renewed lockdowns in Europe, while India was also hard-hit by a new variant. New virus strains are threatening the efficacy of COVID-19 vaccines, which could mean a delayed economic recovery from the virus. The length and evolution of the pandemic remains unknown.

Across all economies, the rate of vaccinations remains the key determinant for growth. Once the steady pace of vaccinations becomes entrenched, the uncertainty surrounding the global economic recovery will begin subsiding.

Africa

Although capital flows to emerging markets have been supported by favourable financial conditions, the global economic recovery could lead to portfolio outflows, especially from countries with weaker economic and social fundamentals. Global asset valuations have also been bolstered by the liquidity in financial markets, which leaves them vulnerable to corrections. In the event that divergent economic recovery across advanced economies lifts interest rates, financial conditions could tighten, resulting in portfolio outflows and decreased asset valuations.

World Health Organisation numbers show that 51 African countries have received over 49 million COVID-19 vaccines through various channels such as the COVAX Facility, bilateral deals and donations. By June 2021, 48 countries had started their vaccination campaigns, with more than 32.5 million vaccine doses having been administered across the continent.

Sub-Saharan Africa

Economic growth in the sub-Saharan African region is estimated to have contracted by 1.9% in 2020, from growth of 3.2% in 2019. Inflation in the region remained elevated during the year under review. Food inflation and currency volatility were the key explanatory variables.

The IMF expects growth in the region to recover to 3.4% in 2021 and 4.0% in 2022. Growth recovery in the region will vary across countries, with the rebound in non-resource-intensive countries expected to be driven by private consumption and investment. Meanwhile, the rise in commodity prices bodes well for domestic exchange rates in commodity exporting countries and by extension will assist in containing inflationary pressures. Debt-to-GDP ratios are expected to continue rising from the current elevated levels, which bodes ill for sovereign credit ratings in the region. Although structural constraints remain in the region, the African Continental Free Trade Area Agreement is expected to deepen economic integration between African countries and global value chains.

Inflation is expected to remain at moderate levels across sub-Saharan Africa, except for countries such as Nigeria and Angola where higher food inflation and currency weaknesses have exerted upward pressure.

Sub-Saharan Africa was estimated to have registered just over 3.2 million cumulative cases by mid-May 2021, with the daily rate of infections slowing from 5 500 per day in April to 4 800 in May 2021. By the end of May 2021, around 14 million vaccines doses had been administered in sub-Saharan Africa.

South Africa

The rand depreciated significantly during March and April 2020, reaching a high of R19.08 against the US dollar in April 2020. This was driven by a high level of uncertainty and market volatility brought on by the COVID-19 pandemic. The rand regained some ground later in the financial year, closing at R14.78 against the US dollar. This appreciation of the rand resulted in the Bank recording significant foreign exchange losses.

A surprise positive effect was South Africa's GDP growth, which increased by 4.6% quarter-on-quarter in the first quarter of 2021, following an annual contraction of 7.0% for the full year in 2020. The 2021 Budget Review highlighted an improved debt-to-GDP outlook. The SARB kept the repo rate unchanged at its last meeting, which is likely to hold for the remainder of 2021.

On the inflation front, the CPI averaged a low 3% during the financial period, which positively impacted expenses. Interest rates decreased during the period on the back of the SARB reducing the repo rate in a bid to support the economy. The repo rate moved from 5.25% on 31 March 2020 to 3.5% on 31 March 2021. Three-month JIBAR decreased by 1.93% during the same period. This reduction in interest rates positively impacted the Bank's borrowing costs while adversely impacting interest income. The Bank continues to closely monitor the risks emanating from the volatility in these market parameters and will take action to reduce downside risks where necessary.

The domestic economic recovery continued in the first quarter of 2021, although weak demand and subdued confidence does not bode well for the speed of the recovery. Economic growth will likely be hampered by electricity supply constraints, continued SOE financial constraints and slow implementation of economic reforms.

Although the global rate of COVID-19 infections eased somewhat at the start of 2021, it is showing signs of resurgence. South Africa has secured 31 million single-shot vaccines and 20 million double-shot doses. According to the Bloomberg vaccine tracker, vaccines have been administered to 1.6% of the population in the country as at the end of May 2021.

Although South Africa has exited the second wave of virus infections, a third wave is not ruled out over the coming winter season. This puts the economic outlook at risk, as government could implement further lockdown measures to try and curb the spread.

The SARB is expected to maintain its accommodative monetary policy stance, while government expects a lower debt-to-GDP trajectory over the medium term. That said, the possibility of further ratings downgrades remains. Domestic short term economic indicators are nearing their pre-COVID-19 levels as economic activity returns. However, both business and consumer confidence remain exceptionally low.

INFRASTRUCTURE DEVELOPMENT

The African Continental Free Trade Agreement aims to accelerate intra-African trade and boost Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations. Consolidating the continent into one trade area provides great opportunities for trading enterprises, businesses and consumers and the chance to support sustainable development in the world's least developed region.

Closing the infrastructure gap is essential to accelerate the continent's economic development. For instance, only 38% of the African population has access to electricity, the penetration rate for internet is less than 10% while only a quarter of Africa's road network is paved. Studies have shown that poor road, rail and port facilities add 30% to 40% to the costs of goods traded among African countries, thus adversely affecting the private sector development and the flow of foreign direct investment. The World Bank estimates that by closing the infrastructural gap, Africa can increase its GDP per capita by over 2% annually.

Recent estimates by the African Development Bank put the continent's minimum infrastructure needs – for countries to sustain the growth of their economies, population, income level and replace ageing infrastructure – at USD130 billion to USD170 billion per annum. At least half of that requirement is currently unfunded.

ENVIRONMENTAL CHALLENGES

COVID-19 pandemic

As a result of the lockdowns around the world to control COVID-19, huge decreases in transportation and industrial activity resulted in a drop in daily carbon emissions. Beyond carbon emissions, however, COVID-19 is resulting in changes in individual behaviour and social attitudes, and in responses by governments that will have impacts on the environment and on our ability to combat climate change. Some countries and private companies may delay or cancel investments in renewable energy or climate action policies if their finances have been impacted by the pandemic.

Climate change

Africa's urban centres are swelling, threatening more emissions, and half of the global population growth over the next two decades is expected to occur on the continent. It must be a global priority to strike a balance between this ongoing development and its climate impact. Yet the question of sustainability versus growth is even more pressing in Africa where countries need economic growth to lift millions out of poverty. For example, in order to generate the economic growth they need, African countries must improve electricity access, enable power industrialisation, and support rapid urbanisation. Ethically, policymakers cannot ask these countries to slow economic growth.

These changes can coexist with a low-carbon future, but it will require hard work since these sectors in particular contribute greatly to carbon emissions. The continent will have to embrace technology that enables smart, efficient and cleaner industrialisation, urbanisation and electrification.

TECHNOLOGICAL CHANGE

As we begin to emerge from the pandemic and countries prioritise rebuilding their economies, leveraging the potential of digital technologies will be critical. African entrepreneurs have already risen to the challenge, creating innovative digital solutions to pandemic-induced challenges. Their efforts could be super-charged by investments in an enabling environment and digital infrastructure that delivers lower-cost data and broader access.

While there are hotspots of digital brilliance across the continent, Africa needs digital transformation that transcends all sectors. That transformation will require a sound policy framework, as well as both hard and soft infrastructure. Fewer than a quarter of Africans have consistent access to the internet, a five-fold increase since 2000, but the continent lags behind East Asia (55%) and Latin America (66%). Almost 50% of Africans live more than 10 kilometres from a high-speed terrestrial fibre-optic network, and only 17% of Africa's population can afford one gigabyte of data each month.

The economic dividend of technological adoption is significant: mobile technologies have generated 1.7 million jobs in Africa and contribute about USD144 billion to its GDP. The International Telecommunication Union found that a 10% increase in broadband penetration in Africa would trigger a 2.5% increase in GDP per capita. In a recent analysis with the World Bank, Google found that Africa's internet economy has the potential to reach USD712 billion by 2050 – about 8.5% of the continent's GDP. The sustainability and success of these investments will depend on improvements in the digital-enabling environment.

GOVERNANCE

In times of crisis such as the current COVID-19 pandemic and its economic and social repercussions, public governance matters more than ever. Governance arrangements have played a critical role in countries' immediate responses and will continue to be crucial both to the recovery and to building a 'new normal' once the crisis has passed.

This crisis seems all the worse when we define governance as the delivery of goods and services that citizens legitimately expect their governments to deliver. Citizens expectations relate to the promotion and support of human rights and participation, safety and rule of law, socio-economic opportunities and human development. Africa's leaders will have to work hard to preserve natural resources, build the industries and services for local processing, transformation and distribution, and grow a young workforce with appropriate skills for the new, digitised world of work.

However, there are worrying trends in key human development areas such as education and health, where gains in access do not always come with better quality of content and service delivery. Good governance is of paramount importance within governments and in business to meet stakeholder expectations in the short, medium and long term.

HUMAN CAPITAL

The greatest challenge facing infrastructure development, in much of Africa, is a shortage of skills to move infrastructure development projects through the infrastructure development value chain. Businesses also need to adapt to remain sustainable, and the digital skills gap is a critical barrier to organisations successfully exploiting the promise of new technologies.

These developments are impacting the nature of jobs and the skills required, creating opportunities and demand for new roles, which could be translated into a positive growth trajectory for Africa. To achieve this, Africa needs to expand its pool of highly skilled employees through the development of cognitive STEM-based skills (i.e. science, technology, engineering and mathematics) as well as non-cognitive soft skills like sense-making and social intelligence competencies.

It will be imperative for employees of the future to demonstrate the skills that machines cannot learn to remain relevant in a more technologically enabled workforce. There is an increasing need to prepare our workforce for the workplace of the future, which requires an understanding of new technologies as well as the ability to adapt to challenges that may arise.

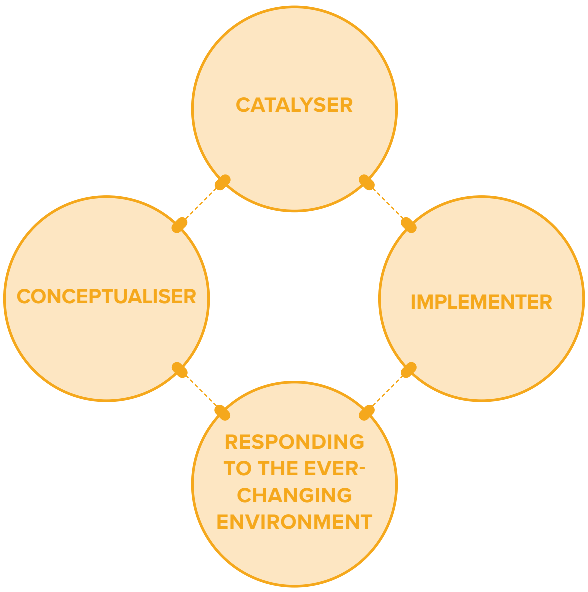
OUR STRATEGY

OUR STRATEGIC INTENT

Our strategic intent is to mobilise infrastructure development while delivering inclusive socio-economic growth that is shared and equitable for African countries and their citizens. We will accelerate prosperity through our continued multi-faceted investments in sustainable infrastructure and human capacity development.

Adverse domestic economic conditions are limiting infrastructure projects and hamper DBSA growth projections and the growth of our asset book, which place the Bank's financial sustainability at risk. The DBSA is endeavouring to play that counter-cyclical role of aiding economic recovery that is expected of DFIs in these challenging times. In this context, our strategy leverages the Bank's ability to conceptualise infrastructure projects through a programmatic approach. This approach is a powerful means of solving pressing socio-economic challenges at scale and driving the implementation of government's policy priorities.

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



Conceptualiser

We identify and formulate development programmes that set out a coordinated approach to delivering accelerated and relevant infrastructure. Our programmatic approach, which encompasses a long term and strategic array of individual yet interlinked projects, fosters an enabling environment for the coordination of interventions that solve socio-economic challenges.

Catalyser

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

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

Implementer

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

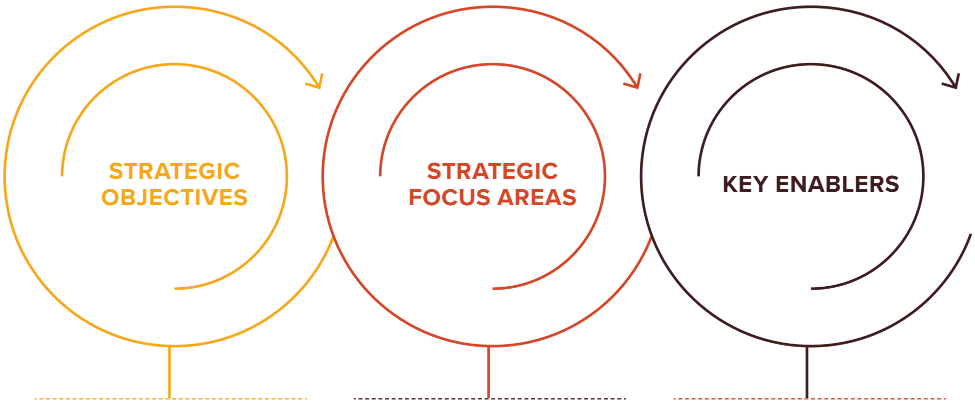
Responding to the ever-changing environment

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

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

OUR STRATEGY IN ACTION

The DBSA's mandate statement is the guiding document for the creation of the three long term strategic objectives, which are underpinned by the key enablers. Strategic focus areas are therefore created to address the mandate requirements in the context of these strategic objectives.



Financial sustainability	Inclusive economic recovery in South Africa	To raise funding at an optimal cost
Accelerate development impact	Strategic Africa lens	High performance culture
Build a future-fit DBSA	Doing things differently	Boost and develop key partnerships
SMART partnerships	Inclusive transformation	Teamwork
		Excel in strategy execution
		Attract and develop strategic job families

Strategic objectives

Financial sustainability

The DBSA aims to achieve financial sustainability through cost optimisation and income and balance sheet growth. Achieving disbursement targets is crucial to the financial sustainability of the Bank, as these relate directly to the Bank's asset base. For long term sustainability, these must grow at a rate higher than or at par with increasing operating costs. The levers in achieving financial sustainability are the ability to grow quality and profitable disbursements, increase self-originated disbursement opportunities, and improve our operational efficiencies as part of cost optimisation.

Accelerating development impact

The aim is to drive quality transactions, while ensuring greater development impact of investments. Accelerating the development outcomes includes stimulating infrastructure development through a programmatic approach, for a secure and scaled development trajectory while contributing to creating inclusive and sustainable socio-economic growh to reduce poverty, inequality and unemployment challenges. Priority is placed on increasing the development impact of disbursements and projects in our core sectors as well as in South Africa's districts. The DBSA works to create an integrated development environment in the value chain to respond to the rapid changes in the environment – particularly in a post-lockdown environment.

Future-fit DBSA

The DBSA will harness the power of the Fourth Industrial Revolution (4IR) to drive internal efficiencies while maintaining its relevance through a future-fit workforce and a culture of high performance and accountability. The pandemic has shown that there is an ever-increasing need to prepare our workforce for the workplace of the future, which requires grasping the value-creating power of new technologies, as well as being adaptable to ensuing challenges.

SMART partnerships

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

OUR STRATEGY CONTINUED

Strategic focus areas

The DBSA has created four strategic focus areas that address its mandate statement in the current economic and business environmental context.

These four focus points are:

1. **Driving inclusive economic recovery in South Africa**
   - Execute the District Development Model and enhance government's service delivery efforts across South Africa to build thriving communities.
   - Create and manage the Infrastructure Fund which will transform the state's approach to the financing of infrastructure projects, reduce fragmentation of infrastructure spend, and ensure efficient and effective use of resources.
   - Navigate the Just Transition which contributes to an equal, sustainable and prosperous South Africa.
   - Converting approvals to disbursements thus building organisational sustainability.
   - Catalysing connectivity by unlocking the power of connectivity to stimulate economic activity and growth – relishing the potential of the digital economy.
   - Build the informal economy, both townships and rural, by providing development support in order to uplift underserved communities.
   - Inclusive transformation achieved by implementing those initiatives aimed at transforming the patterns of economic ownership and control in the infrastructure environment.
   - Measuring the development impact which is the socio-economic impact of projects funded and undertaken to make meaningful contribution towards alleviating the triple challenge of unemployment, inequality and poverty.
2. **Creating a strategic Africa lens** by developing a country position in collaboration with the private sector, national governmental bodies and other DFIs to capitalise on growth opportunities around the continent. Our strategy further takes a risk-based approach and is differentiated between SADC and non-SADC regions:
   - Partnerships with local DFIs
   - Ensuring mandate fit, development impact and alignment to RSA government agenda
   - Bucketing countries in terms of risk-rating scales
   - Assessing countries for post-lockdown vulnerabilities by increasing the frequency of country reviews
   - Increasing the number of self-generated opportunities
   - Risk-adjusted return
3. **Doing things differently**
   - Digital transformation of key support functions such as procurement, legal, human resources, etc.
   - Enhancing operational efficiency
   - Performance management
   - Flexible work arrangements
4. **Inclusive transformation** whose primary objective is to transform patterns of ownership in the infrastructure space. Aligned to this is to ensure that we promote women and youth participation in catalytic infrastructure projects:
   - Measuring the number of black-owned entities approved for funding
   - Measuring the number of black women-owned entities approved for funding

Key enablers

The following key enablers underpin our corporate strategy:

- **To raise funding at an optimal cost** through diversified funding options, managing the cost of funds and maintaining healthy liquidity levels. This enabler has been elevated by the fallout from the pandemic.
- **Operational excellence:** Develop a high-performance and accountability culture while attracting and developing strategic job families which are critical to bolstering core banking, as well as developmental skills to enhance internal processes. Excelling in strategy execution is key, therefore working in collaborative teams will lead to higher success rates.
- **Boost and develop key partnerships:** An asset is the Bank's aptitude for nurturing strategic partnerships that are mutually beneficial to achieving mandates. These strategic partnerships include building relationships with other DFIs, SOEs, and the public and private sectors. Our strong relationships with strategic investment partners nationally, regionally and internationally enhance the development and growth of the Bank's infrastructure pipeline. Synergies created through these partnerships also enhance the DBSA's reputation as one of the leading African DFIs.
- **Our high-performance culture** and our people ensure that we deliver innovative solutions to our customers for mutual benefit. This is supported by robust performance management and a performance-based remuneration system.
- **Good governance** within governments and in business is of paramount importance for meeting stakeholder expectations in the short, medium and long term. The DBSA continuously improves its governance and risk management.

STRATEGIC INITIATIVES

Various initiatives are continuously being implemented in support of our strategic objectives. In the 2020/21 financial year, significant progress has been made towards delivering on key initiatives whose outcomes are articulated below:

Theme	Initiative name	High level description	What we have achieved	How do we measure success?
Inclusive economic recovery in South Africa	District Development Model	Enhancing government's service delivery efforts across South Africa to build thriving communities	» The District Hubs (DHs) have been established with three pilot District Municipalities (DMs), namely Waterberg, OR Tambo and eThekwini Metro and a comprehensive plan to address all 44 districts and eight metros » Development of One Plans for the three DMs above » Programme Management Office (PMO) and DHs established and functional » Capacity assessment for OR Tambo and Waterberg DMs completed » Draft LED National Implementation Plan has been completed » The development of District Development Model (DDM) information management system is in progress » One Plan module of the information management system is being developed » Public consultations underway	Degree of achievement of pilot districts developmental outcomes measures – Execution of the targets contained in One Plans
	Infrastructure Fund	Transforming the state's approach to the financing of infrastructure projects, reduce fragmentation of infrastructure spend and ensure efficient and effective use of resources	» Signed MOU with Presidency in 2020 » Establishment and operationalisation	Value of projects/ programmes committed through the Infrastructure Fund – R3.7 billion
	Navigating the Just Transition	Contributing to an equal, sustainable and prosperous South Africa (largely off the back of the transition out of fossil fuels)	» DBSA support in IPP procurement was R40 billion (Rest of Africa: R22 billion and South Africa: R18 billion) » Financial support to nine B-BBEE entities and 15 local community trusts funded in the form of debt and equity amounts to at least R2.9 billion » Embedded Generation Investment Programme will reduce the financial burden on the government for a further and continued implementation of renewable-energy capacity outside of government support » Integrated Just Transition investment framework approved in January 2021 » Green Climate Fund (GCF) accreditation assistance to DFIs in the region » UK PACT (UK Partnering for Accelerated Climate Transitions) grant approval for embedded generation in select municipalities	Increasing sustainable impact of funded projects – R400 million
	Catalysing connectivity	Unlocking the power of connectivity to stimulate economic activity and growth – relishing the potential of the digital economy	» SA Connect programme – conducted feasibility study and established a programme management office (PMO). The first phase saw over 900 government facilities connected with the second phase expected to connect over 44 000 sites in 44 DMs. » DBSA has secured R50 million to conclude a feasibility study and establish a PMO	

OUR STRATEGY CONTINUED

Theme	Initiative name	High level description	What we have achieved	How do we measure success?
Inclusive economic recovery in South Africa	Informal economy: Township and rural	Provide development support in order to uplift underserved communities	» Programme Management units (PMUs) established in five provinces: Eastern Cape, Northern Cape, Western Cape, Limpopo and Mpumalanga » Existing DLABs operational, two new DLABs approved » Phase two of innovation hub project underway » High Impact Investment Portfolio: Transactions are being approved at BCIC and the IDD working capital project plan has been developed	Value of infrastructure unlocked in under-resourced municipalities – R1.2 billion Number of DLABs – two fully executed and functional programs + three new DLABs disbursing Number of transactions through the High Impact Investment Portfolio – two transactions approved for funding and two transactions committed for funding
Strategic Africa lens	Driving SA Inc	Developing a country position in collaboration with the private sector, national governmental bodies and other DFIs to capitalise on growth opportunities around the continent emanating from the African Continental Free Trade Agreement	» A distinct Rest of Africa (ROA) strategy has been created which takes a risk based approach and is differentiated between SADC and non-SADC regions	ROA disbursements – R4.5 billion
Doing things differently	Building a Digital DBSA	Overcoming our stumbling blocks and rewiring legacy systems and to invest R30 – R50 million in technology and process innovation	» E-procurement (supply chain process optimisation) currently underway » Digital lending platform to be implemented » Expansion of current systems (CRM) » Digitisation and automation of processes (i.e. e-signatures SAP success factors)	Digital DBSA (digitalisation, automation and process re-engineer) – two business processes automated for our core business
Inclusive transformation	Inclusive transformation	Those initiatives aimed at transforming the patterns of economic ownership and control in the infrastructure environment. This will be achieved through our financing, project implementation as well as procurement activities	» BEE transactions are being undertaken by frontline and IDD » A transformation strategy is currently being formulated which addresses transformation across the organisation » SMME Fund currently being developed in collaboration with sister DFIs	Number of transactions that are committed for DBSA funding to black-owned entities (50% shareholding and above) – five transactions Establish a ring-fenced SMME lending fund in collaboration with others – R250 million

Theme	Initiative name	High level description	What we have achieved	How do we measure success?
Inclusive transformation	Gender mainstreaming	Gender mainstreaming objective at the DBSA would like to achieve the four pillars of our programme as approved by Board: » Promoting investments in women-owned projects » Adapting strategies, policies and procedures to enable gender mainstreaming across the DBSA » Providing capacity building and knowledge sharing » Building partnerships with public and private partners who share our vision for gender equality	» The Bank has taken a bold stance to incorporate gender mainstreaming (GM) in its operational practices and deal-making activities. Significant progress has been in the investment and partnership pillars of the Bank's GM framework. In the period under review the services of an external service provider, Ingula Yesive, was solicited to conduct intensive GM training for client-facing or frontline teams of the Bank. The training programme resulted in 154 frontline team delegates being empowered to apply a gender lens in their practices. Through the training GM gaps were identified and these will form part of the GM programme roll-out plan. On the partnerships front, the Bank joined other public development finance institutions in becoming a signatory on the United Nations Women's Empowerment Principles (WEPs). As such, the organisation has access to GM global leaders, research information and data, GM implementation tools and instruments and resources (financial and human). Chief among these partnerships are the UN WEPs, AFD, IDFC, 30% Club and Business Engage. Further opportunities exist to explore partnerships with local partners. The third instalment of the Board conversation with staff on GM matters was held successfully with male employees beginning to be more receptive of the GM agenda. Plans are underway to make these conversations as well as the gender-based violence and femicide (GBVF) ones more appealing to male employees	» Number of transactions that are committed for DBSA funding to black women-owned entities (30% shareholding and above) – three transactions » Percentage of procurement spend on black women-owned suppliers for IDD third party fund (50% and above shareholding) – 30% of total procurement spend from B-BBEE suppliers
	Measuring the development impact	Measuring the socio-economic impacts of projects funded and undertaken to make meaningful contribution towards alleviating the triple challenge of unemployment, inequality and poverty.	» Currently DBSA monitors and measures its development outcomes through a Development Results Reporting Framework which includes a Development Results Template, a Development Results Working Group and specific reporting requirements and evaluation methodologies » A development impact index tool is being developed and will be piloted in the near future	Development Impact Index (sum of components below excl. climate disbursements) – Positive index growth will signal positive developmental outcomes

MATERIAL ISSUES

HOW WE DETERMINE MATERIALITY

Material matters have the potential to significantly affect our ability to create and sustain value for our stakeholders through the implementation of our strategy and fulfil our commitments as an SOE over the short, medium and long term. In determining which matters are material to our business, we assess the external environment, consider stakeholders' interests and concerns, evaluate key corporate risks and opportunities and review how these factors affect strategy.

The year under review has been an exceptionally difficult one, both domestically and continentally. The material issues highlighted below arise in the context of this environment. The DBSA was able to navigate through these and achieve the robust operational performance presented in this report due to its strong governance processes, the developmental commitment of its leadership and staff as well as the resolute commitment of our Shareholder.

The topics listed below are the most material matters regarding DBSA that our stakeholders need to consider when considering the Bank's future prospects.

ABILITY OF CLIENTS TO REPAY THEIR LOANS

Why this is important

Many factors affect the ability of our clients to repay their loans, including adverse changes in consumer confidence levels due to local, national and global factors, bankruptcy rates, and increased market volatility. There has been an increase in the number of clients being unable to honour their debt obligations due to credit downgrades in different countries from rating agencies, decreases of commodity prices and the lockdown restrictions experienced due to the advent of COVID-19 pandemic.

Our response

The Bank has implemented the following measures in response to the challenges:

» Applied effective credit-risk mitigation strategies, including early identification of distressed portfolios and proactive management of all watch-list clients.

» Focusing on preventing excessive credit concentration and large unforeseen losses by maintaining a diversified credit portfolio.

» Increased the frequency of monitoring of loans of high-risk clients to ensure that the Bank remains within the tolerable risk appetite.

» Conducted proactive due diligence assessments to incorporate the analyses of economic and global market conditions.

Associated opportunities

Amidst the uncertainty about the pandemic, the vaccine rollout and possible future waves of COVID-19 infections, the DBSA has a responsibility to support clients and the economy. This environment offers an opportunity to pursue alternative revenue streams, enhance operations and deliver value-adding client solutions.

Looking ahead

It is anticipated that clients will continue to face challenges as the post-lockdown realities take effect. Closer monitoring of credit risk exposures will remain a key focus area for the Board and management. This will be compounded by a low interest rate environment that will put pressure on margins.

LIQUIDITY AND BALANCE SHEET MANAGEMENT

Why this is important

Liquidity and funding are the oxygen that fuels our banking activities. The inability of the Bank to have sufficient funds to meet its maturing obligations and disbursement obligations at any given time can cause severe reputational harm to the institution.

Our response

Managing capital and liquidity was a key priority during the year. We reviewed and revised our capital and liquidity plans and disbursements targets in response to the volatile environment. We held extensive engagements with key clients to understand their funding requirements and aligned these with DBSA funding availability.

We regularly monitor prudential limits to ensure these remain within the risk appetite and to protect the Bank against downside risk. In addition, we maintained a higher liquidity coverage ratio (LCR) with the objective of ensuring that the Bank had adequate levels of liquid assets to meet liquidity requirements even under severe and protracted liquidity stress scenarios. The liquidity buffers enhanced our resilience throughout the year under review and ultimately ensured business continuity.

Associated opportunities

The liquidity challenges highlighted the need to further diversify our investor partner base. The year also highlighted the strategic importance of robust liquidity management tools.

Looking ahead

We will continue to prioritise initiatives focused on preserving capital and liquidity while maintaining the operational resilience of the business, managing costs and resetting the budget with the experiences of 2020 as our baseline.

OPERATING IN DIVERSE MACROECONOMIC ENVIRONMENTS

Why this is important

While the DBSA's operations are predominantly concentrated in South Africa, we also have significant exposure to the Rest of Africa. Accordingly, any material deterioration in the South African or global macroeconomic conditions could negatively impact business activity, lead to higher impairment charges, increased funding costs, reduced revenues, declining profitability and reduced development impact.

Reconfiguring our client engagements became critically important to maintain adequate responsiveness and agility to respond to client needs.

Our response

The possible deterioration necessitated a refinement of our counterparty and country reviews with a specific focus on highly indebted countries. This ensured that we responsibly manage the migration of development loans to stage 3 while undertaking substantial debt reviews. The strong focus on these reviews enabled us to adopt a cautious approach to high-risk countries like Angola, Zambia, Mozambique, Zimbabwe and the Democratic Republic of Congo. We further strengthened our partnerships and increased collaboration with other DFIs.

Internally, we improved strategy alignment and enhanced capability through an enhanced Balanced Scorecard process.

Associated opportunities	Looking ahead
Key focus on accelerating infrastructure development in South Africa and aiding economic recovery.	Some level of global recovery is expected in 2021, with developing nations lagging behind. Potential shifts in regional governments' priorities remains a real possibility as they contend with the after-effects of the pandemic.

UNFOLDING IMPACTS OF THE COVID-19 PANDEMIC

Why this is important

The increase in infections and fatalities as economies of different countries reopen may lead to reinstatement of hard lockdowns leading to extended domestic and global economic depression. The impact of COVID-19 on unemployment, inequality and poverty will likely reignite the discussion on an extended social security package. Resultant socio-economic pressures may necessitate a change in current macroeconomic policies to protect South Africa's most vulnerable. The impact on private sector investment, foreign investment and business confidence may not be immediately noticeable.

Our response

In addition to implementing short term measures to mitigate the impact of the pandemic, we are equally focused on long term growth strategies for the post-pandemic world. Aiding South Africa's economic recovery remains a strategic focus area. In this regard, we accelerated the implementation of flagship projects like the District Development Model and the Infrastructure Fund.

Associated opportunities	Looking ahead
DBSA has opportunities of increasing investment in health and ICT infrastructure to enable a contact-free economy. In the process, new employment may be created in a post-pandemic world.	It is anticipated that the vaccine rollout programme will contribute measurably to sustained economic recovery in 2021/22.

INCREASING RELIANCE ON TECHNOLOGY

Why this is important

Technology has been vital to the way companies, governments and ordinary citizens have managed the COVID-19 pandemic. The increased dependence on technology has equally escalated cybersecurity risks and privacy concerns. New working patterns may increase cyberattacks and data fraud. Unauthorised or erroneous use of ICT systems, data and/or infrastructure may lead to breaches of data and information security.

Our response

We recognise that it is imperative for DBSA to embrace new technologies to remain relevant in an increasingly digitised world. The digitalisation of operations received increased focus informed by the remote working environment. We further implemented learning and development initiatives to build adequate skills.

We invested significantly towards ensuring the resilience of our critical systems, platforms and infrastructures against disruptive cyberattacks by implementing an information security management system (ISMS) and cybersecurity strategy. We continued our drive to foster a culture of cyber resilience through ongoing training and awareness using DBSA brief and virtual training.

Associated opportunities	Looking ahead
Digital migration offers the opportunity of client activity shifting from physical engagement to digital services and channels, with enhanced prospects to improve our internal efficiencies.	Continued focus on securing the Bank's IT environment, cloud migration, data and digitisation strategies. This will build our cyber resilience against cyberattacks or malware. We will further enhance risk and governance over the use of digital tools and increase focus on the IT control environment given emerging risks identified in the COVID-19 environment.

MATERIAL ISSUES CONTINUED

HUMAN CAPITAL DEVELOPMENT

Why this is important

Without the commitment and effort of our people, none of what we seek to achieve would be possible. Skills shortages and competition for critical competencies are rising globally, particularly for technology- and digital-related roles. The DBSA must be able to attract, train and retain strategic job groups while improving the effectiveness of learning and development initiatives to build adequate skills.

As a result of the COVID-19 pandemic, we have seen increasing pressure on the workforce in a volatile 'new normal' where work and personal life are integrated. A decrease in staff morale has an adverse impact on work productivity as well as employee development and wellness.

Our response

» The Careways Employee Assistance Programme is available to employees for support and counselling.
» Platforms provided to discuss and engage on COVID-19 related challenges.
» Launched the Resumption Plan strategy in response to COVID-19 regulations.
» Contingency plans are in place for succession of critical skills.

Associated opportunities

COVID-19 has presented an opportunity of reskilling our employees and investing in skills relevant for driving business change in the 4IR world. In the realm of the rapidly evolving world of work characterised by remote working, we will strive to develop innovative staff engagements to drive employee productivity.

Looking ahead

The Bank will continue to build on its culture risk assessment conducted in 2019, which is a risk tool that proactively identifies culture, business and client risks. Ensuring the health of organisational culture is critical to embedding performance-based company culture.

MAINTAINING HIGH STANDARDS OF ETHICS AND INTEGRITY

Why this is important

It is imperative that the DBSA maintains a solid reputation for high standards of business conduct and ethical behaviour and the need to act fairly in respect of all stakeholders. Reputational or legal risks may arise if clients or funders perceive the Bank's operational and financing activities to be misaligned to its core developmental mandate. Reputational risks may be further aggravated by actual or perceived conduct and performance that violates responsible climate change investment strategies. Allegations of inappropriate governance in the media may also harm our reputational standing.

Our response

We reviewed our Enterprise Risk Management (ERM) practices, which incorporated changes to the Bank's number of principal risks, including the elevation of reputation, technology, financial crime and sustainability risk. Under the strategic direction of the Audit and Risk Committee, the DBSA implemented a comprehensive response to COVID-19 that focused not only on our primary South African market but extended to the entire SADC region. We proactively dealt with negative and unwarranted allegations of impropriety. Independent investigations were instituted to restore public confidence in our governance processes. Throughout all these challenges, we also shone the spotlight on our key development impact mandate by elevating the development position and related development index to align stakeholder expectations regarding DBSA's contribution and performance.

Associated opportunities

Sound ethics helps to develop relationships built on mutual trust and respect. Ethical practices align stakeholders with the DBSA's vision and mission and underpin a commercially successful and socially responsible business.

Looking ahead

We will continue to instil a culture of sound regulatory compliance across the Bank and develop systems with the agility to accommodate rapid change. A key focus will be to gain greater understanding of the impact of future requirements on the current business model and practices, and proactively make necessary changes.

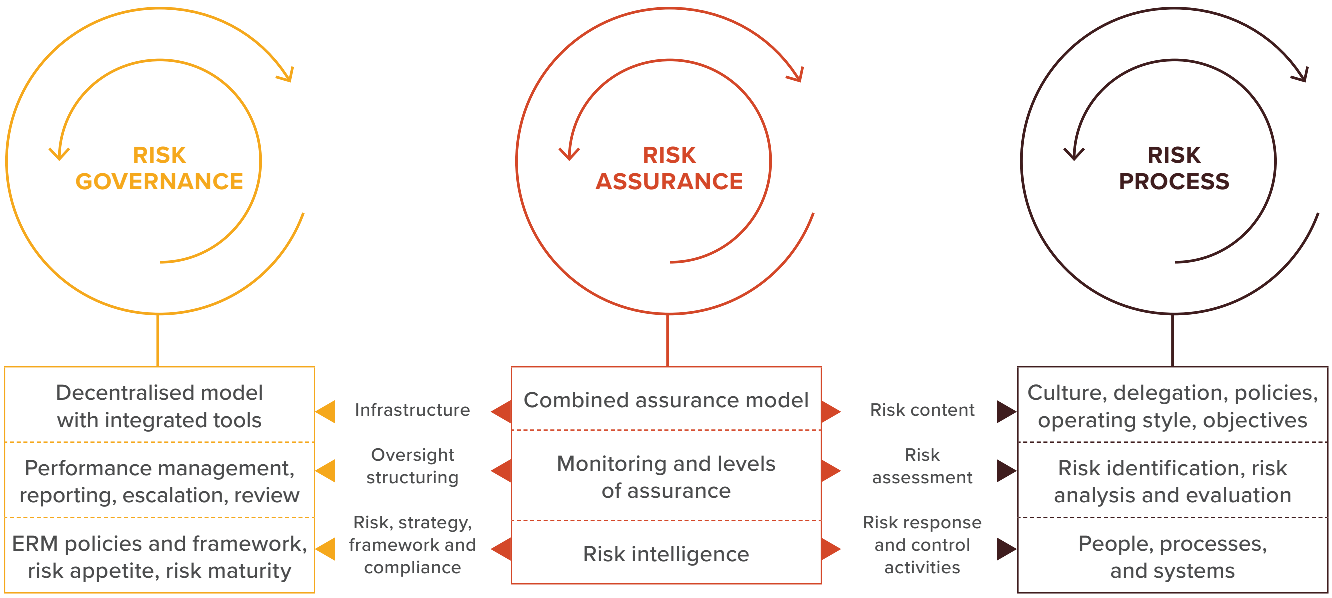

RISK
MANAGEMENT

MANAGING OUR RISKS AND OPPORTUNITIES

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

ENTERPRISE RISK MANAGEMENT

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



Risk governance

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

Risk assurance

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

Risk process

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

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

Business Unit	Line management and employees are responsible for the management of risk including controlling and monitoring as part of normal business operations.
Group Risk Assurance	Group Risk Assurance, comprising Compliance, ERM, Business Continuity Management, Legal and Credit and Market Risk Monitoring, develop policies and adopts best practice standards for managing risk exposures.
Internal and External Auditors	Internal and external audit provide independent assurance on the effectiveness of risk management within the DBSA.
Executive Committee	The Executive Committee is responsible for providing oversight of the DBSA activities and ensuring implementation that is consistent with Board approved business strategy and policies.
Board	The Board oversees the activities of the DBSA and is held accountable by the Shareholder for strategy and performance of the DBSA. The Audit and Risk Committee is mandated to oversee the implementation of the DBSA's ERM framework.

RISK APPETITE

The Risk Appetite Statement defines the amount of risk the DBSA can afford to take and prefers to take in achieving its objectives. The Board-approved Risk Appetite Statement contains specific metrics with thresholds as shown in the following diagram.

Risk appetite pillars

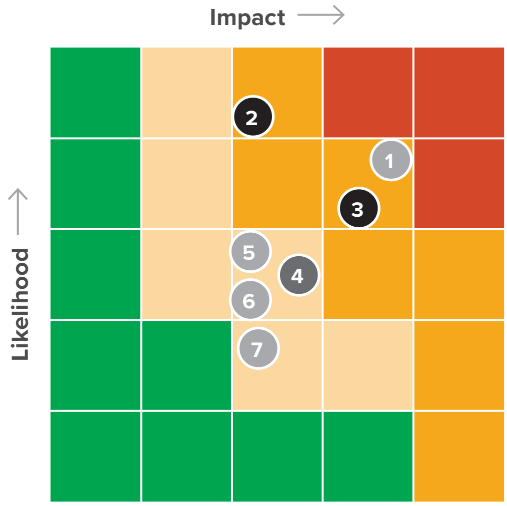
Capital adequacy	Financial sustainability	Credit default	Credit concentration	Liquidity and market risk	Sustainability risk	Operational risk

OUR PRINCIPAL RISKS

Principal risks are approved and monitored throughout the year and adjustments made as issues emerge. The significant changes in our operating context, brought on by the global spread of COVID-19 and subsequent lockdowns, continued throughout the year under review. As predicted, the impact of the pandemic increased as the year progressed. The DBSA Board and management team continuously review the principal risks to ensure an appropriate understanding of the overall operating environment.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Principal risk	Themes
1 Credit risk	F
2 Successive waves of COVID-19	F O S E
3 Cyber risk	F O
4 Liquidity risk	F O
5 Reputation risk	F O S
6 Business environment and operations	F O
7 People and culture risk	O



Velocity

- **EXTREMELY RAPID** impact evident within a month
- **RAPID** impact evident within a quarter
- **SLOW** impact evident within a year

- F **Financial sustainability**
- O **Operational sustainability**
- S **Social sustainability**
- E **Environmental sustainability**

The principal risks the Bank identified at the end of the year under review are as follows:

Principal risk description	Strategic objectives	Risk response	Residual risk rating		
			2019	2020	2021
1. Credit risk An increase in the inability of clients to honour debt obligations **External drivers** » Possible material loss arising from the possible non-performance of a single large credit exposure or multiple exposures that are closely correlated	» Financial sustainability » Accelerating development impact	» Proactive due diligence assessments conducted to incorporate the analyses of economic and global market conditions » Conduct routine monitoring of loans to ensure that the Bank remains within the risk appetite	Moderate	Moderate	High
2. Successive waves of COVID-19 Increase in infections and fatalities as economies reopen may lead to reinstatement of hard lockdowns leading to depressed economy (globally and locally) **External drivers** » Easing of lockdowns across the world » New variants that may be more transmittable than the initial virus » Ineffective efforts at social distancing and use of personal protective equipment (PPE) » Inadequate availability of PPE in the country	» Financial sustainability » Accelerating development impact » Smart partnerships	» Resumption Plan will continue to guide the phasing in of the workforce, guided by the new regulations » See 'Our response to the COVID-19 pandemic' on pages 15 to 16 for further detail about the Bank's response to pandemic-related risks	–	–	High

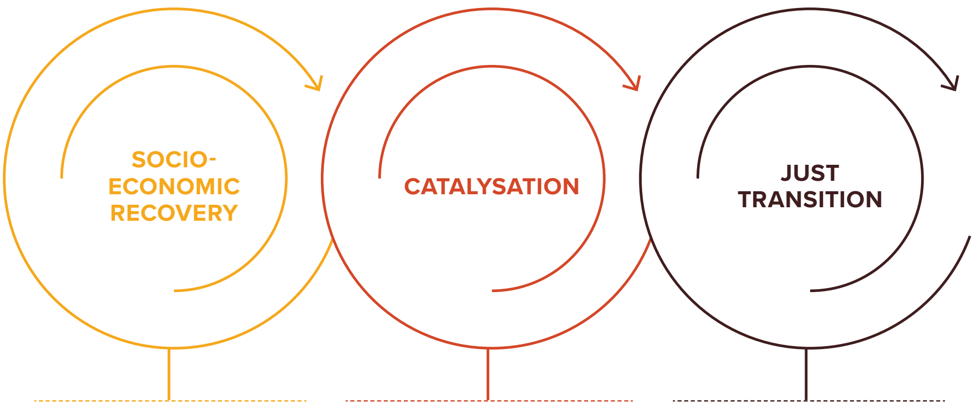
Principal risk description	Strategic objectives	Risk response	Residual risk rating 2019	2020	2021
3. Cyber risk Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security **External drivers** A spike in phishing attacks, malicious spam and ransomware attacks as attackers are using COVID-19 as bait to impersonate brands thereby misleading employees and clients	» Financial sustainability » Accelerating development impact » Building future-fit » Smart partnerships	» Fostering a culture of cyber resilience through ongoing training and awareness using DBSA brief and virtual training. » Focusing on protecting critical capabilities and services » Implement an information security management system and cybersecurity strategy – cybersecurity risk simulation	Moderate	Moderate	High
4. Liquidity risk Inability for the Bank to have sufficient funds to meet its maturing obligations and disbursement target **External drivers** Increase in the cost of funding	» Financial sustainability » Accelerating development impact » Smart partnerships	» Engaging with key clients to understand funding requirements and align with DBSA funding availability » Regular monitoring of prudential limits to ensure it remains within the risk appetite	Low	Moderate	High
5. Reputation risk Arising from any facet of the Bank's actual or perceived conduct and performance **External drivers** » Increasing demand from stakeholders to restructure loans due to COVID-19 » Insufficient deal flow may negatively affect overall development impact » Allegations of inappropriate governance in the media **Internal drivers** Any significant delays in the implementation of the District Delivery Model and/or the Infrastructure Fund	» Financial sustainability » Accelerating development impact » Building future-fit » Smart partnerships	» Public relations and stakeholder management to communicate mandate and performance outcomes » Utilising the development Position and related Development index to align stakeholder expectations regarding DBSA's contribution and performance » The DBSA has committed R150 million for COVID-19 related immediate and short term interventions, as well long term interventions focusing on economic recovery	–	Moderate	High
6. Business environment and operations Failure to maintain adequate responsiveness and agility to respond to the changing environment **External drivers** » Prolonged global recession as a result of decreasing economic activity due to COVID-19 related lockdowns » Potential shifts in priorities of governments in the region away from infrastructure projects to pandemic relief **Internal drivers** Under-resourced support functions within DBSA leading to delays	» Financial sustainability » Accelerating development impact » Building future-fit » Smart partnerships	» Increasing focus on the non-core lending aspects of the business » Investigating options to reshape the loan book » Strengthening partnerships and increased collaboration with other DFIs » Increasing digitalisation in operations » Improving the effectiveness of learning and development initiatives to build adequate skills » Improving strategy alignment and execution through an enhanced Balanced Scorecard process	Low	Moderate	Moderate

Principal risk description	Strategic objectives	Risk response	Residual risk rating		
			2019	2020	2021
7. People and culture risk Potential decrease in staff morale, adverse impact on work productivity, employee development and wellness **Internal drivers** » Increasing pressure on the workforce in a volatile 'new normal' where work and personal life are integrated » Ability to attract, train and retain strategic job groups » Improving the effectiveness of learning and development initiatives to build adequate skills	» Financial sustainability » Accelerating development impact » Building future-fit » Smart partnerships	» Activated the Resumption Plan strategy in response to COVID-19 regulations » Developed contingency plans relating to succession for critical skills » Created engagement platforms where employees can pose COVID-19 related queries » The Careways Employee Assistance Programme is available to employees for any support and counselling	Moderate	Moderate	Moderate

OUR STRATEGIC OPPORTUNITIES

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

Below are our top three strategic opportunities:



The DBSA is well placed to play a pivotal role in the post-lockdown economic recovery and ensure that it is inclusive of broader groups of society as it increases the scale and rollout of infrastructure development

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

The DBSA is well placed to play a role in the Just Transition investment landscape to ensure the funding of cleaner technologies for energy generation in a manner that assists society to transition to new methods of production and mitigate against the proliferation of ghost towns

LINKING OUR RISKS TO OPPORTUNITIES

Strategic risks	Mitigation	Tactical opportunity
These are risks arising from unforeseen changes in the business environment that could invalidate fundamental assumptions underlying the Bank's corporate strategy. Unexpected events in the development finance market could also render the Bank's operating model uncompetitive. **Related principal risks** » Successive waves of COVID-19 » Cybersecurity risk » Reputation risk » Business environment and operations	» Continuous monitoring and adjustments made to operating processes » Increasing diversification of the portfolio » Unpacking the DBSA's contribution to the green economy » Increasing diversification of our funding sources	» Providing a development space within underserved communities that enables access through stimulating the local economy, driving job creation, increasing access to skills of the future, innovative financing, and funding platforms » Strengthening local government capacity through the non-financing infrastructure delivery and programme implementation initiatives » Establishment of District Development Model Programme Coordinating Office and the district hubs » Addressing the high costs of broadband internet connectivity, services and equipment » Enhancing ICT sector policy and institutional arrangements to increase private sector participation and effective delivery » Implementing interventions that extend broadband penetration to bridge the 'digital divide'

Business risks	Mitigation	Tactical opportunity
These are risks arising from business decisions made in the management of funds, extension of credit and implementation of infrastructure as well as people, systems and other processes. **Related principal risks** » Credit risk » Liquidity risk » Business environment and operations » People and culture risk	» Comprehensive and rigorous governance processes in the approval and post-investment management of deals » Comprehensive compliance management framework » Adoption of an enhanced Integrated Energy Sector Investment Framework which complements the existing Social and Environmental Framework	» Increasing digitalisation by harnessing the collective output of the 4IR to drive the DBSA's relevance using innovative processes, technology and enhanced people capability » Using novel ways to structure deals

Financial risks	Mitigation	Tactical opportunity
These are risks arising from volatility and fluctuations in market rates, the inability of the institution to meet financial obligations in a timely manner when they come due without incurring unacceptable costs or losses. Failure of a counterparty to trade or invest in meeting its obligations and/or a deterioration occurring in the credit rating of a counterparty, thereby reducing the value of assets. **Related principal risks** » Credit risk » Liquidity risk	» Proactive client/business support and recovery to minimise losses from defaults » Continuous monitoring of prudential limits » Raising concessional credit lines in order to implement blended finance structures » Continuous stakeholder engagement covering clients, foreign governments, the Presidency, National Treasury, pension funds, commercial banks, project sponsors and government departments	» Playing a significant role in crowding-in public and private sector participation and investment in infrastructure development » Using novel ways to source and structure deals

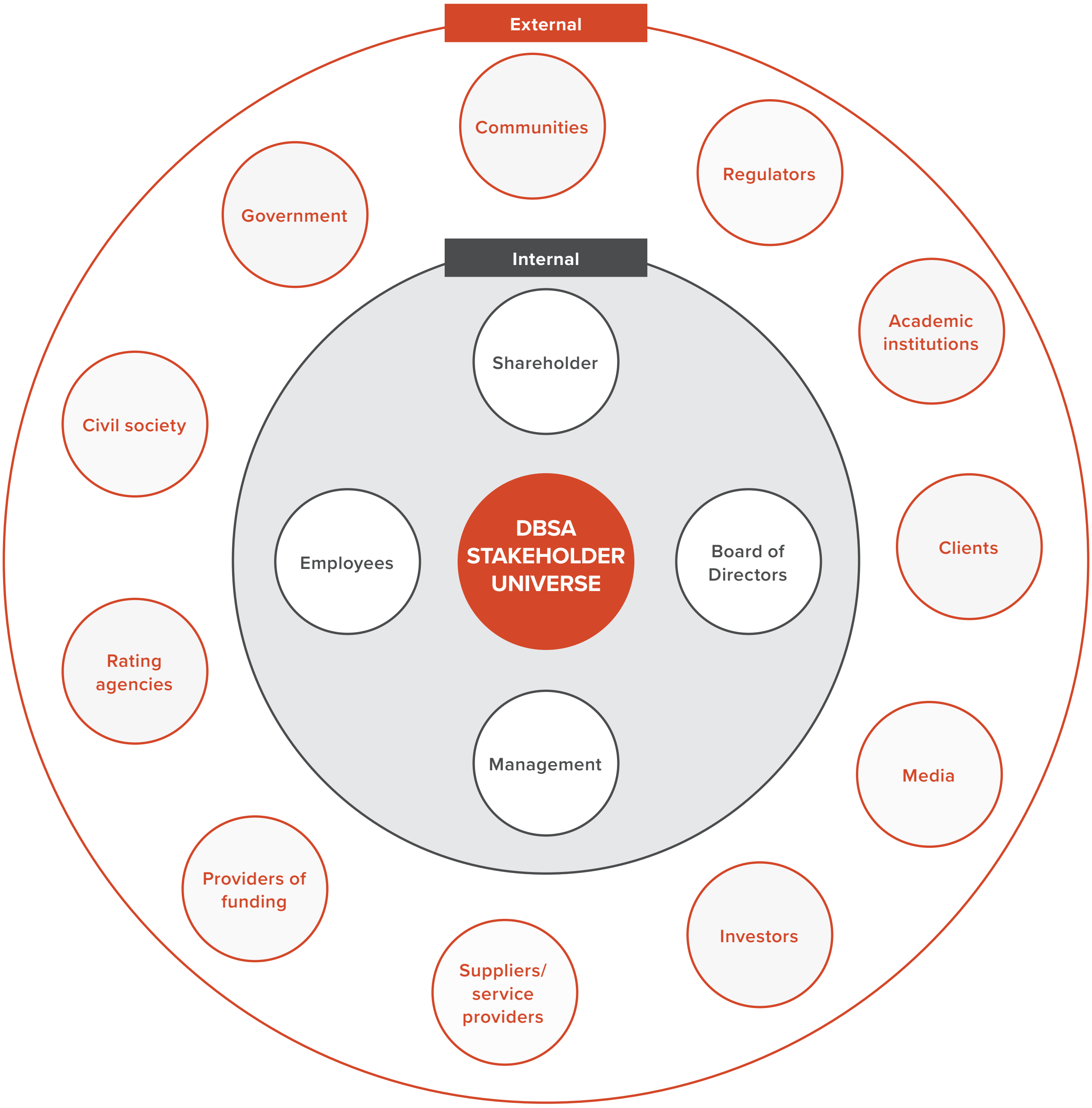
OUR STAKEHOLDERS AND STRATEGIC PARTNERS

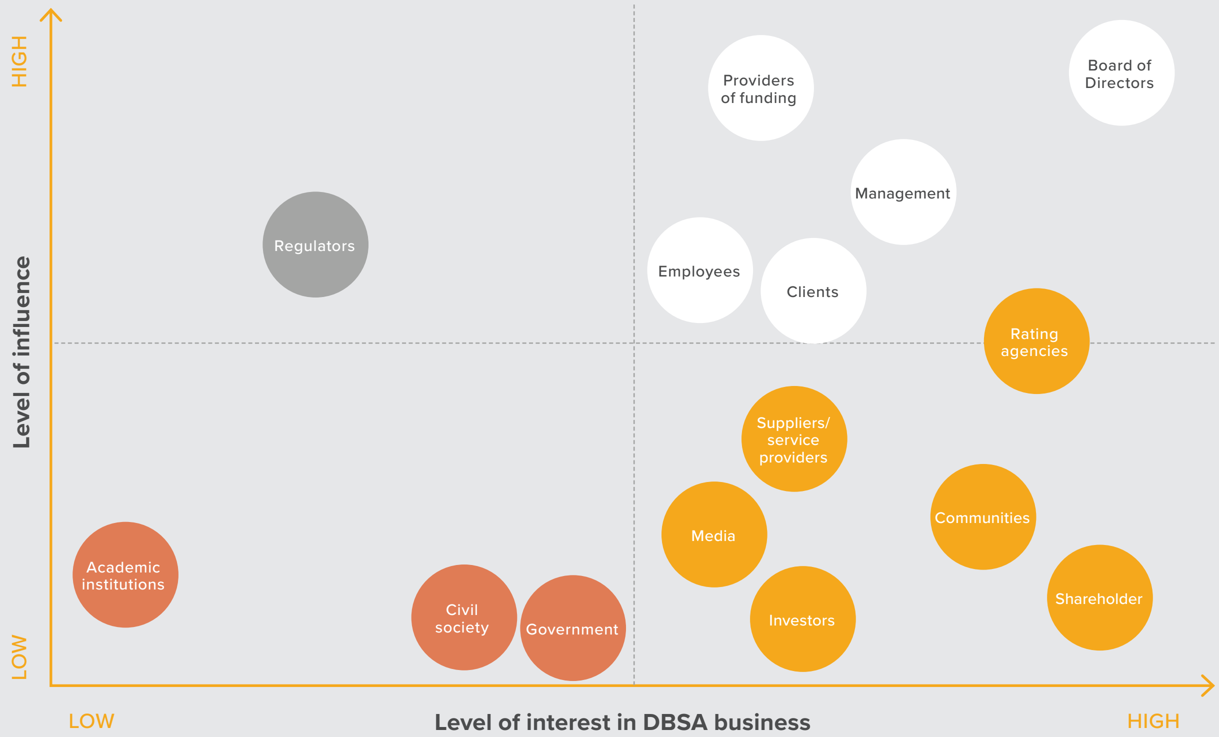
OUR STAKEHOLDER UNIVERSE

The DBSA's commitment to a stakeholder-inclusive and customer-centric approach demands that we embed engagement with stakeholders into our value creation process. Our stakeholder relationships are critical to gaining an authentic social licence to operate. The DBSA's stakeholder universe comprises 15 stakeholder categories that impact our business directly or indirectly, as follows:

How we identify and analyse our stakeholders

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





Our key stakeholder groups and how we engage

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

Our mission guides our strategy, behaviours and actions towards the delivery of long term value for us and our stakeholders. The Board seeks to understand and respond to the needs of our stakeholders and duly considers their legitimate needs and reasonable expectations in the execution of its duties. The day-to-day management of stakeholders is proactive and decentralised to the business unit to engage directly and transact with the specific stakeholder. Material stakeholder concerns remain the prerogative of the Board.

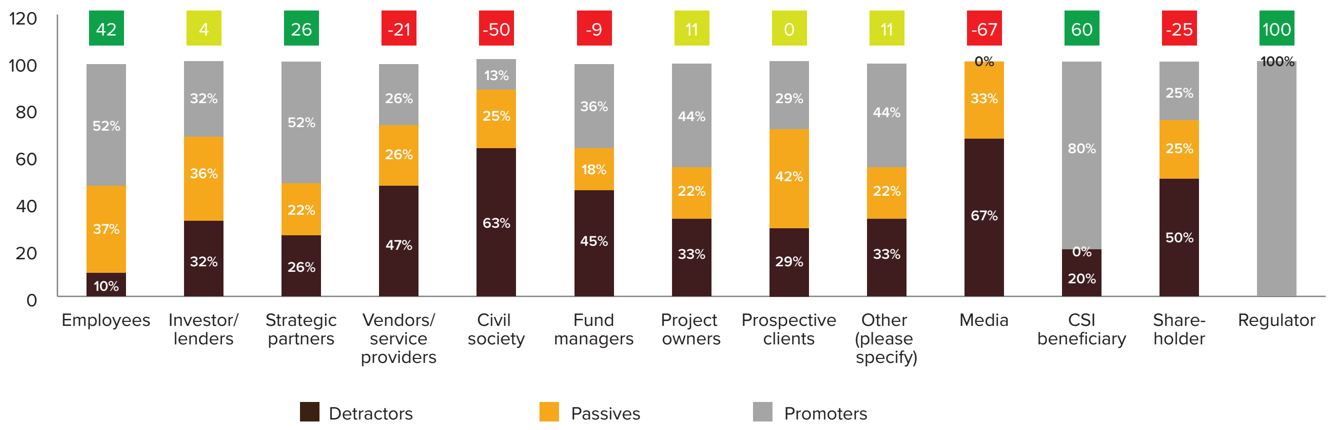
OUR STAKEHOLDERS AND STRATEGIC PARTNERS CONTINUED

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

STAKEHOLDER RELATIONSHIP QUALITY

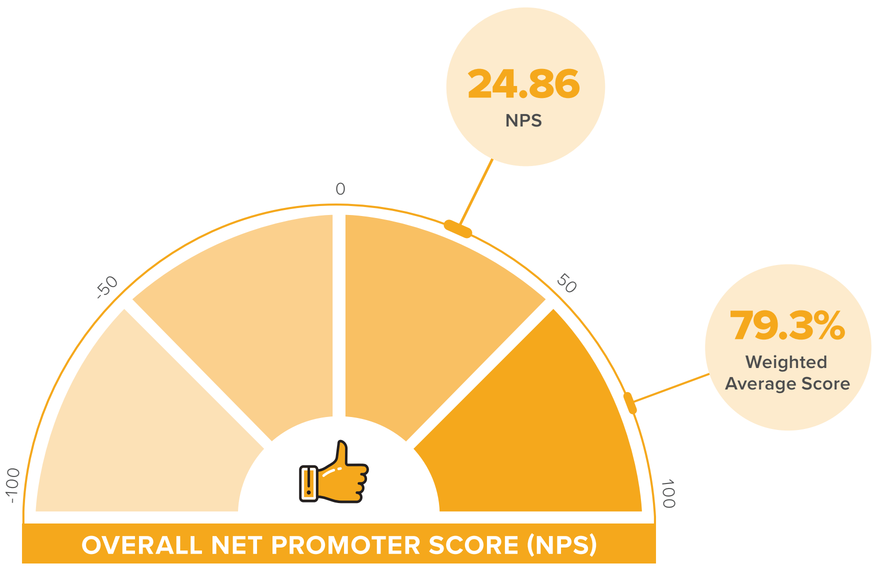
To foster effective relationships with our stakeholders, we assess the quality of our relationship with them to identify areas of concern and craft corrective action. We consider the competing interests of various stakeholder groups. Measuring the quality of our relationships is based on key pillars that indicate the requirements for healthy and strong relationships with stakeholders. DBSA's stakeholder quality index per stakeholder category was measured in the final quarter of the period under review, as outlined below:

Make up of stakeholder segments according to net promoter results (NPS scores)



ADVOCACY

The DBSA has achieved an NPS of 24.86 which is well above zero, indicating that the majority of respondents are adovates of the brand.



- NPS is an indicator of customer advocacy and can be used to test the health of a business.
- It ranges from -100 to 100. The higher positive scores (i.e. greater than zero) are desirable as this indicates that more customers are willing to refer your business to others.

TAKEOUT

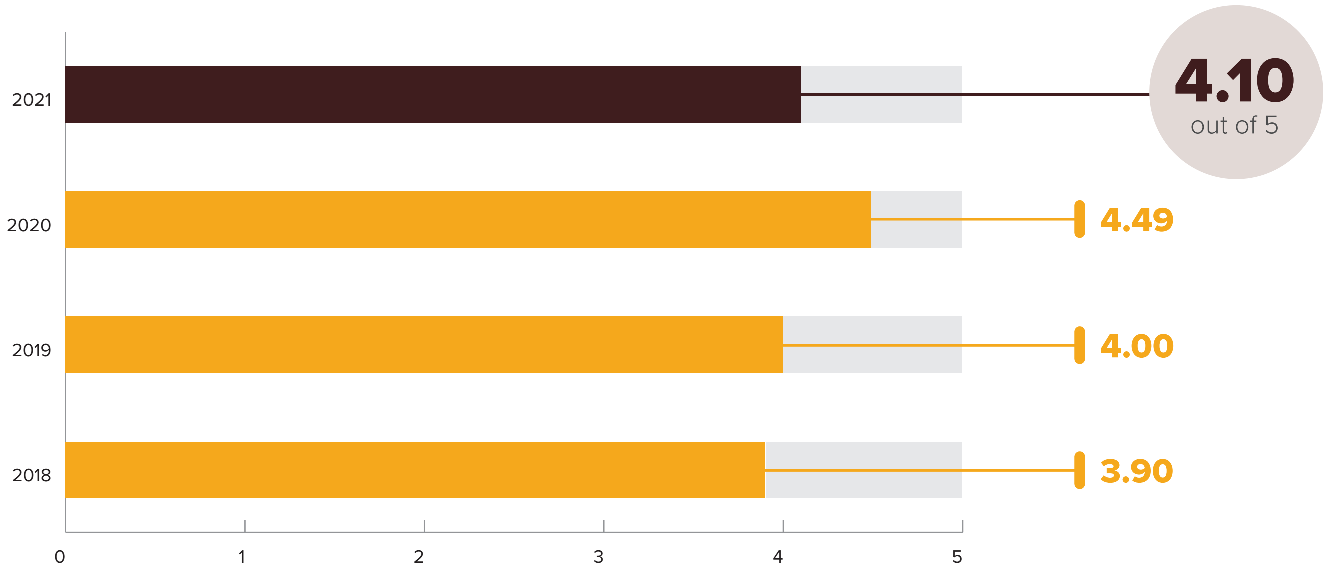
- The DBSA has achieved an NPS of 24.86 which is a great result considering that a score above zero is seen as positive.
- A good NPS score suggests high customer satisfaction and a great customer experience. It measures customer satisfaction through the consumer journey and identifies the percentage of customers that are most satisfied.

OUR STAKEHOLDERS AND STRATEGIC PARTNERS CONTINUED

Client satisfaction

The DBSA annually surveys the satisfaction levels of our clients. We use the results from this study to benchmark our ability to fulfil the needs and expectations of our clients and develop remedial steps to address identified gaps. In the 2020/21 financial year, the study approach was adapted to include questions pertaining to the unprecedented socio-economic conditions arising out of the COVID-19 crisis. This year, the study repeated the questions to compare our performance with respect to these COVID-19 related questions. The 2021 rating of 4.1 out of 5 demonstrates a consistent client satisfaction level, although slightly lower than the 4.49 rating recorded in the previous reporting period.

Client satisfaction rating



Issues raised

2021 issues were as follows:

» DBSA clients are largely satisfied with the Bank's products and services. However, they still state that pricing adjustments would improve their overall experience in dealing with the Bank. As pricing is a key consideration for clients' purchasing decisions, we need to communicate to clients and prospective clients how pricing is determined. DBSA pricing is not fixed as each client's requirements are typically unique.

» To ensure success, the DBSA will need to be responsive to the extended impact of the COVID-19 pandemic on its client base. The pandemic's impacts on clients may include shifts in business prioritisation and higher expectations of service providers during challenging operating conditions.

» Conduct more frequent short term surveys to obtain feedback from clients and prospective clients who may have been unsuccessful in the application process. This will enable us to continuously improve our customer service, product and service offering, and help us to keep pace with other players in the market.

Our performance

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

CEO'S REVIEW

The year under review was, unsurprisingly, the most extraordinary in the history of the DBSA. The COVID-19 pandemic caused unprecedented global and local pressures, which have tested the organisation's leadership, staff and partnerships to the limit. However, the work of the DBSA shone through during these dark times and despite the heavy restrictions, pursuit of the Bank's infrastructure mandate continued. It is therefore a credit to the entire organisation that the Bank has emerged stronger at the end of this difficult year than it was in 2020.

The Bank was heavily challenged from all directions in a year marked by intense financial pressures, urgent and widespread social need, and an abnormal operating environment. The pandemic has seriously disrupted the world's financial markets, created uncertainty in every sector and has simultaneously increased financial and social needs on a global scale never witnessed before.

We had to manage internal pressures emanating from the pandemic's effect on our employees' health and safety, on our operational budget and on using established organisational systems and procedures, many of which previously required in-person attendance. Technology upgrades have been critical to this successful adaptation, along with the willingness and flexibility of our employees. As a result, the DBSA was forced to leapfrog into some elements of the Fourth Industrial Revolution (4IR). It adapted to new ways of operations, characterised by working from home and virtual meetings. These reforms contributed to driving a digital mindset and culture, which created a trajectory of gradual recovery that enabled the Bank to sustain its operations through COVID-19's various phases.

I am pleased to report that the Bank has adapted well to the necessary changes. Our ability to survive and even thrive this year was underpinned by our strong, well-established governance structures, proving that our investment in sturdy governance has enabled rapid and appropriate responses in a time of unusual challenge.

The National Treasury's confidence in the DBSA to competently support government's COVID-19 initiatives was pleasing and daunting. Ratings downgrades and weak economic fundamentals were major roadblocks to high-end returns. The economic pressures from the pandemic, especially on commodities, resulted in many clients struggling to repay loans. The Land Bank's protracted default also created a contagion that impacted the DBSA.

With our capital market dislocated by deteriorating macroeconomic conditions, the DBSA faced intermittent liquidity and cost of funds challenges. However, the Bank remains exceedingly well capitalised and our Treasury team continues working to increase the Bank's liquidity buffers so that we can respond positively to the burgeoning funding requirements of our core client base. We were able to draw on well-nurtured relationships with other DFIs to secure funding when needed.

FINANCIAL PERFORMANCE

The DBSA's financial sustainability is the springboard from which we achieve our mandate and accelerate our development impact. In the year under review, the Bank weathered the exceptionally difficult macroeconomic landscape impeccably, achieving a net profit for the year of R1.4 billion (2020: R504 million). The income statement impact of the expected credit losses decreased by R2.4 billion to R1.2 billion, compared to R3.6 billion in the previous year. Operating costs remained under control, with a cost-to-income ratio at 25% (2020: 28%). Net interest margin of 5.3% reflects a 4% increase compared to last year's margin of 5.1%. The foreign exchange losses as a result of the rand appreciating against the US dollar amounted to R0.9 billion (2020: gains of R1.2 billion).

The Bank's total assets decreased by 0.4% to R100 billion (2020: R100.5 billion), while development loans decreased by 5% on the back of high repayments and the losses from the appreciation of the rand. Net cash generated from operations increased by 22% to R4.5 billion (2020: R3.6 billion).

IMPACT OF COVID-19

At the time of reporting last year, the COVID-19 pandemic was still in its early phases and not yet well understood. Over the past year the pandemic has continued ripping lives apart and damaging economies, but we are now hopeful that its impact will be substantially reduced in the next year or two through vaccinating the world's human population.

Even so, at this time of reporting, a third wave of COVID-19 has swept through South Africa and parts of the continent, causing human misery and further impacting vulnerable sectors of the economy such as hospitality and the performing arts, which were already distressed by previous lockdowns and restrictions. Frontline government entities such as the National Treasury and Department of Cooperative Governance (DCoG) have committed to the DBSA as key partners in safeguarding and reviving the South African economy as it weathers the pandemic. We are under no illusions about the scale and complexity of the economic issues that have not gone away – COVID-19 has simply elbowed these aside for now.

Along with most financial institutions, the Bank has endured higher costs of capital, harder access to liquidity and increased non-performing loans and credit losses. We have been compelled to re-examine how to accommodate our clients within reduced DBSA funding, which is partly as a result of redirecting funds to relief programmes, isolation pods and the provision of PPE. For example, the DBSA channelled R41 million into providing potable water infrastructure for particularly vulnerable communities.

CEO'S REVIEW CONTINUED

To date Africa has been spared the overwhelming human impact of COVID-19 witnessed in other continents, but its economic impact has been devastating. Even so, while the Bank received requests for debt relief and restructuring from Zambia and other entities, clients such as Angola still managed their debt repayments in spite of low oil prices and other contributing factors.

The DBSA is a major participant in two prioritised initiatives that bring the promise of improved economic fundamentals for South Africa. These are the District Development Model and the Infrastructure Fund driven by the Investment and Infrastructure Office in the Presidency.

RISKS, CHALLENGES AND OPPORTUNITIES

One positive aspect of a difficult year is that it can reveal risks or challenges that might otherwise go unnoticed. It can also highlight organisational strengths and weaknesses.

There is no doubt that 2020/21 revealed jagged socio-economic fault lines that were thinly disguised by the country's relative prosperity in recent years. For instance, poverty among the youth is a major issue that must be addressed – it threatens the sustainability of South Africa as an aspirational country.

We have also witnessed the major weakening of capacity in municipalities, as our successful development and infrastructure projects in municipalities are too thinly spread. Municipal infrastructure continues deteriorating across the country, often due to inadequate local leadership. Adding to this challenge is the risk to infrastructure development of rogue and destructive construction organisations.

South Africa's SOEs are undergoing their own pandemic of sorts, with financial contagion experienced at times. Nevertheless, 2020/21 has highlighted what the DBSA can achieve against a background of pervasive hardship and a harsh global economic outlook. Timely interventions, such as the Infrastructure Fund, provide proper platforms to intervene.

Our reputation as a world-class DFI remains intact. The Bank's budgets are presently constrained, but we can maintain our competitiveness through creativity and innovation. Leading by example, our leadership needs to inculcate a positive culture in the Bank that sustains an environment in which corruption remains unacceptable, governance structures are robust and funding partners can be reassured that their investment is safe and well managed. Looking after our employees is critical if we wish to attract the best people to the DBSA. We are confident that we have appropriate structures in place to safeguard the future of the Bank.

The overriding reality is that Africa needs to build capacity, which is essentially what the DBSA is about. Launching the African Continental Free Trade Area brings hope and the promise of new jobs, along with the prospect of attracting meaningful foreign direct investment to South Africa and the continent. Inward investment, particularly into logistics, physical infrastructure and technology will spur African growth. There are many reasons to be hopeful.

STRATEGY

The DBSA is alive to the challenges of Africa and cognisant of the role we can play in providing relief and forward traction. We aim to continue building our reputation as an admired institution in this arena. Our strategies for the coming year revolve around innovation, remaining competitive and improving the opportunities for marginalised entities and individuals.

This past year has emphasised that digital transformation is critical to progress and needs to continue through the coming year. We need to attract talented individuals to the Bank and deepen the skill sets of existing staff to drive our programmes forward as efficiently as possible, maximising the benefits of our expenditure.

The DBSA has provided guidance to under-resourced municipalities that lack the necessary resources to produce the requisite plans to apply for grants from the fiscus. The value of infrastructure projects unlocked in this sector during the year was R1.4 billion compared to R0.9 billion in the previous year.

Our strategy is enabled by:

» Raising funding at competitive rates and maintaining healthy liquidity levels
» Achieving operational excellence by developing a high performance culture that takes accountability for executing its functions
» Developing strategic partnerships with funders and other organisations active in Africa's economic and social development arenas
» Maintaining good governance and risk management to protect the Bank and the legitimate expectations of our stakeholders

Strategic focus areas

In the year ahead, the DBSA is focusing on three strategic areas that best address our development mandate in the current economic environment. These are to:

» Drive inclusive economic recovery in South Africa, in particular through the District Development Model and implementing the newly established Infrastructure Fund platform
» Create an Africa-wide collaboration strategy for identifying and clinching key development projects around the continent. Our strategic partners will include the private sector, governmental bodies and other DFIs
» Establish a Digital DBSA that is fully equipped and motivated to lead the pack as a sought-after DFI for South African and continental projects

OPERATIONAL PERFORMANCE

Plan and prepare

R900 million
in project value prepared and committed for funding

R1.4 billion
infrastructure unlocked exceeding R0.9 billion target, which will translate into service delivery in electricity, water and sanitation

R8.2 billion
infrastructure development catalysed, which fell short of the R13.5 billion target

R2.1 billion
in projects prepared for black-owned entities

SA Connect
signed MOU with Department of Communications and Digital Technologies

Finance

We met our disbursement targets
in a volatile and liquidity-scarce environment

Against the odds, DBSA secured new long term assets
while simultaneously improving the quality of our loan book

Provided long term funding
to highly rated SOEs and municipalities

Executed on our social mandate
by funding student housing and affordable private healthcare

Total approvals amounted to R14.4 billion (2020: R31.5 billion) and commitments amounted to R10.9 billion (2020: R27.2 billion). Disbursements for the year totalled R13.5 billion (2020: R15.4 billion). This is comprised of R4.5 billion (2020: R2 billion) to metros, R0.3 billion (2020: R0.5 billion) to other municipalities, R4.0 billion (2020: R7.5 billion) to the economic sectors and R0.2 billion (2020: R0.2 billion) to social infrastructure sector in South Africa. The Bank also provided R4.5 billion (2020: R5.4 billion) to broader African projects. Funds catalysed for the year amounted to R8.2 billion (2020: R13.6 billion).

Given the twists and turns of the current operating environment, we continued rebalancing our financial structuring to grow the balance sheet while fulfilling our transformation and development agenda. Well-conceived compact projects can deliver transformative change in smaller towns. As part of rebalancing, we added large long term funding to materially improve our loan book quality and the Bank's overall resilience.

The municipal sector makes up 30% of the total loan book of the DBSA and is therefore a critical market segment. While we have continued prioritising the funding of capital expenditure programmes for municipalities, the DBSA's resources are finite. We know that at times municipalities lack the capacity to identify and structure economic projects, although they are reasonably adept in motivating social transformation capital expenditure projects in line with national priorities such as service delivery and access to services. The DBSA's approach prioritises balance sheet or limited recourse programmes through innovative project finance and other structuring solutions. We are working to capacitate the municipalities through PMUs that guide revenue enhancement and capacity support, infrastructure maintenance and project implementation. We also support smaller municipalities by enabling credit and attracting private sector interest in infrastructure development by providing risk capital.

Throughout the year the DBSA continued supporting DCoG's rollout of the recently launched District Development Model (DDM) by establishing and resourcing a programme coordinating office (PCO). This included developing an information management system to monitor the DDM rollout and investing R67 million to assess 42 DMs and seven metros. The Bank has thus far contributed R28 million towards the PCO, which includes establishing a Programme Implementation unit (PIU) and district hubs at three pilot sites. The DDM's programmatic approach is well aligned to engage local government support for PIUs to develop infrastructure efficiently.

The Bank has implemented appropriate risk and internal controls to mitigate current and emerging risks. Despite the difficulties from time to time in engaging local government, we take great pride in enabling service delivery and making tangible differences to Africa's communities, especially those in rural and semi-rural areas.

Build and maintain

In the year under review, the Bank contributed R2.6 billion to municipal and government infrastructure development against the targeted R3.5 billion. The decreased spend from the R4.1 billion contributed in the previous year resulted primarily from lockdown restrictions that severely hampered the construction industry.

Despite the spending slowdown, I'm pleased to report that black-owned suppliers delivered 90% of the total infrastructure, with 39% provided by black women-owned entities. IDD's cost-to-income ratio of 92% outperformed the 96% benchmark figure.

I am proud of the Bank's infrastructure delivery team, which guided its clients to work through the challenges of spatially integrated government planning for strategic investment spending and project delivery, within the bounds of accountability.

HIGHLIGHTS OF THE YEAR

641
projects reached practical completion

90%
of expenditure paid to B-BBEE companies procured, of which 39% have women ownership of >30%

R5.2 billion
funds under management
(R30.1 billion since 2014)

R2.63 billion
value of infrastructure delivered
(R21.8 billion since 2014)

R31.1 billion
funds catalysed since 2017

R137.6 million
cost recovery revenue
(R1.27 billion since 2014)

APPOINTMENT OF NEW EXECUTIVES

In the year under review, we finalised the Memorandum of Agreement between the DBSA, National Treasury and the Department of Public Works and Infrastructure: Infrastructure South Africa (ISA) in respect of the Infrastructure Fund. I am glad to report that Mohale Rakgate has been appointed as the Chief Investment Officer for the fund and assumed responsibilities in October 2020. The fund will help the country address accumulated infrastructure deficits. And similarly, the Group Executive for Project Preparation, Catherine Koffman, was appointed in February 2021.

OUTLOOK

As we emerge from the pandemic, infrastructure will be key to economic recovery. The nature of infrastructure is that it must be installed way ahead of demand to catalyse that demand. Initiatives such as the Infrastructure Fund and District Development Model offer exciting opportunities to support government in accelerating the post COVID-19 recovery plan.

Our heavy and proactive emphasis on sustainable development sets us apart as a DFI. By embracing technology and placing our human capital at the centre of our operations, we will remain competitive and position ourselves as the go-to DFI of the future.

GRATITUDE

I take this opportunity to thank our Board for their valuable guidance during the year, our executive leadership and all our employees for their dedication to the DBSA ethos, which enabled us to continue servicing clients professionally while adapting to new ways of working compelled by COVID-19. I also wish to record my deep appreciation for our partners and the other far-sighted individuals and entities who provided access to the funding that kept our projects underway.

Mr Patrick Dlamini
Chief Executive Officer and Managing Director

Our financial capital

MANAGING OUR FINANCIAL CAPITAL

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

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

FINANCIAL CAPITAL INPUTS

R39.2 billion

capital and reserves

R4.5 billion

cash generated from operations

R1.4 billion

net profit

R59.5 billion

financial market liabilities

VALUE CREATED FOR STAKEHOLDERS

R1.4 billion

profit for the year

R835 million

employee remuneration and benefits

R325 million

suppliers' expenses

R111 million

social responsibility project expenses

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

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

KEY FACTORS IMPACTING THE BANK'S FINANCIAL CAPITAL

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

Associated key risks	Our strategic response
» Credit risk » Successive waves of COVID-19 » Cybersecurity risk » Liquidity risk » Reputation risk » Business environment and operations » People and culture risk	» Diversifying our funding sources both locally and internationally » Building organisational sustainability by converting transactions to drive disbursements

GOVERNANCE OVERSIGHT

Oversight of financial capital management is delegated to:

Board level oversight

Audit and Risk Committee

The Audit and Risk Committee oversees and advises the Board on income, expenditure and capital budget requirements, treasury arrangements and fund mobilisation strategies, transfer pricing policies, development loan impairments, management of assets and liabilities and the DBSA's overall financial health and sustainability. This 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 being above the approval limits of the Investment Committee.

Executive management oversight

Investment Committee

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

Asset and Liability Management Committee

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

FIVE-YEAR KEY FINANCIAL INDICATORS

		2021	2020	2019	2018	2017
Financial position						
Cash and cash equivalents	R million	8 979	3 459	2 923	3 742	2 299
Financial market assets[1]	R million	1 206	2 599	2 594	2 661	1 915
Investment in development activities[2]	R million	89 037	93 545	83 044	81 873	78 768
Other assets	R million	826	862	927	936	671
Total assets	**R million**	**100 048**	**100 465**	**89 488**	**89 212**	**83 653**
Financial market liabilities[3]	R million	59 492	61 918	51 283	53 573	50 613
Other liabilities	R million	1 405	969	1 033	1 318	1 009
Total liabilities	**R million**	**60 897**	**62 887**	**52 316**	**54 891**	**51 622**
Total equity	**R million**	**39 150**	**37 578**	**37 172**	**34 321**	**23 031**
Financial performance						
Interest on development loans	R million	7 806	7 628	7 799	7 192	6 911
Interest on investments	R million	535	658	611	559	462
Total interest received	**R million**	**8 341**	**8 286**	**8 410**	**7 751**	**7 373**
Interest expense	R million	3 449	3 863	3 915	3 905	3 704
Net interest income	**R million**	**4 891**	**4 423**	**4 495**	**3 845**	**3 669**
Operating income[4]	R million	5 137	4 882	4 828	4 278	4 722
Operating expense[5]	R million	1 154	1 270	1 063	906	837
Sustainable earnings/(loss)[6]	**R million**	**2 316**	**(587)**	**2 324**	**2 767**	**3 564**
Profit for the year	**R million**	**1 423**	**504**	**3 097**	**2 283**	**2 821**
Financial ratios						
Total capital and reserves to development loans	%	47.3	43.6	49.0	45.7	44.8
Long term debt/equity (excluding callable capital)	%	152.1	164.9	138.1	156.2	158.1
Debt/equity (including callable capital)[7]	%	100.7	107.6	89.8	98.7	97.4
Cash and cash equivalents to total assets	%	9.0	3.4	3.3	4.2	2.7
Total capital and reserves to assets	%	39.1	37.4	41.5	38.5	38.3
Financial market liabilities to investment in development activities	%	66.8	66.2	61.8	65.4	64.3
Non-performing book debt as a % of gross book debt	%	7.7	7.2	4.9	4.5	3.3
Return on average total equity	%	3.7	1.3	8.7	6.9	9.2
Return on average total assets	%	1.4	0.5	3.5	2.6	3.4
ROE based on sustainable earnings	%	6.0	(1.6)	6.5	8.3	11.6
Interest cover	Times	2.4	2.1	2.1	2.0	2.0
Net interest income margin[8]	%	5.3	5.1	5.5	4.9	4.9
Cost-to-income ratio	%	25.4	28.4	22.9	21.7	18.8

Key:

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

Nevertheless, through all these setbacks and challenges, the Bank has remained resilient and was unwavering in fulfilling its mandate and achieving outstanding results under the challenging economic circumstances.

CHIEF FINANCIAL OFFICER'S REPORT

At the conclusion of our 2020/21 financial year the Bank once again presents its financial results under the cloud of the COVID-19 pandemic, which continued its onslaught on human societies and economies. Moody's March 2020 downgrade of South Africa's sovereign credit rating to sub-investment grade and further downgrades by Moody's and Fitch in November 2020 were setbacks to the country and the Bank's cost of funding.

Besides its negative impacts on the costs of borrowing and liquidity, COVID-19 caused harm to the South African and worldwide economies in various ways, including job losses, closure of businesses, massive damage to tourism and the hospitality sector, among others. Education at all levels became an online experience, while lockdown caused delays in construction projects, manufacturing and supply chains, among other negative impacts.

Nevertheless, through all these setbacks and challenges, the Bank has remained resilient and was unwavering in fulfilling its mandate and achieving outstanding results under the challenging economic circumstances.

Achieving its disbursements and exceeding its profitability targets again, proves the Bank's unswerving dedication to creating economic prosperity, regardless of the challenges.

The same dedication was witnessed in the infrastructure unlocked for under-resourced municipalities, where the Bank has exceeded its target of R900 million by unlocking infrastructure of R1.4 billion. However, the Bank's infrastructure delivered target was not achieved at R2.6 billion (2020: R4.1 billion) primarily as a result of closure of construction sites during successive lockdowns and the disruptive role of the construction mafia.

FINANCIAL PERFORMANCE

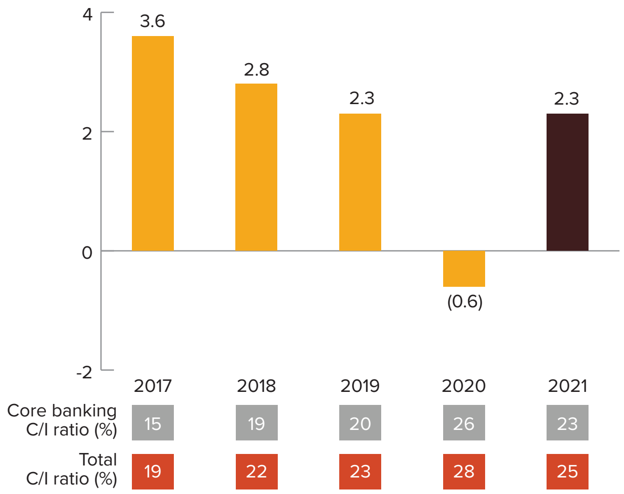
Statement of financial performance for the year ended 31 March 2021

in thousands of rands	2021	% change	2020
Interest income calculated using the effective interest rate	8 161 023		8 019 931
Other interest income	180 180		266 386
Total interest income	**8 341 103**	**1**	**8 286 317**
Interest expense calculated using the effective interest rate	(3 335 021)		(3 392 585)
Other interest expense	(114 441)		(470 229)
Total interest expense	**(3 449 462)**	**(11)**	**(3 862 814)**
Net interest income	**4 891 641**	**11**	**4 423 503**
Net fee income	187 858	(26)	255 513
Other operating income	57 864	(71)	202 617
Non-interest revenue	**245 722**	**(46)**	**458 130**
Operating income	**5 137 363**	**5**	**4 881 633**
Depreciation and amortisation	(32 287)	10	(29 321)
Development expenditure	(78 240)	66	(47 192)
Grants	(32 510)	13	(28 654)
Impairment losses	(1 164 724)	(68)	(3 632 679)
Personnel expenses	(835 131)	11	(751 070)
Project preparation	(37 802)	(9)	(41 539)
Revaluation of development loans – unrealised	(5 237)	(93)	(77 482)
Revaluation of equity investments – unrealised	(348 770)	(6)	(371 312)
Other expenses	(286 813)	(41)	(489 738)
Sustainable profit	**2 315 849**	**494**	**(587 354)**
Net foreign exchange gains	(892 773)	(176)	1 171 519
Net revaluation of financial instruments	(447)	(99%)	(80 233)
Profit from operations	**1 422 629**	**182**	**503 932**

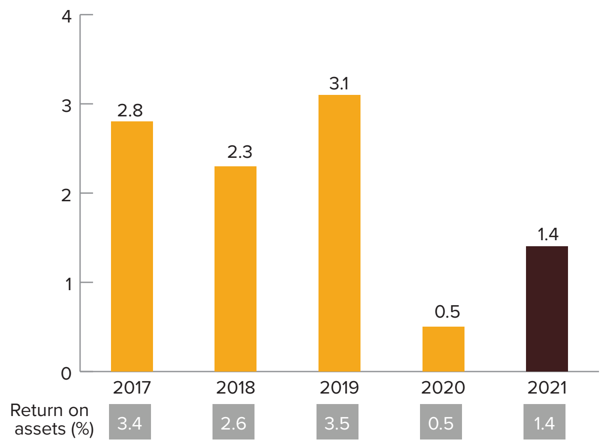
Profitability

The Bank's net profit increased by 182% to R1.4 billion (2020: R0.5 billion), exceeding its R0.9 billion target for the year. The Bank's sustainable earnings amounted to R2.3 billion (2020: loss of R0.6 billion) against a target of R995 million. The improvement in the Bank's performance was mainly driven by the 86% decrease in impairment losses for the year to R1.2 billion (2020: R3.6 billion), 5% increase in operating income to R5.1 billion (2020: R4.9 billion) and the 41% decrease in other expenses to R287 million (2020: R490 million).

Sustainable earnings (R billion)



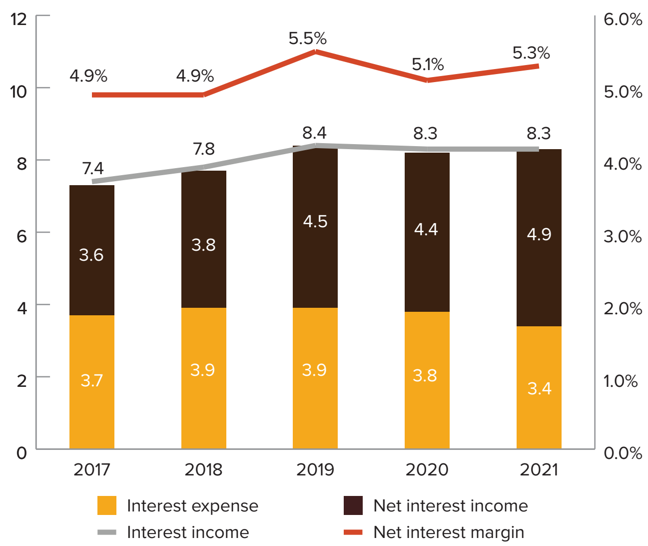
Net profit (R billion)



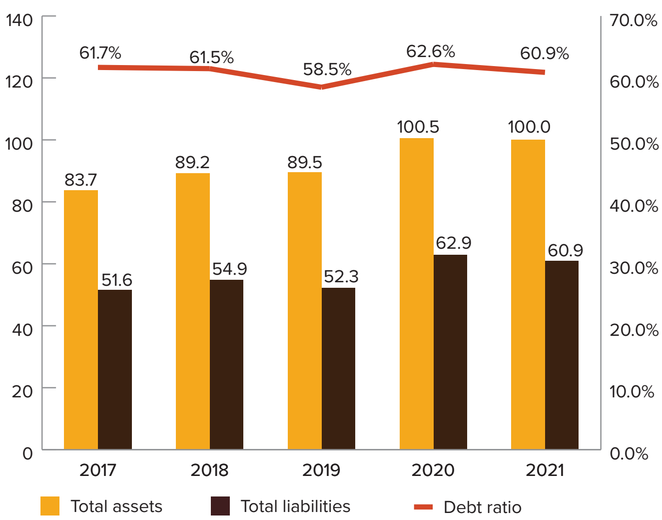
Net interest margin management

The net interest margin has been on an upward trajectory over the past five years, from 4.9% in 2017 to 5.3% in 2021. The 0.2% increase in the current year to 5.3% (2020: 5.1%) can be attributed to the improvement in the Bank's debt ratio from 62.6% in 2020 to 60.9%. Net interest income for the year totalled R4.9 billion (2020: R4.4 billion).

Net interest margin on interest-bearing assets (R billion)



Debt ratio (R billion)



Cost optimisation and efficiency

The Bank continued to contain its cost-to-income ratio to an acceptable level of 25% (2020: 28%), within its budget of 36%. The decrease in the cost-to-income ratio compared to prior year is mainly due to the COVID-19 provision of R150 million raised in 2020. The

Bank's operating expenses decreased to R1.2 billion (2020: R1.3 billion).

Impairment charge

The impairment charge decreased to R1.2 billion (2020: R3.6 billion). The 2020 impairment charge was significantly high primarily due to increase in stage 3 impairment provision of R1.6 billion as a result of some clients moving to non-performing loan status and the Bank had adjusted the expected credit loss for the COVID-19 impact.

Currency risk management

Foreign exchange rates experienced high volatility during the year under review. The rand appreciated from R17.84/$ on 31 March 2020 to R14.77/$ on 31 March 2021 resulting in a foreign exchange loss of R893 million (2020: gain of R1.2 billion) due to the Bank's foreign exchange net asset open position. The Bank's derivative portfolio ensures that it minimises the downside of foreign exchange movements while benefitting on the upside.

BALANCE SHEET STRENGTHENING

Statement of financial position as at 31 March 2021

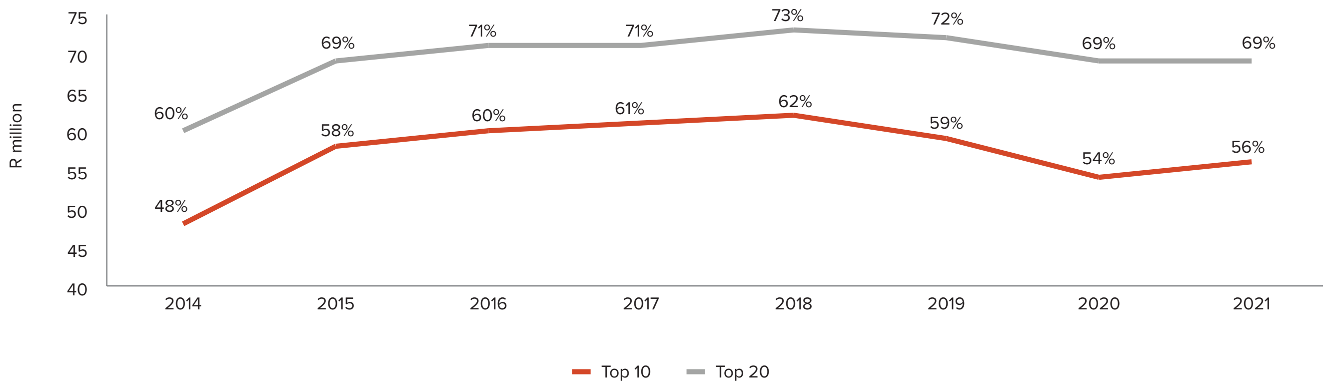
in thousands of rands	2021	% change	2020
Assets			
Cash and cash equivalents at amortised cost	8 978 608	160	3 458 836
Trade receivables and other assets	296 376	(10)	328 069
Investment securities	455 215	(75)	1 787 361
Derivative assets held for risk management purposes	750 831	(8)	812 053
Other financial assets	42 451	17	36 152
Development loans held at fair value through profit or loss	16 847	(25)	22 413
Equity investments held at value through profit or loss	5 007 459	(16)	5 993 951
Development bonds at amortised cost	1 279 235	(1)	1 288 278
Development loans at amortised cost	82 733 448	(4)	86 240 264
Property, equipment and right of use of assets	405 685	(3)	417 518
Intangible assets	81 569	2	80 220
Total assets	**100 047 724**	**0**	**100 465 115**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	739 962	6	696 324
Repurchase agreements at amortised cost	868 042	48	587 338
Derivative liabilities held for risk management purposes	127 276	(84)	784 835
Liability for funeral and post-retirement medical benefits	47 630	11	42 885
Debt funding designated at fair value through profit or loss	1 513 997	1	1 505 805
Debt funding held at amortised cost	56 982 792	(3)	59 040 495
Provisions and lease liabilities	114 485	(50)	229 856
Deferred income	503 086	100	–
Total liabilities	**60 897 270**	**(3)**	**62 887 538**
Equity			
Share capital	200 000	0	200 000
Retained earnings	24 366 254	6	23 005 253
Permanent government funding	11 692 344	0	11 692 344
Reserve for general loan risk	2 545 939	2	2 488 231
Other reserves	345 917	80	191 749
Total equity	**39 150 454**	**4**	**37 577 577**
Total liabilities and equity	**100 047 724**	**0**	**100 465 115**

Development loans

The Bank's total assets decreased by 0.4% to R100.0 billion (2020: R100.5 billion) mainly due to a decrease in development loans and equity investments emanating from unfavourable foreign exchange rates. The decrease in development loans was on the back of loan repayments amounting to a record level of R19 billion (comprising principal loan repayments of R11 billion and interest repayments of R8 billion) and a foreign currency loss of R5 billion, which was offset by disbursements amounting to R13.5 billion (2020: R15.4 billion).

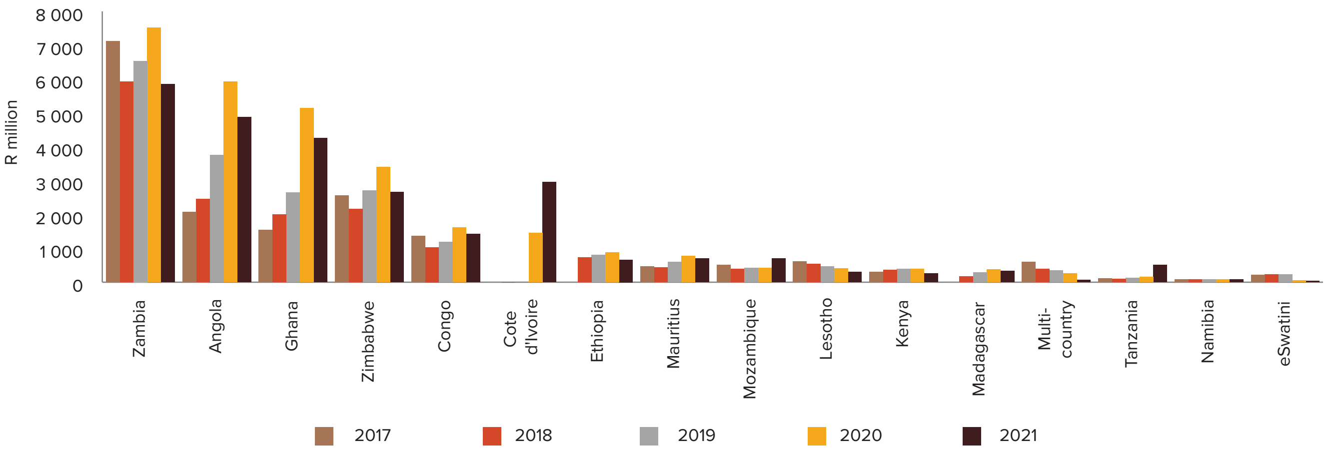
As detailed in the following graph, the top 10 and top 20 exposures comprised 56% (2020: 54%) and 69% (2020: 69%) of the total loan book, respectively.

Top 10 and top 20 clients as % of total book



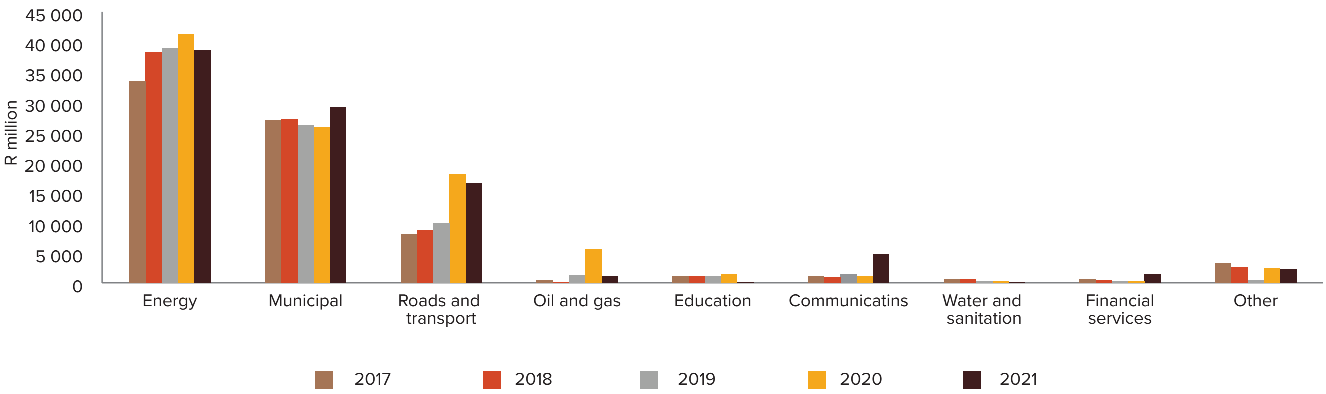
Country exposures (excluding South Africa)

The Bank's total exposure outside South Africa decreased to R25.7 billion (2020: R28.9 billion). Zambia, Ghana and Angola constitute 58% (2020: 57%) of the rest of Africa exposure, with the other country exposures remaining fairly constant over the year.



Exposure by sector

The Bank's exposure to the energy sector (excluding municipalities) decreased to R39 billion (2020: R41 billion), representing 41% (2020: 43%) of the total portfolio. In the year under review, the direct loan exposure to municipalities (excluding bonds) increased to R29 billion (2020: R26 billion). Exposure to the roads and transport sector decreased to R17 billion (2020: R18 billion).



Quality of the loan book

The development loan book continued to show its strength and quality, with 57.1% of the book in stage 1 and 35.2% in stage 2. Loan book recoverability is assessed regularly, in line with the credit review process. The expected credit loss charge for the year can be attributed to deteriorating macroeconomic conditions, the COVID-19 pandemic and the increase in the stage 3 loans recorded during the year. The development loans in stage 3 makes up 7.7% (2020: 7.2%) of the gross development loan book which amounts to R7.3 billion (2020: R6.9 billion). The total balance sheet provision for expected credit losses increased by 11.6% to R11.4 billion (2020: R10.2 billion), which reflected the deteriorating fundamentals mentioned above.

Provisions against stage 3 loans increased to R5.1 billion (2020: R4.4 billion), resulting in the stage 3 loans coverage ratio increasing to 69.6% (2020: 62.8%). The stage 3 coverage ratio is a measure of the amount of stage 3 impairment provision held against the stage 3 loans. The Bank expects to recover the unimpaired portion through the realisation of securities and other recovery methods.

Provisions against stages 1 and 2 increased to R6.3 billion (7.3% of the stage 1 and 2 book), compared to R5.8 billion (6.5% of the stages 1 and 2 book) in 2020.

Equity investments

Equity investments decreased by 16% to R5 billion (2020: R6 billion). The decrease is as a result of R531 million foreign exchange losses, R322 million unfavourable fair value movement, R233 million repayments and partly offset by R102 million disbursements. The Bank continues to monitor its equity investments portfolio closely to ensure that losses emanating from the decline in investment values are flagged upon detection.

Funding

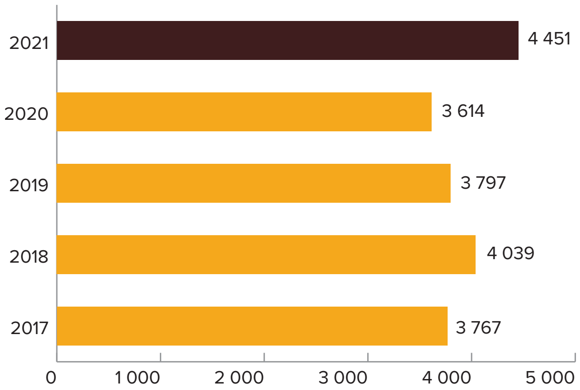
The Bank's funding liabilities decreased by 2.9% to R59.4 billion (31 March 2020: R61.1 billion) on the back of the appreciation of the rand. Debt-to-equity ratio (including callable capital) improved to 101% (31 March 2020: 108%), mainly attributable to the decline in funding liabilities and growth in equity. The debt-to-equity ratio is well below the 250% as prescribed by DBSA Act.

Statement of cash flows for the year ended 31 March 2021

in thousands of rands	2021	% change	2020
Net loss adjusted for non-cash items and items separately disclosed	(745 023)		(1 020 270)
Interest received	8 300 905		8 125 500
Interest paid	(3 109 040)		(3 524 482)
Dividends received	4 420		33 010
Net cash generated from operating activities	**4 451 262**	**23**	**3 613 758**
Development loan disbursements	(13 459 403)		(15 641 352)
Development loan principal repayments	11 002 729		6 254 667
Equity investments disbursements	(102 122)		(80 104)
Equity investments repayments	235 693		500 718
Grants, development and project preparation expenditure paid	(70 312)		(70 193)
Movements in deferred income	462 130		–
Net advances (to)/from national mandates	(46 147)		19 652
Net cash used in development activities	**(1 977 432)**	**(78)**	**(9 016 612)**
Net cash generated from/(used in) operating and development activities	**2 473 830**	**146**	**(5 402 854)**
Purchase of property and equipment	(10 699)		(11 545)
Disposal of property and equipment	317		649
Purchase of intangible assets	(12 342)		(8 629)
Disposal of financial market instruments	1 354 087		52 162
Net cash generated from investing activities	**1 331 363**	**3 979**	**32 637**
Gross financial market liabilities repaid	(21 187 343)		(19 520 116)
Gross financial market liabilities raised	23 539 700		25 358 796
Net cash generated from financing activities	**2 352 357**	**(60)**	**5 838 680**
Net increase in cash and cash equivalents	**6 157 550**	**1 214**	**468 463**
Effect of exchange rate movement on cash balances	(637 778)		67 497
Movement in cash and cash equivalents	**5 519 772**		**535 960**
Cash and cash equivalents at the beginning of the year	3 458 836		2 922 876
Cash and cash equivalents at the end of the year	**8 978 608**	**160**	**3 458 836**

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Cash generated by operating activities (R million)



COMPLIANCE

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

OUTLOOK

As the continent continues to operate in the COVID-19 uncharted territory, we are aware that unexpected challenges may arise, as various governments are dealing to curb the impact of the pandemic. Under the circumstances, the Bank will take a risk-based approach to achieve a balance between stimulating development activity and safeguarding the balance sheet. As a result, we anticipate a steady financial performance while preserving the Bank's financial sustainability.

We see the Bank playing a critical catalytic role in continuing to alleviate poverty and inequality in our society through infrastructure development. The experience we have gained in the year under review has reshaped our perspective on the work that needs to be done and how this can be achieved under the current unfavourable economic conditions.

While the timeline of the pandemic is still unknown, our familiarity with the COVID-19 virus and its effects on individuals, communities, businesses and the global economy will mean we are better prepared to face the challenges of the coming year. The COVID-19 pandemic life no longer entail so much uncertainty as we are now familiar with its effects and the variables that continue to disrupt lives. This year we can consolidate the lessons learned and use them to improve the way of conducting business more effectively.

Financial sustainability remains a key strategic imperative and the Bank will continue to focus on net interest margin, cost containment, strengthening the balance sheet, and managing currency and liquidity risks. At the time when many government structures are stretched to their limits and the needs of communities greater than ever, the DBSA remains a vital player towards the region's sustainable development.

APPRECIATION

I would like to express my gratitude to the Bank's stakeholders, namely National Treasury, the Board, our Investor community, our strategic partners and every employee, for their continued support and commitment to accelerating our collective development impact.

Ms Boitumelo Mosako
Chief Financial Officer

TREASURY AND BALANCE SHEET MANAGEMENT OVERVIEW

FUNDING

Total new debt raised during the year ended 31 March 2021 amounted to R23.5 billion equivalent (2020: R25.4 billion), measured at the financial year end exchange rates. With debt redeemed amounting to R21.2 billion (2020: R19.5 billion), this resulted in net new borrowings for the year of R2.4 billion (2020: R5.8 billion).

The following table captures the net new borrowings by currency:

Currency (million)	ZAR	USD	EUR
Debt raised	5 818	531	319
Debt redeemed	(9 230)	(437)	(99)
Net new debt	**(3 412)**	**94**	**220**

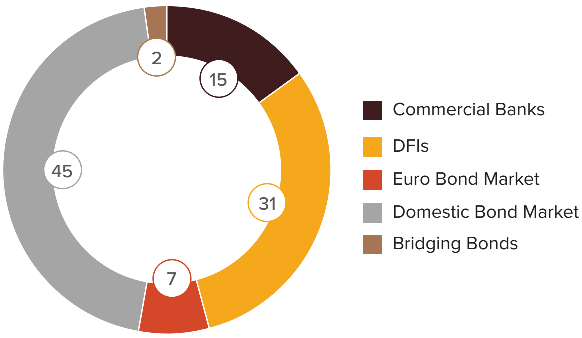
In the face of the market dislocation that prevailed for much of the year under review, domestic bond market issuance was limited to an aggregate R1.85 billion (2020: R7.4 billion), with money market issuance amounting to R900 million, all through private placements.

Gross new debt included EUR200 million raised through the Bank's inaugural green bond, issued as a private placement under the DBSA Green Bond Framework.

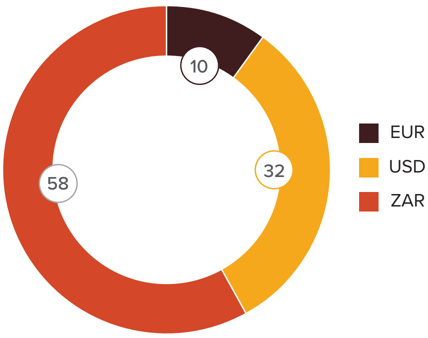
An additional R281 million (2020: R587 million) was raised through bond repos.

The charts below depict the Bank's outstanding debt by source and by currency, respectively, as at 31 March 2021.

Outstanding debt by source (%)



Sources by currency (%)



Impact of COVID-19 pandemic

The market contraction, post the initial lockdown in response to the COVID-19 pandemic, triggered the Bank's contingency funding and liquidity plan, with an Exco subcommittee tasked with assisting the Treasury through ensuring closer alignment of funding demands to available sources, whilst elevating prudential liquidity holdings to cover debt service obligations. Paired with a shift in funding strategy to a focus on bilateral loan facilities, this enabled the Bank to continue its development finance operations largely unabated by the market liquidity squeeze.

DBSA's first Green Bond

The Bank issued its inaugural green bond during the first quarter of 2021, a EUR200 million issue placed privately. This marked the Bank's first issuance under its Green Bond Framework, aligned with the International Capital Market Association's (ICMA) Green Bond Principles, and paves the way for further green bond issuance in parallel with the Bank's growing focus on climate finance.

CONTEXT AND STRATEGIC ISSUES

Public funds and bank loans are insufficient to provide the quantum of financing needed to address the scale of climate change challenges in Africa. The rapidly growing global green bond market, however, provides the ideal platform through which to mobilise the vast financial resources managed by institutional investors. This market has seen average annual growth of 60% over the past five years, with cumulative issuance increasing from USD104 billion in 2015 to USD1.05 trillion by end 2020.

PROJECT OBJECTIVES AND CONTENT

The Bank's green bond issuance programme aims to support investment in climate change mitigation and adaptation projects across Africa. More specifically, it supports DBSA through:

» The diversification of its financing tools and investor base, enabling the Bank to leverage resources of impact investors focused on climate finance
» Securing a pool of funding dedicated to enabling the Bank's Just Transition strategy and corresponding growth in focusing on climate mitigation and adaptation
» Strengthening the Banks's liquidity sources in this period of uncertainty where the unabated continuation of DBSA's development financing operations is essential to supporting economic recovery, both domestically and regionally

EXPECTED IMPACT

As the first DBSA green bond issue, the project supports the Bank's commitment to upscale its green investment portfolio. The funds are backed by a portfolio of sub-projects in the renewable energy sector (solar/wind). The projects selected reflect the Banks commitment to supporting the continued rollout of South Africa's acclaimed Renewable Energy Independent Power Producer Procurement (REIPPP) Programme. The implementation of the renewable energy projects supports national efforts to reduce greenhouse gas emission and provide clear climate mitigation co-benefits. Additionally, the projects provide for local economic development and job creation, thereby supporting South Africa's path to a just transition.

In line with the ICMA Green Bond Principles, the Bank's Green Bond Programme was independently assessed and certified through a second-party opinion. The framework outlines the Bank's commitment to manage, allocate and report on the use of funds raised via green bond issuance to ensure:

1. Traceability and transparency of the use of proceeds
2. Quality of the procedures for identifying, appraising, monitoring and evaluating eligible projects
3. Periodic audited annual reporting to provide investors with clear line of sight to the use of funds and their impact.

The Green Bond Framework also paves the way for the near-term development of other 'use of proceeds' bond issuance frameworks, most notably in the social infrastructure and SDGs arenas. Such issuance programmes will allow the Bank access to the increasing pool of investor funds dedicated to social impact investing.

With domestic market conditions remaining tight as at 31 March 2021, the focus remains on closing further bilateral facilities under negotiation, combined with potential offshore debt issuance, both public and private.

LIQUIDITY

Total liquidity as at 31 March 2021 amounted to R9.8 billion equivalent (2020: R4.7 billion). In addition, as at financial year end, undrawn committed facilities from commercial banks and DFIs amounted to a total of R1.2 billion equivalent (2020: R6.2 billion), bringing total available liquidity to R11 billion equivalent.

EXCHANGE RATE RISK MANAGEMENT

The excessive exchange rate volatility experienced over the last two years saw significant income statement movements, with a loss of R893 million as at end March 2021 (2020: gain of R1.17 billion), largely as a result of the unhedged foreign currency denominated expected credit losses. In this context, and based on the Bank's relatively high collection rate on loans classified as non-performing (NPLs), the Currency Risk Management Policy is under review to take into account the expected recovery from loan loss provisions.

As part of the ongoing implementation of the Bank's risk-based capital management, the maintenance of a structural long foreign currency open position in order to hedge the capital ratio against adverse exchange rate fluctuations will also come into consideration, weighed against the risk of excessive income statement volatility on the back of the Bank's high capital ratio.

CREDIT RATINGS

The Bank's credit ratings were downgraded during the year, in tandem with those of the sovereign. Whereas the Bank's global issuer ratings have long been maintained at the sovereign equivalent, on 26 June 2020 Moody's Investor Services downgraded the DBSA issuer rating to one notch below that of the sovereign, this in the aftermath of the Land Bank default. The table below depicts the DBSA credit ratings as at 31 March 2021.

Agency	Issuer rating type	Short term	Long term	Outlook
Moody's	Foreign currency	NP	Ba3	Negative
	National scale	P-1.za	Aa3.za	N/A
Standard & Poor's	Foreign currency	B	BB-	Stable
	Local currency	B	BB	Stable

AUDIT AND RISK COMMITTEE REPORT

For the year ended 31 March 2021

The fundamental role of the Audit and Risk Committee (ARC) is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls, and financial reporting. The ARC Chairman also assists with engagements with various stakeholders, including meetings with the auditors (internal and external), working closely with other Board committees and achieving synergies across the Bank's co-ordinated assurance process.

The ARC remains focused on DBSA's organisational resilience in an ever-expanding risk universe, with traditional risks such as credit, market, operational, capital and liquidity risks being impacted by externally driven trends. These trends include adverse geopolitical and macroeconomic risks as well as the new major non-financial risks, such as cyber, conduct, crime/corruption, change, climate and COVID-19 risks.

MEMBERSHIP AND MEETINGS HELD

The committee met eight times during the year, four times for ordinary meetings and twice for risk-focused and investment valuations meetings, respectively. Membership is comprised exclusively of independent non-executive directors. The committee receives inputs from external parties including auditors and valuations specialists, as and when the need arises. The Chief Executive Officer and Chief Financial Officer attend by invitation.

Ms M Janse van Rensburg (Chairman)	Independent Non-executive Director
Ms Z Monnakgotla[1]	Independent Non-executive Director
Dr B Mudavanhu	Independent Non-executive Director
Ms B Ndamase[2]	Independent Non-executive Director
Ms P Nqeto	Independent Non-executive Director
Ms A Sing	Independent Non-executive Director
Mr B Nqwababa[3]	Independent Non-executive Director
Mr G Magomola[4]	Independent Non-executive Director

1. Ms Z Monnakgotla resigned from the DBSA effective 9 February 2021.
2. Ms B Ndamase's term of office expired on 1 October 2020.
3. Mr B Nqwababa was appointed to the ARC effective 1 November 2020.
4. Mr G Magomola was appointed to the ARC effective 1 November 2020.

IMPACT OF KING IV

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

RESPONSIBILITY

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

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

COMMITTEE ACTIVITIES FOR THE 2020/21 FINANCIAL YEAR

» Considered and recommended to the Shareholder the appointment of the Auditor-General as external auditors for the 2021 financial year during the AGM in November 2020.

» Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence.

» Approved the external auditors' 2020/21 audit plan and related scope of work, confirming suitable reliance on Internal Audit and the appropriateness of key audit risks identified.

» Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters.

» Reviewed the 2020/21 audited Annual Financial Statements and related disclosures and recommended them to the Board for approval.

» Considered and were satisfied with the appropriateness of the expertise and experience of the Chief Financial Officer

» Reviewed reports from management, the Chief Internal Auditor and the external auditors, and considered the effectiveness of the internal financial controls and reporting procedures, and were satisfied that the financial controls and reporting procedures are operating.

» Monitored the effectiveness of the Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation.

» Monitored and challenged, where appropriate, actions taken by management regarding adverse Internal Audit findings.

» Assessed compliance with all statutory requirements in terms of the Companies Act of 2008, King IV, JSE Debt Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, No. 26 of 2005.
» Requested an audit and legal investigation into loans made to the Cranbrook Group between 2007 and 2009. The Bank's Internal Audit along with an external legal firm, led this investigation. The process was concluded in February 2021 and the findings were presented to the DBSA's Board. The findings outlined in the report confirmed that the loans to the three borrowers that form part of the Cranbrook Group, made between 2007 and 2009, were compliant with the credit processes applicable at the time.

In terms of organisational resilience for 2020/21, the Audit and Risk Committee:

» Monitored the DBSA's risk universe heat map and risk trends, as well as the DBSA's top 10 principal risks and performed oversight of various themes which included, inter alia:
  – Cyber resilience, including independent benchmarking
  – Anti-Money Laundering (AML), and Countering the Financing of Terrorism (CFT), and sanctions
  – Conduct risk
  – Climate risks
  – Market risk management
  – People risk (operational risk)
  – Oversight of the following principal risks:
    ■ Concentration risk
    ■ Operational risk
    ■ Liquidity and funding risks
    ■ Capital risk
    ■ Market risk
    ■ Regulatory risk
    ■ Conduct risk
    ■ Insurance risk
» Reviewed reporting thereon across all the three lines of defence in DBSA's Risk Governance structure (Line 1: Business; Line 2: Independent Group Risk; and Line 3: Independent Assurance from Internal Audit and External Audit).
» Ensured DBSA's ERM framework remained 'fit for purpose' including monitoring the evolution/maturity of the newer major non-financial risks and other emerging risks.
» Monitored the Board-approved 2020/21 Risk Strategy and Risk Appetite (per 2020/21 Group Business Plan), and top 10 risks (for 2020/21) to ensure these were successfully managed in all material respects.
» Encouraged management's evolution of combined assurance.
» Reviewed DBSA's Balance Sheet Management risks and, in particular, oversight of the sound outcomes across capital management, liquidity and funding, and interest rate risk in the Banking Book.
» Assessed the DBSA's stage 3 assets portfolio and the expected credit loss (ECL).
» Assessed the valuations of the DBSA's credit and equities portfolios.

FOCUS FOR 2022

» Continue to focus on ensuring that the DBSA's financial systems, processes and internal financial controls are operating effectively.
» Review and consider management's plans in respect of future changes to the IFRS and other regulations.
» Monitor the implementation of the amended JSE Debt Listings Requirements, in particular the requirements regarding internal financial controls.
» In the wake of challenging external macroeconomic and geopolitical environments (including volatile financial markets), review a thematic on the balance sheet management risks and stress/scenario testing, including DBSA's strategic portfolio and risk appetite.
» Update policies on AML, CFT and sanctions cyber, climate and conduct risks, with a focus on strategic execution risk and the fast-emerging digital/technology risks, and ultimately organisational resilience.
» Continue to watch closely the risk universe heatmap and changing risk trends or new emerging risks and management's response.
» Implementation of the 2021/22 Risk Strategy and Risk Management Plan in conjunction with the Board-approved risk appetite.
» Oversee and manage the impact of the Market Crisis 2020/COVID-19 with specific focus on how these events affect DBSA's top 10 risks. This will include concentrated efforts on the health and safety of staff and clients, operational resilience, people risks as well as capital and liquidity risks.

Ms Martie Janse van Rensburg
Chairman of the Audit and Risk Committee

BOARD CREDIT AND INVESTMENT COMMITTEE REPORT

For the year ended 31 March 2021

The Board delegated to the Board Credit and Investment Committee (BCIC) the oversight responsibility for approval decisions relating to DBSA investments (credit instruments, equity, and development loans) and assessment of management portfolio reporting. The Chairman may propose that any decision within its mandate be escalated to the full Board for approval.

The 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 AND MEETINGS HELD

The BCIC members and attendance are reflected on page 118 in the summary governance report.

The committee met 10 times in the past year. Due to the mandate given to the committee, the committee consists of two-thirds of the constituted Board of Directors. The committee comprises nine members, including seven independent non-executive directors and two executive directors. No external advisors were invited to committee meetings during the year.

Ms A Sing (Chairman)	Independent Non-executive Director
Mr P Matji[1]	Independent Non-executive Director
Mr B Nqwababa[2]	Independent Non-executive Director
Mr G Magomola[3]	Independent Non-executive Director
Ms M Janse van Rensburg	Independent Non-executive Director
Ms B Ndamase[4]	Independent Non-executive Director
Ms Z Monnakgotla[5]	Independent Non-executive Director
Mr B Mudavanhu	Independent Non-executive Director
Prof M Swilling	Independent Non-executive Director
Mr E Godongwana	Independent Non-executive Director
Mr P Dlamini	Chief Executive Officer and Managing Director
Ms B Mosako	Chief Financial Officer

1. Mr P Matji was appointed to the BCIC effective 1 November 2020.
2. Mr B Nqwababa was appointed to the BCIC effective 1 November 2020.
3. Mr G Magomola was appointed to the BCIC effective 1 November 2020
4. Ms B Ndamase's term of office expired on 1 October 2020.
5. Ms Z Monnakgotla resigned from the DBSA and BCIC effective 9 February 2021.

IMPACT OF KING IV

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

RESPONSIBILITY

The BCIC is a subcommittee of the Board and supports the Board in the execution of its duties. Amongst others, the BCIC shall be responsible for credit and investment approval, amendments to credit decisions, evaluation of portfolio performance, technical assistance and project investment grants. The committee approves all credit and investment proposals where counterparty exposures exceed amounts set out in the table below.

South Africa	MS1 – MS10	Higher than MS10	Higher than MS13
Public sector	R1 billion	R500 million	BCIC
Private sector	R500 million	R250 million	BCIC
State-supported programmes	R250 million	R125 million	BCIC

Rest of Africa	MS1 – MS10	MS11 – MS13	Higher than MS13
Low and medium risk countries	R1 billion	R300 million	BCIC
Higher risk countries	BCIC	BCIC	BCIC

Project preparation	IC	BCIC
South Africa and common monetary area	<R30 million	>R30 million
International (outside of common monetary area)	<USD2 million	>USD2 million

Note: The DBSA uses the following rating scale to measure risk: MS1 to 7: low risk; MS8 to 13: medium risk; and MS14 and above: high risk. Linked to country rating with a 10% variation allowance for movement in forex.

KEY FOCUS TO ENSURE AND PROTECT VALUE IN 2021

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

The DBSA adopted IFRS 9: *Financial Instruments* accounting standard on 1 April 2018 and this change was not just an accounting change, but a significantly important business issue. In line with IFRS 9, DBSA considered forward-looking information, despite the complication of the COVID-19 pandemic where some information was unknown and/or partly known. The COVID-19 pandemic triggered challenges across economic sectors in South Africa and the rest of the African continent, and in particular credits risk management.

In March 2020, enhancements were made to credit risk rating methodologies in response to COVID-19, replacing linear regression methodologies with multivariate approaches. This enhancement made to the credit processes during the start of the COVID-19 pandemic resulted in a well-structured rating system that provides a good means of credit risk differentiation on the higher end of the risk curve and allowed for an enhanced assessment of the overall credit portfolio, concentration risk, problem credits and more granular loan loss provisions in a COVID-19 environment.

During the year under review and despite the ongoing negative impact of the unexpected global COVID-19 pandemic, the credit, investment and IFRS 9 provisioning processes for the loan and equity portfolios proved resilient to the challenges. The BCIC monitored the portfolio performance and followed strict governance processes for investment decisions.

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 the BCIC:

R million	Approved by IC	Approved by BCIC	Total	BCIC approval %
South Africa				
» Municipal clients	771	5 048	5 819	87
» Non-municipal clients	12 862	13 315	26 177	51
SADC	–	–	–	–
Rest of Africa	126	2 700	2 826	96
Total	**13 758**	**21 063**	**34 821**	**60**

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

FOCUS FOR 2022

- Ensure that the DBSA continues to adopt the best investment practices to improve the quality and efficiency of investment
- Manage material risks which the Bank is exposed to and ensure that the requisite policies, resources and systems are in place to manage and mitigate these risks

Ms Anuradha Sing
Chairman of the Board Credit and Investment Committee

Our intellectual capital

MANAGING OUR INTELLECTUAL CAPITAL

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

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

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

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

INTELLECTUAL CAPITAL INPUTS

» A leading African DFI
» Over 38 year's experience in infrastructure development
» Strategic partnerships nationally, regionally and globally
» Knowledge derived from due diligence, project development, credit granting and post-investment processes
» Identifying and managing risk
» Development of enabling financial products

VALUE CREATED FOR STAKEHOLDERS

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

KEY FACTORS IMPACTING THE BANK'S INTELLECTUAL CAPITAL

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

Associated key risks	Our strategic response
» Changing operating environment » People risk » Development impact risk » Cyber and technology risk » Funding and liquidity risk » Sustainability risk	» Building a Digital DBSA » Lending a hand to government to stabilise municipalities by enhancing government's service delivery efforts across South Africa to build thriving communities » Catalysing connectivity by unlocking the power of connectivity to stimulate economic activity and growth by releasing the potential of 5G and satellite technology » Revitalise township and rural economies through supporting the development of economic and social opportunities in underserviced areas (townships, small towns and rural areas) » Navigating the Just Transition by contributing to an equal, sustainable and prosperous South Africa

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

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

CHIEF INVESTMENT OFFICER'S REPORT

The COVID-19 pandemic created a situation for which few organisations could have planned. It is difficult to imagine effective contingency for this situation, particularly for an organisation like ours that is geographically disparate and focuses on high value but low volume transactions, many of which take place over years. It is therefore a credit to our leadership that the DBSA has proven resilient and flexible in terms of delivering on its objectives this year.

There was no conscious realignment of the DBSA's mandate; however, we did strategically curtail some of our projects that could have been difficult to implement under pandemic operating conditions. These were not investments but projects that were hampered by uncertainty that might have affected our balance sheet.

In an ordinary year our client coverage team would have travelled and conducted many site inspections and face-to-face engagements to get a clear picture of needs and progress. Our long term, massive infrastructure projects have a pipeline built up over years, followed by years of execution. Loans are typically an arrangement with the client ranging from five to 20 years. Project preparation experienced the most serious challenges due to its position in the investment cycle. The SADC and sub-Saharan regions were significantly impacted by movement restrictions and lockdown protocols, compelling our teams to adopt new ways of working to enable pipelines and project execution to be maintained. We were able to go virtual before the official lockdowns as a function of some of the systems we had put in place prior to the pandemic, resulting in only minor disruption for the first few months.

Liquidity issues affected all organisations, obliging the Bank to review disbursement priorities. Most clients recognised that our need to draw on certain clauses in our agreements was a result of the world changing rather than a problem of our making, so we were able to work with them to navigate the crisis together, building on our existing trust relationships. The flow of funding requests also changed, as asset owners and project sponsors were forced to focus on their own COVID-19 responses first.

In this context, the Bank's ability to meet its overall disbursement targets was a phenomenal achievement and a testimony to the robustness of the pipeline and how well this front-end model is working. It is also testament to our teams' performance, involving many people working beyond normal hours while adjusting to working from home. Considering the challenges, most of our key performance indicators were a great stretch and we are therefore proud to have met so many of them.

INNOVATION

Innovation forms part of the DBSA's core principal values, where a key focus is to ensure that the Bank not only delivers on its development mandate but also bends the arch of history for South Africa and the southern African region.

INFRASTRUCTURE FUND

This time last year, the Infrastructure Fund was still one of our Moonshot innovation projects. After signing the Memorandum of Agreement with National Treasury and the Department of Public Works and Infrastructure (DPWI) through Infrastructure South Africa last year, the setup phase required multiple engagements with the private and public sectors. The pandemic arguably accelerated this process and we are now building a successful new institution for the country. Our operational strategy in the short- to medium-term focuses on what we can get done faster, what do we need to slow down and how do we manage this in a sustainable manner?

INNOVATION HUB

Our Innovation Hub, currently in the construction phase, will be a 'think tank' environment which stimulates creative thinking, forming a disruptors den, an incubator, co-working spaces and offices. The space will allow staff members, partners and stakeholders full access to experience and learn techniques on thought change, innovation and design thinking that enable sustainable change.

PRODUCT INNOVATION

DBSA product innovations included the high-end investment portfolio and blended finance platform. The fact that these started as Moonshot initiatives and are now live demonstrates the achievement of audacious goals that solve specific problems. One is institutionalised and is linked into the National Infrastructure Initiative, which aims to rebuild the country significantly after COVID-19.

DLAB PRECINCTS

The Bank's DLABs present a potential solution for township economies and previously disadvantaged communities. DLABs primarily use smart technologies and partnerships to create environments and opportunities where people are that narrow the social divide without having to relocate people, positioning them as leading edge in the developmental space.

Our original plan last year to create five DLABs was reduced to two due to pandemic uncertainty: Jabulani in Soweto and Westridge in Mitchells Plain. This may result in a more streamlined process with the subsequent three DLABs, owing to the experience we now have of formulating the way of operating and then socialising them.

Of the two DLABs undertaken, one is due to open and the other is in the design and build phase. In the course of this year, 926 individuals successfully completed our future skills programmes, just below the target (1 000) and we met our annual target of 45% for the percentage of women and youth completing the programmes.

We have now signed agreements for the other three DLABs to go ahead. One will be in the deep rural area of Louwsberg, one in the Waterberg and the last a major urban development in Alexandra. Each of these is community-specific and community-focused.

The Bank had initially anticipated that it would take five years for a DLab to gain any traction and intentionally kept them low profile to avoid opportunists. We are comfortable that our current partners are substantive and serious, and we are confident that the environments we are building will be massively advantageous for communities.

We had thought that private capital would only be interested in participating once we had a clear and derisked operating platform, so it is encouraging to see early interest resulting in physical job creation and capital arriving sooner than anticipated, with 17 permanently employed at Jabulani DLab and 51 at Westridge DLab.

HIGH IMPACT INVESTMENT PORTFOLIO

Three people working with external partners have managed to disburse three investments amounting to R225 million during the course of this year. One was for a disrupting fintech. Fintech is not part of our usual business, but this is closely aligned to the specific problems we are trying to solve involving technology, women, youth and disadvantaged communities.

A further R350 million is at the commitment stage under the portfolio, and R680 million at the appraisal stage.

SUSTAINABLE DEVELOPMENT GOALS

Our sustainable development position has been socialised and embedded in the organisation over the last 18 months. It strongly links the SDGs to our development plan.

In most cases, the Bank does not select specific SDGs to attain unless there is clear and specific funding for that goal. However, we do make sure that we are aligned with our development position across the organisation so that we do not come into conflict with the SDGs. Many of our initiatives, as they start to deliver on their outcomes, demonstrate SDG achievements as a result of solving a problem in a way that is aligned to the SDG global position. In the local context, where we direct much of our attention, we solve for specific developmental problems and look to enhance aspects of it in implementation. We therefore measure our SDG achievements in reverse.

At present, we have been allocated grant funding for projects that are rolling out in the water and energy spaces, which will be tied to specific SDGs.

FUTURE CHALLENGES AND OPPORTUNITIES

We have achieved good balance over the past year, focusing our efforts where they can be most meaningful. Some of the solutions we are planning require new skills, so we will need to apply ourselves to building capacity in those areas.

COVID-19 has exacerbated existing risks and will continue to pose some risks in the coming year, although others have already started to reduce. For example, we had seen an increasing trend in non-performing loans, but this trend has now plateaued. The Bank will need to keep a close eye on economic activity both in South Africa and globally and maintain awareness of the knock-on effects on currencies, commodities, taxes and so on, as this affects cash flow as well as operational logistics.

There are massive opportunities in areas such as solar power and green hydrogen. South Africa will need to create a set of enabling regulations that allow for the private sector to exploit this. It also produces an opportunity for us to leverage foreign lending simply because it would create commodities that are sold and exported, which again creates a good investment area for the country.

DFIs exist to cover these kinds of gaps and areas of uncertainty, so this is a great time for the Bank to play a key role in regeneration.

It is encouraging to see the national infrastructure implementation framework being put together by DPWI, replacing the disjointed and disparate system that has led to so much uncertainty and loss of confidence. What is being put in place instils optimism and potentially changes the way things are done to create a better coordinated government investment process.

As we continue to weather the pandemic climate, we have confidence that our resilience and robust strategy will support us in meeting our mandate again. The organisation is stable, well capitalised and has high levels of liquidity, so we remain well positioned to support the country through our mainstream business, Infrastructure Fund and DLABs.

In the innovation space, not all ideas are destined to work so I would like to credit the CEO and leadership for having faith in the innovations we have brought to fruition during this year.

INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE REPORT

For the year ended 31 March 2021

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

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

MEMBERSHIP AND MEETINGS HELD

The IDKC members and attendance are reflected on page 118 in the summary governance report.

The committee met four times in the past year. At the year end, the committee comprises six members, i.e. four independent non-executive directors, one non-executive director and one executive director.

Prof M Swilling (Chairman)	Independent Non-executive Director
Mr P Matji[1]	Independent Non-executive Director
Ms M Ngqaleni[2]	Non-executive Director
Mr E Godongwana	Independent Non-executive Director
Ms M Janse van Rensburg	Independent Non-executive Director
Mr P Dlamini	Chief Executive Officer and Managing Director
Mr L Nematswerani[3]	Independent Non-executive Director
Ms L Noge-Tungamirai[4]	Independent Non-executive Director

1. Mr P Matji was appointed to the IDKC effective 1 November 2020.
2. Ms M Ngqaleni is a representative of the Shareholder.
3. Mr L Nematswerani's term of office expired on 1 October 2020.
4. Ms L Noge-Tungamirai's term of office expired on 1 October 2020.

IMPACT OF KING IV

King IV recommends organisations to proactively engage with regulators, legislators and industry associations. The committee monitors the implementation and impact of the DBSA's development position and related strategies to make recommendations on how best to remove any obstacles to implementation. In doing so, the committee would have to understand the compliance and regulatory universe of the DBSA to fulfil this King IV recommendation. The committee does not envisage any insurmountable obstacles in this quest.

RESPONSIBILITY

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

COMMITTEE KEY FOCUS IN 2021

Infrastructure delivery

As a DFI focused on investments in infrastructures that have a sustainable development impact, the DBSA is required to constantly monitor developments in infrastructure planning and implementation, as well as the enabling environment that impacts the delivery of infrastructure and how it gets financed. In this regard, the committee noted, approved and or recommended the following for approval by the Board:

- Approved infrastructure delivery framework for the acceptance of the new mandates
- Approved new strategic mandates and programmes for implementation by the IDD of the DBSA:
  - **Gauteng Department of Agriculture and Rural Development mandate** – Assist the department to undertake the planning, delivery and maintenance of its infrastructure programme

- **National Agriculture, Land Reform and Rural Development** – Planning, delivery and maintenance of non-agriculture infrastructure including maintenance of the existing facilities
- **Department of Higher Education and Training** – Implementing agent for the department's infrastructure delivery programme
- **Department of Tourism** – Implementing agent for the department's tourism infrastructure construction and refurbishment programme
- **Mpumalanga Department of Education** – Implementing agency services for their infrastructure delivery programme
- **Gauteng Department of Education** – Implementing agency services for their schools' infrastructure delivery programme

Knowledge management

As a 'knowledge bank', 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 and to support the implementation of the DBSA's development position. In this regard, the committee noted, approved and or recommended the following for approval by the Board:

- » Approved Research Agenda for the 2020/21 financial year
- » Considered the State of Nation Address and Budget 2020 Synopsis and implications for the DBSA
- » Approved the DBSA Just Transition framework
- » Considered Knowledge Management research papers:
  - – Municipal Power Procurement and Generation paper examining the conditions under which municipalities will be able to purchase power from IPPs or generate their own power
  - – Role of Development Finance Institutions (DFIs) in Smart Cities paper outlining the role the DFIs have played in the development of smart cities and mapping opportunities for the DBSA to consider for uptake in the development of smart cities in South Africa.

Social economic investment support and programme implementation (Strategic Mandates)

The DBSA is committed to supporting the government in accelerating the implementation of agreed infrastructure and implementation programmes on a fully funded and/or cost-recovery basis. These Strategic Mandates include the provision of project management and other support in key priority sectors critical to the achievement of national objectives of economic growth, job creation, infrastructure delivery and governance, poverty eradication, environmental sustainability and well-being. The mandate of the committee does not extend to the financing needs of programmes supported. In this regard, the committee noted, approved and or recommended the following for approval by the Board:

- » Considered District Development Model update
- » Considered the DBSA/World Bank strategic partnership on achieving the SDGs by 2030 update
- » Considered the Development Index Report
- » Considered the Development Monitor Report
- » Recommended the 2020/21 Development Results Report to Board for approval
- » Considered DLab Precinct Programme update
- » Considered the Local Government update which summarises progress on key local government support programmes for the 2020/21 financial year
- » Considered Project Preparation report concerning performance and updates on programmes and facilities implemented by the Bank
- » Approved National Water Sector Programme comprising of various water sector programmes, which will facilitate the funding and implementation of certain elements of the National Water and Sanitation Master Plan ('NWSMP')
- » Approved SA Connect PMO for rolling out broadband connectivity to the government facilities and the underserved areas where there is an access gap.

FOCUS FOR 2022

- » Lifting the standard of living through social infrastructure development – The committee will ensure that the DBSA continues to provide direct implementation support, on a cost-recovery basis, for social infrastructure projects in education, health, sanitation and other spheres.
- » Just Transition – During the year under review the committee approved the DBSA Just Transition and in the coming financial year, the committee will be ensuring that the Just Transition is embedded across the value chain.
- » Spurring the informal economy – The challenges facing small businesses extend beyond access to capital and include lack of access to markets, appropriate technologies and enabling infrastructure. Business skills are also a challenge. DLABs will play a critical role in closing this gap.
- » As part of Board committee enrichment, the committee will be enriching its members on the following concepts:
  - – The Department of Trade and Industry's Renewable Energy Master Plan, with special reference to industrialisation potential
  - – Funding urban innovations in African cities, with special reference to urban infrastructure
  - – Lessons from comparative overview of local-level development hubs (DLABs) in Africa and elsewhere
  - – Gross fixed capital formation in an unequal society – potential interventions
  - – Just Transition and black economic empowerment – investing in a black-owned energy sector businesses, including the potential created by the new embedded generation role for municipalities

Prof Mark Swilling
Chairman of Infrastructure Delivery and Knowledge Management Committee

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL

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

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

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

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

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

SOCIAL AND RELATIONSHIP CAPITAL INPUTS

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

VALUE CREATED FOR STAKEHOLDERS

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

KEY FACTORS IMPACTING THE BANK'S SOCIAL AND RELATIONSHIP CAPITAL

Associated key risks	Our strategic response
» Changing operating environment » Infrastructure implementation risk » Reputation risk » Development impact risk » Sustainability risk	» Active client management particularly during liquidity crunch » Elevated municipal interventions as a key focus area for 2021/22 financial year » Ongoing engagements with the Shareholder on strategic matters » Development impact index framework developed as a key measure of development outcomes » Proposal for lifestyle audit of DBSA employees deferred for later consideration

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

Social and Ethics Committee
The committee monitors stakeholder relations and CSI. The committee is also 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, Entertainment and Hospitality Policyand Whistleblowing Policy.

STRATEGIC PARTNERSHIPS

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

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

The DBSA's 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, while establishing the DBSA as a thought leader in infrastructure development in an intra-funding partnership role.

TRANSFORMATION

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

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

The DBSA promotes transformation in South Africa through the Bank's core infrastructure development activities spanning planning, preparing, financing, building and maintaining, as demonstrated by the funds disbursed and infrastructure delivered set out below. In addition, the Bank's internal transformation initiatives span employment equity (refer to page 98), procurement and enterprise development.

		2021	2020	2019	2018	2017
Transformation analysis						
Value of funds disbursed to B-BBEE entities	**R million**	**579**	**548**	**981**	**62**	**341**
Value of infrastructure delivered by B-BBEE entities	**R million**	**2 372**	**3 377**	**2 500**	**1 800**	**1 781**
– B-BBEE entities	R million	1 761	2 429	1 964	1 436	1 332
– SMMEs and subcontractors	R million	611	948	536	364	449
Value of procurement spend by DBSA to B-BBEE entities	**R million**	**175**	**117**	**83**	**66**	**47**
Number of SMMEs and subcontractors benefitted	**Number**	**1 031**	**1 219**	**1 097**	**717**	**500**

Supplier development for micro, small and medium enterprises

SMMEs across the world have been identified as a major driver of poverty alleviation and development. They tend to employ a larger share of workforce sectors, such as women, youth and people from poorer households. These groups remain vulnerable during, and beyond, COVID-19. As such, SMMEs are considered catalysts for income distribution in developing economies.

Our enterprise development programme supports our sustainable development and black economic empowerment agendas. It also assists beneficiary enterprises to access opportunities stipulated in the Black Economic Empowerment Act, which is aimed primarily at persuading large companies in particular to transform their supply chains from exclusively white-owned suppliers to black-dominated businesses.

The Bank allocates the provision of goods and services to Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) as far as possible. As part of DBSA's drive to create sustainable market access for emerging black-owned suppliers, we consider EMEs and QSEs to be key stakeholders. Our policy is that these businesses must hold a minimum B-BBEE Level 2 rating.

As part of the Bank's emphasis on gender mainstreaming, we actively promote the participation of young black women as business owners through incubation interventions. In June 2019, we embarked on a black women enterprise development intervention, which saw the establishment of a gardening and landscaping cooperative. These personnel had previously worked on a contract basis via a service provider, but now supplies services directly to the Bank.

SOCIAL AND ETHICS COMMITTEE REPORT

For the year ended 31 March 2021

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.

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

MEMBERSHIP AND MEETINGS HELD

The committee met four times during the year. The committee comprises six independent non-executive directors and one executive director, as listed below. No external advisors were invited to the committee meetings during the year.

Ms Z Monnakgotla[1] (Chairman)	Independent Non-executive Director
Mr P Dlamini	Chief Executive Officer and Managing Director
Ms B Ndamase[2]	Independent Non-executive Director
Mr L Nematswerani[3]	Independent Non-executive Director
Ms L Noge-Tungamirai[4]	Independent Non-executive Director
Ms P Nqeto[5]	Independent Non-executive Director
Prof M Swilling	Independent Non-executive Director
Ms M Kganedi[6]	Independent Non-executive Director

1. Ms Z Monnakgotla resigned from DBSA effective 9 February 2021.
2. Ms B Ndamase's term of office expired on 1 October 2020.
3. Mr L Nematswerani's term of office expired on 1 October 2020.
4. Ms L Noge-Tungamirai's term of office expired on 1 October 2020.
5. Ms P Nqeto took over the role as Chairman of the SEC.
6. Ms M Kganedi was appointed to the SEC effective 1 November 2020.

IMPACT OF KING IV

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

RESPONSIBILITY

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

» Monitors the activities, having regard to relevant legislation and codes of best practice, in respect of social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and sound labour and employment practices

» Reviews the DBSA's values and considers for recommendation to the Board the ethics-related policies like the Conflict of Interest Policy, Code of Ethics, Gift, Entertainment and Hospitality Policy and Whistleblowing Policy

» Monitors the implementation of the Ethics Management Programme

COMMITTEE KEY FOCUS IN 2021

The committee reviewed the SEC terms of reference, adopted the SEC Annual Agenda Plan, noted the Employment Equity submission to the Department of Labour and conducted a benchmarking exercise with two of the Bank's corporate and DFI peers in order to understand how gender mainstreaming has been undertaken in other environments.

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

In-committee meetings were held on a quarterly basis where the report on forensic investigations and summary of legal cases the Bank was involved in were discussed.

In December 2020, the committee held a workshop with The Ethics Institute with respect to the statutory role of the SEC. A number of recommendations were made to enhance the terms of reference of the committee. The Terms of Reference are currently under review and will be submitted for consideration by the committee at the meeting scheduled for May 2021.

The committee's activities for the 2020/21 financial year:

» Monitored the implementation of recommendations from The Ethics Institute's Ethics Risk Assessment (ERA) conducted in the DBSA

» Oversaw and tracked progress of employee well-being initiatives

» Reviewed shifts in DBSA's culture agenda using the Barrett Survey results and plans to address areas of vulnerability

» Oversaw delivery on the Bank's purpose through referencing the SDGs as measures of such delivery

» Oversaw the Bank's response to climate change from an operational perspective
» Monitored the Bank's media and CSI activities
» Oversaw the Bank's establishment of gender mainstreaming within the organisation
» Monitored the B-BBEE transformation in respect of DBSA's procurement policies and appointment of service providers and contractors
» Provided training for SEC members on the DBSA Gift, Entertainment and Hospitality Policy

FOCUS FOR 2022

Strategic focus areas

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

In addressing these, the committee will:

» Continue its oversight and guidance to enhance the culture of ethics and ethical leadership at the DBSA
» Continue monitoring and benchmarking of the DBSA's ethics management against best practice, and oversee the completion of the Ethics Risk Assessment, including implementation of recommendations from The Ethics Institute
» Continue working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view on transformation
» Continue monitoring B-BBEE transformation in the Bank's procurement activities
» Continue to oversee and monitor employee well-being in 2022
» Continue to oversee the Bank's approach to the measurement, assessment and disclosure of its financial exposure to climate-related risks
» With a growing focus on stakeholder capitalism we will continue to ensure our corporate governance mechanisms seek to align our goals with those of our broad base of stakeholders in fulfilling our purpose of using our financial expertise to do good
» Continue to oversee the implementation of gender mainstreaming within the Bank.

Ms Patience Nosipho Nqeto
Chairman of the Social and Ethics Committee

MANAGING OUR HUMAN CAPITAL

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

The DBSA's human capital is predominantly represented by our employees, who have proved to be an eminently resilient resource in these challenging times. They are complemented by our partners, customers and suppliers. The strength of our human capital is also demonstrated in the availability of appropriate skills.

Our overall performance and the sustainability of our business is primarily driven by our employees. DBSA's management is instrumental in our value creation process and the long term sustainability of the Bank.

HUMAN CAPITAL INPUTS

» 606 permanent and long term contract employees
» R15 million spent on tertiary education for employees and their children, as well as training and development

VALUE CREATED FOR STAKEHOLDERS

» Job creation
» Training and development
» Knowledge exchange

KEY FACTORS IMPACTING THE BANK'S HUMAN CAPITAL

Associated key risks	Our strategic response
» Changing operating environment » People risk » Infrastructure implementation risk » Reputation risk » Development impact risk » Sustainability risk » COVID-19 risks	» Work-from-home Strategy to maintain a healthy workforce » Culture interventions that focus on client solutions » Transformed and skilled staff complement » Culture that embraces diversity and inclusion » Building a Digital DBSA through implementation of the SuccessFactors solution

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

Human Resources and Remuneration Committee, Nomination Committee and Social and Ethics Committee
The Board of Directors has established the Human Resources and Remuneration Committee (HRC), Nomination Committee and Social and Ethics Committee (SEC) to support it in the execution of its duties with regards to implementation of the human capital strategy, people management, social, governance and culture management.

The HRC provides the necessary oversight in respect of the Bank's performance and employee remuneration. In line with the Shareholder's Compact, the HRC also consults with the Shareholder in respect of executives' short term incentive payments where applicable.

EMPLOYEE OVERVIEW

In the year under review, we strived to maintain a stable work environment for our employees, despite the rapidly changing work realities triggered by the COVID-19 pandemic.

Key initiatives in human capital management

» Recruitment of appropriate employees for key programmes (101 employees employed in 2021FY)
» Leadership and women development
» Performance management, including alignment of individual performance contracts to the revised performance methodology that focuses on individual performance execution in support of corporate strategy and performance scorecard requirements
» Digitalisation through implementation of the SuccessFactors solution – an agile and fully integrated digital end-to-end human capital solution that will drive successful business execution from a people management perspective
» A comprehensive review of the Remuneration Policy. The policy forms the basis of how the Bank remunerates its employees. The policy is aligned to the strategic direction and specific drivers of the businesses within the Bank, supporting operational excellence, continuous improvement and innovation. The aspect of remuneration continues to be fundamental vis a vis the attraction, development, retention of employees as well as continued motivation of a high-performance culture, in furtherance of the Bank's ability to deliver on its mandate
» Employee wellness with specific focus on the COVID-19 pandemic

» A comprehensive review of the Remuneration Policy including the Bonus Model was conducted, with findings presented to Exco, the HRC, Board and National Treasury. This review included the appointment of an independent service provider
» Prepared and submitted recommendations for the annual increase envelope, which were approved by the HRC and successfully implemented during 2021 financial year
» Prepared and submitted recommendations for the short term bonus pool, which were approved by the HRC and successfully implemented during 2021 financial year

At year end, the DBSA employed 606 (2020: 610) permanent and fixed-term contract employees. This excludes 101 employees who were recruited for key programmes, which is considered as non-headcount as these employees are appointed for the duration of the programmes in line with the Memorandum of Agreement between the DBSA and the funding stakeholders.

Employee statistics

Category	2021	2020	2019	2018	2017
Number of employees[1]	606	610	597	589	588
Employee turnover (%)[2]	6	7	6	7	9
Black representation (%)[3]	80	78	77	73	74
Women representation (%)	54	53	53	52	52
Total training spend (millions)	10	20	23	24	15

Notes

1. Permanent and long term contractors excludes employees employed for key programmes
2. Controllable and uncontrollable turnover
3. Black = African, Coloured and Indian
4. Training spend reduced – impact of COVID-19

Staff retention is a crucial focus area, with DBSA successfully keeping its controllable turnover below 7%.

INVESTING IN OUR PEOPLE

It has become a way of life at the DBSA to continue to skill and reskill employees for changing roles in the organisational landscape, as well as building operating model flexibility. We set aside 4% of the salary bill on an ongoing basis towards training and development through the following programmes or schemes.

Employees enrolled on the Tertiary Education Scheme	59
Employees' children enrolled on the Tertiary Education Scheme	61
Employees on Learnership Programmes	27
Employees on Leadership and Management Development Programmes	53
Employees on targeted Training and Development Courses/Programmes	424
Internships and Unemployed Youth Development Programmes	9

In the 2020/21 financial year, the DBSA invested R15 million in skills development:

2021 financial year skills development spend	
Training	R10 million
Tertiary education, internships and employee development	R5 million

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

Youth unemployment, employee internship and learnership programmes

The DBSA has started focusing on addressing youth unemployment, with a view to facilitating work experiences and imparting new skills to prepare young people for the broader labour market.

Learnerships, both for currently employed and unemployed, remain a strategic imperative across the DBSA, given the need to establish a solid talent foundation at entry-level positions. It focuses on developing skills in core occupational areas related to Audit, ICT and administration resourcing, administration, project management and generic management.

Our focus on creating opportunities for youth employment lost traction during 2021 financial year due to challenges associated with working during COVID-19 pandemic and only four internships were offered within Internal Audit.

MANAGING OUR HUMAN CAPITAL CONTINUED

EMPLOYEE WELL-BEING

The DBSA provides a comprehensive range of employee wellness benefits aimed at promoting sound health and motivation within our workforce culture. These benefits include, among others:

Primary Healthcare	Onsite clinic for staff
24-hour wellness assist	Wellness service provider to assist families in respect of all wellness matters
Employee benefits	» Medical aid » Retirement benefits » Insurance and illness benefits

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

DIVERSITY, INCLUSION AND TRANSFORMATION

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of the DBSA. The following graphic reflects our employment equity statistics as at 31 March 2021:

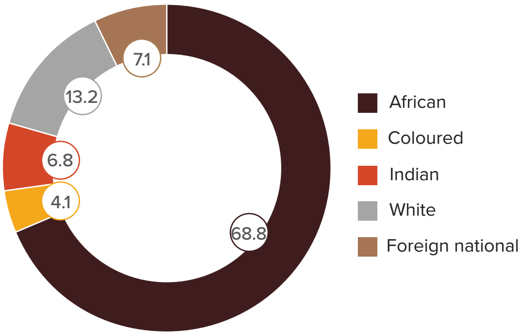
	Male				Female				Foreign nationals		Total
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	
Top management	3	1		2	4				1		11
Senior management	6		1	2	4				2	2	17
Professionally qualified and experienced specialists and mid-management	94	8	20	32	99	8	13	22	25	9	330
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	40	1	2	5	96	7	5	17	1	3	177
Semi-skilled and discretionary decision-making	30				20						50
Unskilled and defined decision-making	4				17						21
Total permanent	**177**	**10**	**23**	**41**	**240**	**15**	**18**	**39**	**29**	**14**	**606**

Our workforce reflects our focused employment equity philosophy. The DBSA has an overall 79.7% black representation with the balance made up of 13.2% white and 7.1% foreign nationals. The main challenges in employment equity remain in the areas of senior management and black employees with disabilities.

The overall number of women in leaderships positions (executive and management levels) increased by 5.48% in the 2021 financial year. Women represent 45.2% of the DBSA Leadership Team.

The DBSA Learning and Development function continually assists in facilitating and fast-tracking the development of employee skills in line with our development pipeline.

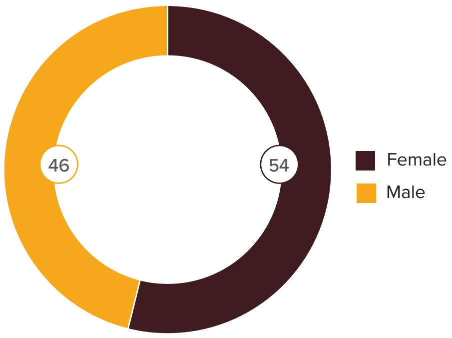
Diversity representation as at 31 March 2021 (%)



Gender diversity

We manage gender diversity to ensure that our employee composition is representative of the society in which we operate. In the year under review, 54% of our staff were female. Beyond gender diversity within DBSA, we also focus on improving gender diversity beyond our own operations through gender mainstreaming, as detailed below.

Gender representation as at 31 March 2021 (%)



Gender mainstreaming at the DBSA

The DBSA's Board approved pillars of gender mainstreaming are:

» Promoting investments in women-owned projects
» Adapting strategies, policies and procedures to enable gender mainstreaming across the DBSA
» Providing capacity-building and knowledge-sharing
» Building partnerships with public and private partners who share our vision for gender equality
» The Bank joined other public development finance institutions in becoming a signatory on the United Nations' Women's Empowerment principles (WEPs). The Bank has been granted access to gender mainstreaming global leaders, research, information and data, and GM implementation tools, instruments and resources
» Critical partnership concluded with the UN WEPs, AFD, IDFC, 30% Club and Business Engage

Our performance regarding each of these pillars during 2021 financial year is described below:

Investments in women-owned projects	2
Procurement spend on black women-owned suppliers	39%
Female professionals recruited	16
Delegates attending gender mainstreaming training for client-facing/frontline teams of the Bank	154
Partnerships with public and private partners who share our vision for gender equality	1

ENHANCING HUMAN CAPITAL IN INFRASTRUCTURE

Infrastructure Fund

Most public sector bodies were not designed with the capacity to prepare and structure blended finance infrastructure programmes and projects on their own. Structuring blended finance solutions requires scarce expertise, with the Infrastructure Fund being established in the DBSA as a central repository of this expertise. The Infrastructure Fund provides support to public sector bodies in structuring innovative blended finance mechanisms and solutions for public infrastructure projects falling into the blended finance category. These are shaped to unlock the current shortage of bankable blended finance projects being presented to the private sector for funding. The Infrastructure Fund is leveraging off the DBSA systems, policies and procedures in its infancy stages. Achieving diversity, inclusion and a fit-for-purpose culture is critical in these formative stages.

The Pan-African Capacity Building Programme

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

The PACBP has been quietly delivering critical capacity-building and skills development interventions across the region. The top courses during the reporting period were as follows:

» **Financial Modelling** for Zambia Railways and SADC Regional Railways staff
» **Project Finance** for Regional DFI staff and SADC-DFRC team.
» **Project Management** for SADC DFIs and regional partners.
» **Project Preparation and Project Finance (Combined)** for SADC DFIs and partners
» **Leadership Skills and High-Performance Cultures** for African DFIs
» **Emotional Intelligence Skills** for regional DFI professionals.
» **Fundamentals of Professional Coaching Skills** for African DFIs

Each course was delivered at least twice, except for the Leadership, Coaching and Emotional Intelligence Skills courses that have been requested repeatedly by clients, especially by regional DFIs during the 2020/21 financial year.

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

For the year ended 31 March 2021

The Human Resources and Remuneration Committee (HRC) has adopted appropriate formal terms of reference as its HRC Charter and has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

The Board delegated to the HRC the oversight responsibility for the implementation of the human capital strategy and related matters, executive remuneration for the DBSA, and governance issues and or additional governance requirements outside the mandate of the Nomination Committee.

During the year under review, the Board established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters. As a result, the committee name changed from Human Resources, Remuneration and Nomination Committee (HRNC) to Human Resources and Remuneration Committee (HRC).

MEMBERSHIP AND MEETINGS HELD

The HRC members' attendance is reflected on page 118 in the summary governance report.

The committee met six times in the past year. At year end, the committee comprised of six members, i.e. independent non-executive directors. The CEO and the Group Executive Human Capital attend by invitation. During the year under review, the committee utilised the services of independent advisors on matters relating to the Remuneration Policy.

Ms P Nqeto (Chairman)	Independent Non-executive Director
Ms M Kganedi[1]	Independent Non-executive Director
Ms A Sing	Independent Non-executive Director
Mr B Mudavanhu	Independent Non-executive Director
Prof M Swilling	Independent Non-executive Director
Mr E Godongwana	Independent Non-executive Director
Mr L Nematswerani[2]	Independent Non-executive Director
Ms L Noge-Tungamirai[3]	Independent Non-executive Director

1. Ms M Kganedi was appointed to the HRC effective 1 November 2020.
2. Mr L Nematswerani's term of office expired on 1 October 2020.
3. Ms L Noge-Tungamirai's term of office expired 1 October 2020.

IMPACT OF KING IV

King IV recommends that the accounting authority should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The HRC, amongst others, is responsible for reviewing and monitoring the implementation of the organisation's human capital strategy and plan. The DBSA has a Remuneration Policy and Reward Framework in place focused on attraction, retention and rewarding strong performance and ensuring that employees are appropriately remunerated.

RESPONSIBILITY

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

COMMITTEE KEY FOCUS IN 2021

Governance, Nominations and Directors Affairs[4]

- Recommended to Board potential candidates for membership of the DBSA Board for the Shareholder's consideration and approval in line with the DBSA Act
- Recommended to Board for approval the following Directors-related policies:
  - The Code of Conduct for the members of the Board of Directors
  - The Protocol on the Provision of Professional Corporate Governance Services to the Board and for Accessing Information from Management
- Recommended to Board for approval the HRC terms of reference and the HRC Annual Agenda
- Considered progress report on the implementation of the outcome of the Board Evaluation process

4. Nomination and Directors Affairs were mandated to the newly established Nomination Committee effective from November 2020.

Remuneration

- Provided oversight on the setting and administering of remuneration at all levels and implementation of the Remuneration Policy that will promote the achievement of strategic objectives and encourage individual performance.
- Recommended to the Board for approval the 2021/22 Balance Scorecard
- Recommended to the Board for approval the DBSA Corporate Performance Report, i.e. reviewed corporate performance against agreed strategic objectives as set out in Balanced Scorecard to facilitate effective performance monitoring, evaluation and corrective action. Considered and recommended to Board for approval the quantum of incentive pool for executives and staff of the DBSA
- Recommended to Board for approval the allocation of STI for the CEO and executives
- Recommended to Board for approval the 2021/22 Headcount and Remuneration Budget
- Recommended to Board for approval the 2021/22 annual increase envelope for employees and executives
- Reviewed the DBSA Remuneration Policy and Reward framework to ensure that the policy remains fit for purpose

Human Resources

- Monitored the implementation and execution of the Bank's human capital strategy and transformation as well as issue of policy requirements for implementation by management by considering amongst others, Human Capital, Headcount and Remuneration and Culture Report
- Considered ERM Report concerning key human capital risk including COVID-19 and its implications for DBSA's workforce. The committee noted reports that highlighted that COVID-19 had significant implications for DBSA's workforce, but was satisfied that the Bank has responded well to protect its employees and is still able to continue operations
- Considered the DBSA Leadership Values Assessment Report
- Considered benchmarking outcomes of the analysis of executive management total reward packages relative to the market

FOCUS FOR 2022

- Capacity assessment of support divisions (i.e. procurement, legal and human capital) to ensure efficiencies in support of the DBSA growth ambitions. Lack of adequate staffing impairs response times and, in turn, affects client experiences
- Finalisation of the Remuneration Policy to ensure alignment with best practices that require DBSA to remunerate fairly, responsibly, transparently and according to Shareholder expectations, i.e. alignment to the broader State-Owned Enterprises Remuneration Guidelines

Ms Patience Nosipho Nqeto
Chairman of the Human Resources and Remuneration Committee

NOMINATION COMMITTEE REPORT

For the year ended 31 March 2021

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

During the year under review, the Board has established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters. This responsibility was previously delegated to the Human Resources, Remuneration and Nomination Committee of the Board.

MEMBERSHIP AND MEETING HELD

The NOMCO member attendance is reflected on page 118 in the summary governance report.

The committee met once in the past year. The committee comprises three members, i.e. Chairman of the Board, Deputy Chairman of the Board and Chairman of the Human Resources and Remuneration Committee. The CEO attends by invitation.

Mr E Godongwana (Chairman)	Independent Non-executive Director
Prof M Swilling	Independent Non-executive Director
Ms P Nqeto	Independent Non-executive Director

IMPACT OF KING IV

King IV recommended that the process for nomination and election and ultimately the appointment of the members to the Board should be formal and transparent. The NOMCO oversees the process for the appointment of directors which includes identification of suitable members of the Board, performance of reference and background checks of candidates prior to nomination including fit and proper assessment and conflicts of interest.

RESPONSIBILITY

The primary function of the committee is to ensure that:

(i) The Board has the appropriate composition for it to execute its duties effectively

(ii) Non-executive and executive directors (Chief Executive Officer and Chief Financial Officer) are appointed/reappointed including the cessation of services

(iii) Appointment of the Company Secretary

(iv) Formal succession plans for the Board and CEO appointments are in place

(v) Continuous training and development of directors take place

(vi) Directors' affairs are attended to

COMMITTEE KEY FOCUS IN 2021

The committee was established in November 2020 and met once during the year under review. The committee considered:

» NOMCO's terms of reference and NOMCO Annual Plan

» Changes to the Board of Directors, i.e. resignation of Ms Zanele Monnakgotla from the DBSA's Board.

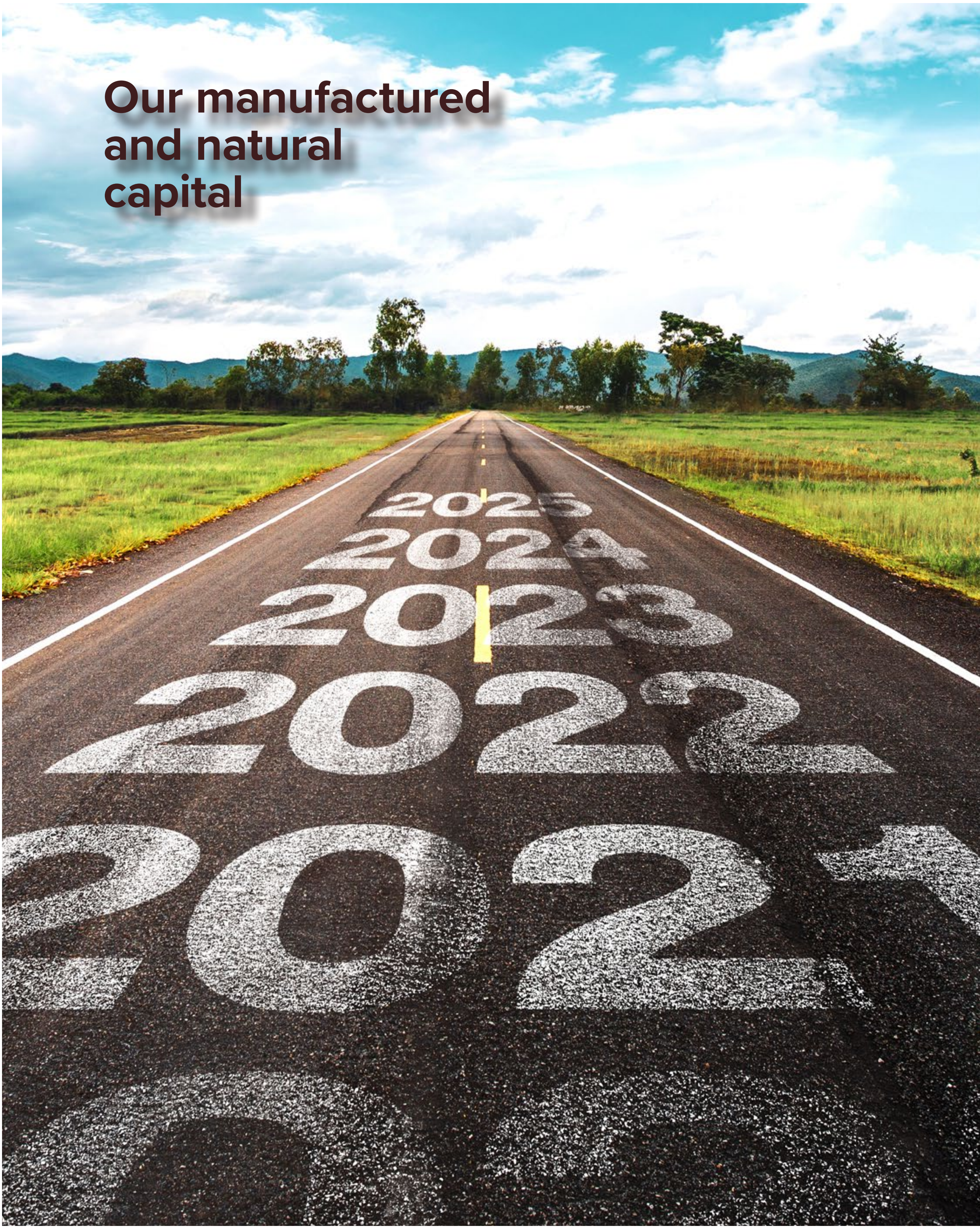
FOCUS FOR 2022

» Non-Executive and Executive Directors Succession Plan

» Directors affairs including filling of existing vacancies, i.e. consideration and recommendation to Board potential candidates for membership into the DBSA Board for the Shareholder's consideration and approval in line with the DBSA Act.

Mr Enoch Godongwana
Chairman of the Nomination Committee

Our manufactured and natural capital



MANAGING OUR MANUFACTURED AND NATURAL CAPITAL

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

The DBSA utilises natural capital resources such as land, water, and power. We decided to report on our manufactured and natural capital in tandem as the Bank's manufactured capital, our physical infrastructure in particular, is managed alongside our use of natural capital. By using natural resources to fulfil our operations, we destroy natural capital. The Bank endeavours to mitigate these negative impacts through various initiatives that engage our deployment of manufactured and natural capital.

As a bank, we also recognise that the scale at which we use these resources is not nearly as impactful as the decisions DBSA makes on Africa's infrastructure development value chain. We therefore contribute to preserving these capitals by developing products that promote environmentally responsible practices and through financial initiatives related to climate action.

MANUFACTURED CAPITAL INPUTS

» The DBSA campus

NATURAL CAPITAL INPUTS

» 0.5 megawatts of electricity consumed
» 3.9 kilolitres of water consumed

VALUE CREATED FOR STAKEHOLDERS

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

KEY FACTORS IMPACTING THE BANK'S NATURAL CAPITAL

Associated key risks	Our strategic response
» Changing operating environment » Infrastructure implementation risk » Reputation risk » Development impact risk » Sustainability risk	» Pioneer in renewable energy project financing starting with the IPP Office » Adoption of the Just Transition Framework » Green bond issued in January 2021 » Promoting off-grid campus » Recycling drive throughout our operations

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

Social and Ethics Committee
This committee monitors the DBSA's environmental impacts.

NATURAL CAPITAL INITIATIVES IN OUR OPERATIONS

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

The Bank is reducing the impact of its operations, including greening its site and buildings by:
» Energy demand management and generation of energy from renewable energy sources
» Business travel management, including our carbon footprint through energy use
» Office paper use and recycling
» Solid waste management and recycling
» Reduced water consumption
» Sustainable campus management (maintenance of the natural vegetation on the campus)
» Conservation of grassland and wetland biodiversity
» These initiatives culminate in a reduction of the Bank's carbon emissions, water use, waste generation and enables us to maintain a sustainable campus

Off-grid campus

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

The majority of the work that was planned for the financial year under review was not done since the campus was closed for the whole year because of the lockdown restrictions and all the employees work from home.

The off-grid campus also houses a DLab called the Innovation Hub. For more information on the initiative refer to page 88.

NATURAL CAPITAL INITIATIVES IN THE INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

As a DFI, we recognise that the biggest influence we could have on our collective natural capital is to fund programmes and initiatives that respond to the most pressing environmental issues of our times. The impacts of climate change are widely apparent, and the DBSA has been investing in initiatives aimed at climate change mitigation and adaptation.

Green Climate Fund

DBSA, in partnership with the national Department of Environmental Affairs, has established and manages a special fund as a national mechanism that aims to provide catalytic finance to facilitate investment in high-impact and sustainable green initiatives in South Africa, as well as to support poverty reduction and job creation. DBSA sought accreditation in order to support the Green Climate Fund in acting as a key contributor to innovative and risk-sharing approaches in projects that contribute towards low-carbon and climate-resilient development.

The Climate Finance Facility

The southern African region faces significant climate mitigation and adaptation challenges, including high vulnerability to extreme climate and rainfall fluctuations. Barriers to regional climate investments include a lack of affordable long term financing, perceived financial and technology risks, high upfront capital costs and a lack of climate finance mechanisms. DBSA's Climate Finance Facility, based on the Green Bank model, is a lending facility adapted for emerging market conditions, which aims to increase climate-related investments in southern Africa.

DBSA's Climate Finance programme derisks and increases the bankability of climate projects in order to crowd-in private sector investment. Its successful implementation will prove that similar financial models can be replicated in other developing countries.

The Climate Finance Facility currently has eight capacity development projects, 16 research and development projects and 31 investment projects. These initiatives are related to renewable energy, water use efficiency and waste recycling, among others and are self-sustaining. Complete repayment of debt funding is expected.

The Bank is involved in a pipeline of projects for climate facility financing:

OUR CLIMATE FINANCE FACILITY PIPELINE PROJECTS

Embedded Generation Investment Programme

The Embedded Generation Investment Programme utilises funding from the Green Climate Fund to develop a guarantee facility to be used as a credit support mechanism to support non-sovereign guarantee-backed power purchase agreements for renewable energy projects in South Africa. The programme supports the implementation of renewable energy projects with a capacity of 330MW, which is comprised of 280MW Solar PV and 50MW Wind.

This will be done through two components. The first component will provide credit support to private sector solar and wind IPPs established as special-purpose vehicles that are backed by non-sovereign off-takers in order to enhance bankability of such renewable energy projects. The second component will provide credit support to special-purpose vehicles, which are established and owned by Local Community Trusts (LCTs) and/or SMMEs to support such LCTs and SMMEs in obtaining and managing an equity ownership in local renewable energy sub-projects.

This programme has an estimated lifespan of 20 years.

Municipal Solid Waste Management Programme

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

During 2021, DBSA began preparing for the provision of alternative waste treatment technology to address the mounting waste at Johannesburg's landfill sites, which will simultaneously alleviate pressure on the national grid. The project seeks to provide the City of Johannesburg with a waste treatment technology facility that will accept 500 000 tonnes of the 1.6 million tonnes of municipal solid waste produced in Johannesburg per annum and potentially generate 36MW per annum of energy through a 'design-build-finance-maintain-operate transfer' or a public-private partnership.

Public-Private Sector Energy Efficiency Programme

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

Our Midvaal Local Municipality electricity project is expected to create direct and indirect jobs and allow for the transfer of skills and expertise; to provide subsided electricity to more than 4 000 indigents; and reduce public expenditure costs while improving service delivery.

Lesotho Climate Finance Readiness Project

Based on the DBSA experience with the Green Climate Fund in recent years, we are assisting Lesotho to develop capacity to enable them to also access funding.

Climate finance readiness will enable the country to adequately assess its own capacity needs and priorities, and to identify barriers to investment. This will include the capacity to identify the right policy mix and to identify and match sources of funding to planned climate change projects.

DBSA GREEN BOND

The Bank issued its inaugural green bond during the first quarter of 2021, a EUR200 million issue placed privately.

See page 80 for details.

Our governance

HOW WE ARE GOVERNED

At all levels, the DBSA subscribes to the highest standards of corporate governance, integrity and ethics. It is a commitment that is guarded jealously and is intrinsic in every step the Bank takes in fulfilling its mandate. This is enabled by the standing robust governance framework and a structure that ensures efficient and effective operations within the DBSA. These elements are governed by stringent corporate governance policies that have been carefully developed and are resolutely applied at every level within the organisation. In the current context of the global pandemic, the DBSA Board accepts corporate governance as the basis for company strategy, opportunity, risk management and corporate culture. The Board believes that good governance is a vital element that improves the quality of leadership and decision-making within the organisation. In this regard, robust independent reviews are undertaken regularly to assess the governance landscape of the Bank, ensuring that it remains fit for purpose. The Bank's governance policies must be rational, up to date, support the business of the Bank, and comply with the highest governance levels.

In 2021 and beyond, the DBSA continued and will continue to uphold the highest possible corporate governance standards to underpin the Bank's reputation and its effectiveness as an organisation. Good governance standards are an intangible asset that have created value for the DBSA by:

» Creating an environment for access to capital
» Ensuring that the Bank has a reputable brand
» Assuring stakeholders and clients
» Growing the business of the Bank under difficult economic conditions
» Ensuring that the Bank retains and attracts talent

GOVERNANCE FRAMEWORK

Key legislation

- **DBSA Act**
- **Public Finance Management Act**
- **Companies Act** (where appropriate)

Governance principles

- **King IV** (where appropriate)
- **Corporate Governance Development Framework**
- **Association of African Development Finance Institutions (AADFI) Prudential Standards Guidelines and Rating System**
- **United Nations Global Compact**

Governance partnerships

- **SADC Development Finance Resource Centre**
- **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**
- **Directors' Code of Conduct**
- **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**

GOVERNANCE STRUCTURES

The DBSA is identified as a major business entity and is listed under Schedule 2 of the PFMA. The Executive Authority of the DBSA is the Minister of Finance, who in terms of clause 7(2)(a) appoints the Board members of the DBSA Board.

In terms of clause 7(1), the Board of Directors of the Bank shall consist of not fewer than ten (10) and not more than fifteen (15) directors. In addition, clause 7(3) of the Act stipulates that members of the Board of Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration.

The DBSA Board comprised of 13 members as at 31 March 2021, i.e. ten (10) independent directors, one (1) non-executive director, and two (2) executive directors; 85% of directors are black (10 African and one Asian), two white and 46% are women (six females). The race representation is in line with government policy that requires at least 75% black directorship. The gender representation fell below the required 50% of women representation in management positions due to the resignation of Ms Zanele Monnakgotla from the Board in February 2021. In filling its vacancies, the Board will focus on gender representativity.

During the year the Board had two vacancies. In addition, the terms of office of eight non-executive directors came to an end. In line with good governance, a third of members whose terms had ended were retired from the Board. To allow fresh ideas and Board continuity, five (5) out of eight (8) members whose terms expired were reappointed for another term of three years and four (4) new members were appointed to the DBSA Board. Ms Zanele Monnakgotla consequently resigned from the Board in February 2021 for personal reasons.

The DBSA does not have any members serving for longer than nine years. In accordance with the Board Charter, any term beyond nine years (i.e. three three-year terms) for an independent non-executive director should be subject to a particularly rigorous review by the Board. This review would examine the performance of the director and factors that may impair the director's independence.

The DBSA has deployed sound governance structures and operating procedures through every level in the Bank's functions and hierarchy. The DBSA Board provides oversight on strategic direction and targets set within a robust strategic framework, while monitoring overall performance against targets. Taking investment and mandate decisions involves robust debate, with the CEO and management held to account for financial performance and controls. The Board is ethical in its dealings, leads through good governance and is supported by a strong company secretariat team.

The outcome of the Board evaluation conducted during the year under review indicated that the DBSA Board is considered to be generally effective and well-functioning. Board succession planning to ensure Board continuity and committee size and composition were identified as areas for improvement. The plan is in place to address the identified gap. In carrying out its oversight responsibility, the Board has established and delegated responsibilities to six (6) committees, namely the Audit and Risk Committee (ARC), the Board Credit and Investment Committee (BCIC), the Human Resources and Remuneration Committee (HRC), Infrastructure Delivery and Knowledge Management Committee (IDKC), Nomination Committee (NOMCO), and Social and Ethics Committee (SEC). In addition, the Board establishes and sets the charters of the Board committees, which provides for the composition, roles, delegation of authority and responsibilities of each of the Board committees listed below, all of which report on their activities to the Board.

GOVERNANCE STRUCTURES CONTINUED

Ministry of Finance (Sole Shareholder)			
Minister Tito Mboweni			
DBSA Board			
Chairman: Enoch Godongwana			
	ARC	**BCIC**	**HRC**
Board Committee	**Audit and Risk Committee**	**Board Credit and Investment Committee**	**Human Resources and Remuneration Committee**
Chairman	Martie Janse van Rensburg	Anuradha Sing	Patience Nqeto
Non-executive members at year end	Anuradha Sing Blessing Mudavanhu Patience Nqeto Bongani Nqwababa Gaby Magomola	Martie Janse van Rensburg Blessing Mudavanhu Mark Swilling Enoch Godongwana Bongani Nqwababa Gaby Magomola Petrus Matji	Blessing Mudavanhu Anuradha Sing Enoch Godongwana Maseapo Kganedi Mark Swilling
Non-executive members who resigned/retired during the year	Zanele Monnakgotla Bulelwa Ndamase	Zanele Monnakgotla Bulelwa Ndamase	Lufuno Nematswerani Letlhogonolo Noge-Tungamirai
Executive members[1]		Patrick Dlamini Boitumelo Mosako	
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.
For further detail	See pages 82 and 83 for the Audit and Risk Committee report.	See pages 84 and 85 for the Board Credit and Investment Committee report.	See pages 100 and 101 for the Human Resources, and Remuneration Committee report.

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

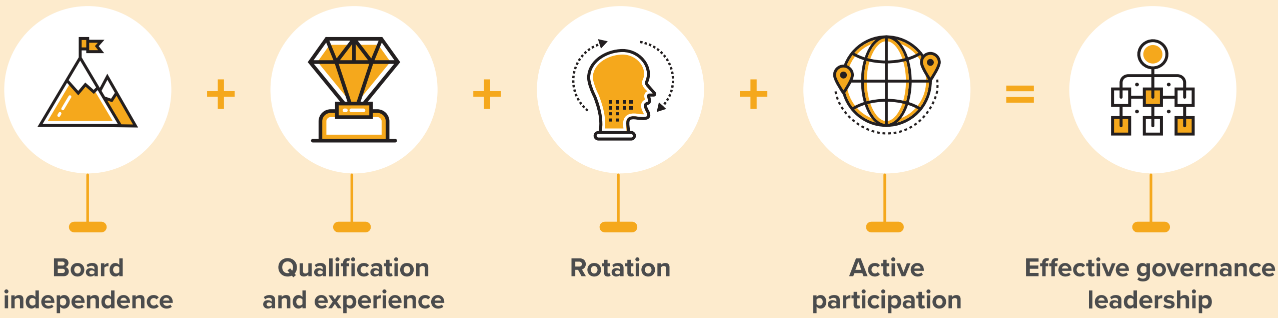
DBSA Executive Management Committee		
Chairman: Patrick Dlamini		
Steering Committee	**Asset and Liability Management Committee**	**Supply Chain Management Committee**
	Boitumelo Mosako (Chairman)	Boitumelo Mosako (Chairman)

	SEC	IDKC	NOMCO
	Social and Ethics Committee	**Infrastructure Delivery and Knowledge Management Committee**	**Nomination Committee**
	Patience Nqeto	Mark Swilling	Enoch Godongwana
	Mark Swilling Maseapo Kganedi	Malijeng Ngqaleni Enoch Godongwana Martie Janse van Rensburg Petrus Matji	Mark Swilling Patience Nqeto
	Zanele Monnakgotla Bulelwa Ndamase Lufuno Nematswerani Letlhogonolo Noge-Tungamirai	Lufuno Nematswerani Letlhogonolo Noge-Tungamirai	
	Patrick Dlamini	Patrick Dlamini	
	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.	Support the Board in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters.
	See pages 94 and 95 for the Social and Ethics Committee report.	See pages 90 and 91 for the Infrastructure Delivery and Knowledge Management Committee report.	See page 102 for the Nomination Committee report.

	Investment Committee	Infrastructure Delivery and Knowledge Management Committee
	Mpho Kubelo (Chairman)	Zeph Nhleko (Chairman)

GOVERNANCE STRUCTURES CONTINUED

ENSURING EFFECTIVE GOVERNANCE AND GOOD CORPORATE CITIZENSHIP



EFFECTIVE GOVERNANCE LEADERSHIP

King IV principles

100% compliance

Accredited as a regional partner of the

Green Climate Fund

Shareholder-initiated Board appraisal outcome

received in 2021

AADFI PSGRS rating:

A+ (2020: A+)

BOARD INDEPENDENCE

Board members at the end of the current year

13

- Independent non-executive directors: 77% (10)
- Non-executive director (Shareholder representative): 8% (1)
- Executive directors: 15% (2)

The Minister of Finance in consultation with Cabinet appoints members of the Board following recommendations by the Board.

The Chairman is an independent non-executive director.

Three (3) directors retired upon expiry of their terms on 1 October 2020.

All committees (ARC, BCIC, HRC, IDKC, NOMCO and SEC) are comprised of majority independent non-executive directors.

Declaration of interest at each meeting.

	Female		Male	
DIVERSITY	**Number**	**%**	**Number**	**%**
Black	5	38	6	46
White	1	8	1	8
Total	**6**	**46**	**7**	**54**

AGE (Years)	
60+	6
50 – 59	5
40 – 49	2

ROTATION

Duration

Appointed for three-year term

3
Maximum number of terms

4
Left the Board during 2021

4
Reappointed to the Board during 2021

4
Appointed to the Board during 2021

ACTIVE PARTICIPATION

1
Annual General Meeting

4
Scheduled Board meetings

2
Special Board meetings

1
Board strategy sessions

>90%
Attendance at Board meetings

TENURE OF NON-EXECUTIVE DIRECTORS

5
0 – 3 years

4
3 – 6 years

2
More than 6 years

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

- Strategic leadership
- Funding, finance, banking and credit risk
- Government – intergovernmental relations
- Economics
- Social and sustainable development
- Engineering
- Legal and governance
- Human capital
- Infrastructure development
- Information technology
- Business administration

BOARD RESPONSIBILITIES AND KEY FOCUS AREA

During the year under review, the Board considered detailed feedback from the chairs of Board committees on the deliberations of those committees, along with detailed presentations by the Chief Executive Officer reporting on the Bank performance against set strategy and financial results. In addition, the Board considered the following matters in 2021.

» **DBSA's response to COVID-19** – As the COVID-19 pandemic developed in 2020, the Board was quick to respond and identify key risks associated with the COVID-19 pandemic. The Board scheduled additional meetings where epidemiology and economics, business continuity management, liquidity and disbursement management, treasury management, financial plan and DBSA interventions were considered. During the year the Board received a periodical update on the assumptions provided for in the different scenarios of the pandemic response plan.
» **Infrastructure Fund** – The Board considered the financial model of the Infrastructure Fund including staffing requirements.
» **Just Transition** – The Board considered the Just Transition concept informing the adoption of investment approaches in the Bank. The Integrated Just Transition investment framework was approved.
» **Innovation** – Due to workforce landscape changes as a result of COVID-19, the Board oversaw and ensured acceleration of the initiatives enabling employee productivity through the implementation of the modern workplace platform. The Information management and Cybersecurity capability were elevated, and heightened cybersecurity awareness training was provided to employees. The future focus is the acceleration of the digital capabilities and initiatives for both internal and external stakeholders.
» **Reputational matters** – The Board discussed the UDM allegation of maladministration, mismanagement and possible deep-rooted corruption at the DBSA, as well as of the victimisation of Board members. These allegations have serious potential reputational repercussions for the Bank. The allegations were strongly refuted by the Bank on the basis that the DBSA is governed by stringent corporate governance policies that are applied at every level of the organisation. At every level of the business, there are checks and balances, both internal and external, that ensure that every single operation and decision within the Bank does not solely lie with a single officer but relies on consensus.
  – **Cranbrook** – The Audit and Risk Committee requested an audit and legal investigation into loans made to the Cranbrook Group between 2007 and 2009. The Bank's Internal Audit, along with an external legal firm, led this investigation. This investigation has recently concluded, and its outcomes are currently being considered by both the DBSA and the Auditor-General. While the matter remains under consideration, it is important to highlight the fact that no fraud, corruption or non-compliance with applicable laws and regulations was identified by the external investigators in the Cranbrook transactions. The findings outlined in the report confirmed that the loans to the three borrowers that form part of the Cranbrook Group, made between 2007 and 2009, were compliant with the credit processes applicable at the time. The report also noted that the DBSA's credit processes and related policies at the time had several shortcomings and deficiencies. These shortcomings were however addressed during the DBSA's organisational review in 2012 and concerted efforts were made following the subsequent organisational restructuring to conform to industry best practice.
  – **Poseidon matter – possible conflict of interest** – No evidence of conflict of interest, collusion or fraud were found for these transactions. The Board found no politically exposed persons (PEPs) when applying the DBSA's anti-money laundering framework, the Risk Management and Compliance Programme, together with the DBSA's Management of Politically Exposed Persons Policy. The Board remains committed in the ongoing improvements of the DBSA's governance standards.

2022 and beyond

The Board will be deepening its thoughts around decisive interventions to the Bank's approaches to township and rural economies.

GOVERNANCE OF ETHICS

The DBSA is committed to upholding the highest standards of governance, ethics and integrity through transparency and accountability. As much as the responsibility to execute ethics sits across governance functional areas, the primary management, oversight and coordination of ethics rests with the Bank's Ethics Office. The Ethics Office falls under and is overseen by the Company Secretary. This means that the Ethics Office, through the Company Secretary, has direct independent access to the DBSA Board, its Chairman and CEO.

In the previous financial year, the Bank embarked on an independent Ethics Risk Assessment from which a three-year ethics strategy and plan were formulated. The following strategic focus areas were achieved in the period under review:

Leadership commitment – A virtual training was conducted for the Social and Ethics Committee (SEC) and Executive Committee (Exco) regarding the role of the SEC. The training focused on highlighting the statutory and non-statutory responsibilities of the SEC, in light of the Companies Act (which focuses primarily on the social aspect of the committee) and King IV (which has included the ethics lens on the function of the SEC to bring about an ethical culture in the Bank). The joint sitting of both committees was necessitated by the synergy needed between the two committees in order to make the SEC effective and efficient. From this training, the SEC seeks to enhance ethical considerations regarding the economic, social and environmental matters on the investment projects to ensure that the Bank acts as a corporate citizen regarding responsible investing. The Board is committed to enforcing and overseeing an ethical culture in the Bank through the entrenchment of the Bank's shared values into its policies, processes and systems.

During the year under review, the DBSA was faced with claims from social media of mismanagement on some projects (refer to reputational matters under Board report).

Ethical culture – In order to progress towards a mature ethical culture, it was imperative to make the ethics voice heard throughout the Bank's value chain. To achieve that the following policies were originated and/or reviewed in the 2019/20 financial year:

i) The Anti-Bribery and Corruption (ABC) Policy which aims at communicating the Bank's zero-tolerance against all forms of corruption. Awareness of the policy was raised through a Bank-wide brief that communicated the key highlights of the policy.

ii) The Gift, Entertainment and Hospitality Policy provided principles for whenever receiving, giving and rejecting gifts. This was communicated to the employees and presented to the SEC as part of their training on DBSA policies. Employees were urged to be transparent on the online gift register regarding gifts received. In the financial year under review the gift register recorded fewer gifts, which was attributed to less contact with clients due to the pandemic. The declared gifts did not present conflicts of interest in line with policy principles.

iii) The Board's Conflict of Interest Policy to manage reputational and financial risks of the Bank.

The Ethics Office has provided advisory services to the Bank's business units and individuals regarding conflict of interests considerations in decision-making, as well as employees taking up external directorships. A pilot analysis of some categories of the declaration of external interests was conducted. For example, we analysed a sample of employees with several external non-executive directors' roles and engaged with these employees for compliance with the Employees' Conflict of Interest Policy. In the 2020 calendar year the percentage of employees declaring outside interests or a nil return was 86%. The SEC has expressed deep concern with the high number of non-compliance (14% in this regard) due to the risks posed and directed that effective consequence management be enforced. The new disclosure system will have built-in escalation protocols in order to reinforce compliance to the policy.

In collaboration with the Internal Audit, the Ethics Office contributed to building a case for the Bank to undertake or not to undertake a Lifestyle Audit. A legal advice to determine the legal grounds for this consideration was sought and an independent assessment to determine if there was a need for the Bank to conduct a Lifestyle Audit. As recommended by the SEC, the Board decided not to undertake a Lifestyle Audit at present and will review this decision in due course.

The Ethics Office presented twice at the weekly Friday check-in pod, which had been birthed during the pandemic. This innovative virtual platform was established as an interactive support tool for the employees as we together navigated the hostility of COVID-19 and its impact on our lives and livelihoods. The platform facilitated an ethics talk around the topical issues surrounding values-based ethical behaviours and the detrimental effect of unethical behaviours, including corruption and the surge in gender-based violence.

People management – this was done through the following:

i) **Recruitment** – All prospective employees are assessed against personal integrity management verifications, which include actual or potential conflict of interests and being PEPs. Where there are red flags, the Human Capital and Line Managers are made aware so they can address the matter with the candidate and decide on the best course in the interest of the Bank.

ii) **Performance management** – An ethics weighting was added to the Bank's performance scorecard and cascaded to the scorecards of the Exco and all employees.

iii) **Corporate induction** – Ethics and related ethics policies were presented to new employees at all corporate induction sessions. The Ethics Office is in discussion with Human Capital to include ethics policies in the on-boarding programme.

The following policies are planned for a review in the next financial year:

1. Whistleblowing Policy
2. Employees' Conflict of Interest Policy
3. Board Conflict of Interest Policy
4. Code of Ethics

MANAGING RISKS OF POLITICALLY EXPOSED PERSONS

The definitions of PPEPs are wide ranging. According to the Financial Intelligence Centre (FIC), a 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 FIC Amendment Act sets out two categories of PEPs, i.e. 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 DBSA takes steps to identify whether a client or prospective client is a PEP and ensure 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 the FIC which are aimed at combating money laundering and the prevention and detection of fraud and other corrupt practices including financing of terrorist activities.

The DBSA is not precluded from doing business with a PEP therefore the identification of a PEP does not on its own create an automatic reason to decline or reject an application for funding. However, when a PEP is identified, an EDD should be conducted prior to a decision on whether to establish a business relationship or not.

BOARD RESPONSIBILITIES AND KEY FOCUS AREA CONTINUED

The DBSA has adopted a PEP Policy in order to mitigate reputational risk, operational risk and legal risk. The policy is based on internationally accepted best practice, standards and guidelines on the management of PEPs, while simultaneously meeting regulatory compliance standards 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 DBSA that are PEPs as well as prospective suppliers and/or service providers.

JSE Debt Listings Requirements (DLR)

It is the function of the JSE under the Financial Markets Act to provide for the listing, trading, clearing and settlement of debt securities in a transparent, efficient and orderly marketplace. The DLR reflect, inter alia, the rules and procedures governing new applications and the ongoing obligations of applicant issuers and are aimed at providing investor confidence via an orderly, secure, efficient and transparent financial market. The DLR provide for the minimum disclosure which investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the nature and state of an applicant issuer's business, and terms of the debt securities.

Domestic prominent influential persons

Section 7.9 of the DLR requires the issuer to have a current policy dealing with the disclosure and treatment of domestic prominent influential persons:

- At Board level; and
- For prescribed officers

of the issuer in respect of any transactions/dealings by the issuer with domestic prominent influential persons.

The DBSA's PEP Policy, which is published on the DBSA's website (https://www.dbsa.org/sites/default/files/media/documents/2021-03/Management%20of%20Politically%20Exposed%20Persons%20Policy%202021.pdf) deals with the disclosure and treatment of domestic influential persons.

Section 7.10 of the DLR requires the issuer to keep a current register of such domestic prominent influential persons and the relationship with the issuer must be maintained by the issuer and must be made available on the website of the issuer when the issuer publishes its annual financial statements. A negative statement must be made if there are no domestic prominent influential persons.

The DBSA confirms that it had no transactions/dealings with such domestic prominent influential persons during the 2020/21 financial year.

Procurement

Section 7.12 of the DLR states that if the applicant issuer is an SOE or municipality and has a policy dealing with procurement of services and/or products, this policy must be current and published on the issuer's website. The DBSA's Supply Chain Management Policy is current and published on the DBSA's website (https://www.dbsa.org/sites/default/files/media/documents/2021-03/DBSA%20Supply%20Chain%20Management%20Policy_0.pdf).

Section 7.13 of the DLR requires that a current register of procurement of services and/or products representing 10% or more of the annual procurement spend of the issuer must be maintained by the issuer and must be made available on the website of the issuer when the issuer publishes its annual financial statements. The register must disclose at least the following:

- Parties to the agreement
- Brief description as to the nature of the agreement
- Date of the agreement and duration
- Total value of the agreement for the duration period

A negative statement must be made if there are no such procurement partners at that level.

The DBSA confirms that it had no such procurement partners at that level during the 2020/21 financial year.

General: Loans and procurement

Section 7.15 of the DLR requires the issuer to have a current policy dealing with the disclosure and treatment of loans and procurement, as a minimum, with:

- Related parties
- Domestic prominent influential persons
- Prescribed officers

The policy must be available on the website of the applicant issuer. Both the DBSA's PEP Policy (https://www.dbsa.org/sites/default/files/media/documents/2021-03/Management%20of%20Politically%20Exposed%20Persons%20Policy%202021.pdf) and the DBSA's Supply Chain Management Policy (https://www.dbsa.org/sites/default/files/media/documents/2021-03/DBSA%20Supply%20Chain%20Management%20Policy_0.pdf) are published on the DBSA's website and deal with the disclosure and treatment of loans and procurement with the above-mentioned parties, respectively.

Section 7.16 of the DLR requires that a current register of such loans and procurement with the issuer must be maintained by the issuer and must be made available on the website of the issuer when the issuer publishes its annual financial statements. The register must disclose at least the following:

- Parties to the agreement
- Brief description as to the nature of the agreement
- Date of the agreement and duration
- Total value of the agreement for the duration period

A negative statement must be made if there are no loans or procurement with such parties.

Board of Directors

BOARD OF DIRECTORS

BOARD AND COMMITTEE RECORD OF ATTENDANCE

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

1. Resigned as a Board member from 9 February 2021.
2. Term ended as Board members on 1 October 2020.
3. Appointed as members of the Board from 2 October 2020.
4. ARC meets twice a year to consider new investment valuations.
5. BCIC members are invited to the ARC Investment Valuation meetings.
6. New Committee as from November 2020.

Chairman

Mr Enoch Godongwana (64)

Director of the New Development Bank

DBSA Non-executive Director as from 1 April 2019

Chairman of the DBSA Board as from 27 September 2019

Expertise

- » Economics, negotiations and management, strategic leadership, finance and labour relations

Academic qualifications

- » Master of Science: Financial Economics, University of London

Other directorships

- » Zabezolo Group
- » Zabezolo Investments
- » Zabezolo Resources
- » Zabezolo Properties
- » Zabezolo Leisure
- » Isiveno Consulting

Deputy Chairman

Prof Mark Swilling (61)

Co-Director: Centre for Complex Systems in Transition, University of Stellenbosch

DBSA Non-executive Director as from 1 August 2014

Deputy Chairman of the DBSA Board as from 27 September 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

- » Teifa IQ
- » Friends of Sustainability Education
- » Centre for Sustainability Transitions, Stellenbosch
- » Member of the Advisory Board of the Urban Futures Studio, Utrecht University University-Co-Director and member
- » World Academy of Art and Science

Shareholder representative

Ms Malijeng Ngqaleni (62)

Deputy Director General: Intergovernmental Relations, National Treasury

DBSA Non-executive Director as from 1 January 2019

Expertise

- » Economics, policy, government and leadership

Academic qualifications

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

Other directorships

- » None

BOARD COMMITTEES

- Audit and Risk Committee
- Board Credit and Investment Committee
- Human Resources and Remuneration Committee
- Infrastructure Delivery and Knowledge Management Committee
- Nomination Committee
- Social and Ethics Committee

BOARD OF DIRECTORS CONTINUED

Executive directors

Mr Patrick Dlamini (51)

Chief Executive Officer and Managing Director DBSA

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 Business School.
» Advanced Specialist Financial Management Programme, Business Studies, National Technikon
» BCom, University of KwaZulu-Natal

Other directorships

» BOPHYLD
» Lanseria Group
» Morgan Group
» Interloc
» Siba Advisory Services

Ms Boitumelo Mosako (43)

Chief Financial Officer DBSA

DBSA staff member and Group Executive as from 1 April 2018 and Executive Director as from 1 June 2018

Expertise

» Auditing, financial management and strategy

Academic qualifications

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

Other directorships

None

BOARD COMMITTEES

- Audit and Risk Committee
- Board Credit and Investment Committee
- Human Resources and Remuneration Committee
- Infrastructure Delivery and Knowledge Management Committee
- Nomination Committee
- Social and Ethics Committee

Independent Non-executive Directors

Ms Martie Janse van Rensburg (64)

Director of Companies

DBSA Non-executive 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 CA(SA)
- BCompt Hons, UNISA
- BCom, University of the Free State

Other directorships

- Sephaku Holding Ltd
- Etion Ltd
- Ivanhone Mines Ltd
- First Rand Bank Ltd
- Ashburton Investments

Advocate Maseapo Kganedi (47)

Company Secretary and Head of Governance, Risk and Legal Compliance – South African Tourism

DBSA Non-executive Director as from 2 October 2020

Expertise

- Legal, governance and public sector

Academic qualifications

- LLM (Corporate Law), University of Johannesburg
- Diploma in Legislative Drafting LLB, University of Johannesburg
- LLB, University of Johannesburg
- Bachelor of Procurius (BProc), University of Johannesburg
- Certificate in Driving Government Performance, Harvard Kennedy School
- Certificate in Corporate Governance, University of South Africa Certificate in Pension Law, University of South Africa

Other directorships

- Gauteng Partnership Fund
- Kganedi Business Services

Mr Gaby Magomola (77)

Director of Companies

DBSA Non-executive Director as from 2 October 2020

Expertise

- Credit risk, project finance and strategic leadership

Academic qualifications

- BCom (Accounting and Economics), University of South Africa
- MBA (International Finance), Ball State University, USA
- London Banking School (Credit)
- Athens (Greece) Banking School (Foreign Exchange)
- Diploma (Management of R&D, Innovation and Technology) Massachusetts Institute of Technology, USA

Other directorships

- Thamaga Pipeline (Pty)Ltd
- Gabby Magomola & Ass (Pty)Ltd
- Sekwati Group
- Letcoflo (Pty) Ltd
- Stand 20 Atholl (Pty) Ltd

BOARD OF DIRECTORS CONTINUED

Independent Non-executive Directors continued

Mr Petrus Matji (55)

Managing Director of Lion Infrastructure Africa

DBSA Non-executive Director as from 2 October 2020

Expertise

» Project management, project finance, infrastructure delivery and management.

Academic qualifications

» BSc (Physics and Applied Mathematics), University of the North
» BSc (Hons) Computational Fluid Dynamics, University of the Witwatersrand
» MSc (Engineering Sciences, Civil Engineering), University of Stellenbosch
» Certificate (Project Management), Damelin Management School
» Diploma (Business Management), Varsity College
» Management Advanced Programme, Wits Business School
» MBL, University of South Africa

Other directorships

» Overberg Water Board
» Morwakoma Matji Investment Holdings (Pty) Ltd
» Lion Infrastructure Africa (Pty)
» Machidi Development Foundation

Dr Blessing Mudavanhu (50)

Founder and President of Dura Capital Ltd

DBSA Non-executive Director as from 1 August 2017

Expertise

» Banking, director risk management, business management and development finance

Academic qualifications

» PhD Mathematics, University of Washington, USA
» MS Financial Engineering, University of California at Berkeley, USA
» MS Applied Mathematics, University of Washington, USA
» BS Honours Mathematics, University of Zimbabwe

Other directorships

» Dura Capital
» CBZ Holdings Limited

Ms Patience Nosipho Nqeto (63)

Director of Companies

DBSA Non-executive 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

BOARD COMMITTEES

- Audit and Risk Committee
- Board Credit and Investment Committee
- Human Resources and Remuneration Committee
- Infrastructure Delivery and Knowledge Management Committee
- Nomination Committee
- Social and Ethics Committee

Mr Bongani Nqwababa (55)

Director of Companies

DBSA Non-executive Director as from 2 October 2020

Expertise

» Financial management, risk management, operations and strategic leadership.

Academic qualifications

» BAcc (Hons), University of Zimbabwe
» FCA, Institute of Chartered Accountants of Zimbabwe
» MBA with Merit, jointly awarded by Universities of Wales, Bangor and Manchester

Other directorships

» Babcock Ntuthuko Engineering (Pty) Ltd
» Babcock Plant Services (Pty) Ltd
» BCG Consulting
» BN Africa Capital (Pty) Ltd
» Twenty Fifty Energy (Pty) Ltd

Ms Anuradha Sing (50)

Executive: Strategic Business Operations MTN Group

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

None

MANAGEMENT OVERVIEW

- **Chief Executive Officer**
  - **Stakeholder Strategic Partnerships**
  - **Office of Chief Economist**
    - Corporate Strategy
    - Knowledge Management and Research
  - **Company Secretary**
  - **Chief Investment Officer**
    - Product Innovation
    - Innovation and Culture
    - **Client Coverage**
      - RSA Metros and Bankable Cities
      - Local Government Support
      - Energy, ICT and Enviroment
      - Transport, Logistics and Bulk Water
      - SADC
      - Banks and Global DFIs
      - Social, Health and Education
    - **Project Preparation**
      - Project Development Support
      - Planning
      - Programme Development
      - Climate and Environmental Finance
    - **Transacting**
      - SOEs, Governments and Corporate
      - Project Finance
      - Municipalities and Water Boards
  - **Infrastructure Delivery Division**
    - Business Development and Stakeholder Management
    - Business Planning, Performance and Reporting
    - Construction and Maintenance
    - Programme Management
    - Infrastructure Procurement
    - Legal and Contracting
  - **Financing Operations**
    - Credit and Portfolio Management
    - Business Support and Recoveries
    - Credit Lab
  - **Chief Risk Officer**
    - ERM Compliance
    - Credit and Market Risk
    - Legal
    - Internal Audit
  - **Chief Financial Officer**
    - Finance
    - Supply Chain Management
    - Information Technology
  - **Treasury and Balance Sheet Management**
    - Treasury
    - Balance Sheet Management
  - **Corporate Services**
    - Human Capital
    - Facilities Management
    - Protection Services
    - Communications, Marketing and Events

EXECUTIVE COMMITTEE

Mr Paul Currie (59)
Chief Investment Officer

DBSA staff member and Group Executive as 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

Directorships

None

Mr Ernest Dietrich (58)
Group Executive: Treasury and Balance Sheet Management

DBSA staff member as from: 2 January 2001
Group Executive as from 1 January 2016

Academic qualifications

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

Directorships

None

Mr Michael Hillary (51)
Group Executive: Financing Operations

DBSA staff member and Group Executive as from 1 October 2012

Academic qualifications

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

Directorships

- Old Mutual Housing Impact Fund (DBSA nominee)

EXECUTIVE COMMITTEE CONTINUED

Ms Catherine Koffman (49)
Group Executive: Project Preparation

DBSA staff member and Group Executive as from 1 February 2021

Academic qualifications

- Admitted Attorney
- Master of Laws, University of the Witwatersrand
- Bachelor of Laws, University of the Witwatersrand
- Bachelor of Arts (Law), University of the Witwatersrand

Directorships

- Adapt IT Holdings Ltd
- SwissRe (Pty) Corporate Solutions Africa Ltd

Mr Mpho Kubelo (44)
Chief Risk Officer

DBSA staff member as from 1 November 2007
Group Executive as 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 (1999)
- MS Risk Management, Stern Business School New York University

Directorship

- Development Bank of Zambia (DBSA nominee)

Ms Zodwa Mbele (50)
Group Executive: Transacting

DBSA staff member as from 9 October 2016
Group Executive as from 1 October 2017

Academic qualification

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

Directorship

- Stanlib Infrastructure Fund
- Vodacom Insurance and Life Assurance Companies
- Vergenoeg Mining (Pty) Ltd

Ms Sheila Motsepe (52)
Group Executive: Human Capital

DBSA staff member and Group Executive as from 1 February 2019

Academic qualification

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

Directorship

None

Mr Chuene Ramphele (47)
Group Executive: Infrastructure Delivery

DBSA staff member as from 1 June 2010
Group Executive as from 1 November 2018

Academic qualifications

» MBL, UNISA Graduate School of Business Leadership
» BTech Public Management, UNISA
» Advanced Management Development Programme, University of Pretoria
» National Diploma: Public Management and Administration, Technikon Northern Transvaal

Directorships

» Supplier Development Facility (Pty) Ltd
» Ecocars Traders (Pty) Ltd

Mr Mohan Vivekanandan (48)
Group Executive: Client Coverage

DBSA staff member and Group Executive as from 24 March 2014

Academic qualifications

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

Directorships

» One & Only Hotel Cape Town (DBSA nominee)

Company Secretary

Ms Bathobile Sowazi (49)
Company Secretary

DBSA Company Secretary as from 1 May 2010

Academic qualifications

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

Directorships

- Batsano Investments (Pty) Ltd

Infrastructure Fund

Mr Mohale Rakgate (47)
Chief Investment Officer: Infrastructure Fund

Chief Investment Officer as from 1 October 2020

Academic qualification

- Master of Science in Global Finance, Stern Business School, New York University
- Project and Infrastructure Finance Programme, London Business School
- Advanced Management Programme, Harvard Business School
- Post-Graduate Certificate in International Management, University of London
- BCom (Accounting), University of Limpopo

Directorship

- Proparco (DBSA Nominee)

REMUNERATION REPORT

The Human Resources and Remuneration Committee (HRC) 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.

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

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

This report provides an overview of how the DBSA Remuneration Policy has been implemented in the organisation.

HRC CONSIDERATIONS AND DECISIONS

The DBSA set out challenging targets to achieve despite the tough economic, political environment in the continent and the impact of the COVID-19 pandemic. 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.

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

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

- Reviewed and recommended to Board for approval the proposed corporate plan for the 2021/22 financial year
- Assessed the corporate and performance against the approved corporate plan
- Reviewed the Remuneration Policy of the DBSA
- Reviewed and recommended to Board for approval the annual increase envelope for employees and executives
- Reviewed and recommended to Board for approval of the short term incentive (STI) pool for employees and executives
- Reviewed and recommended to Board for approval the headcount and personnel expenditure budget for next financial year
- Considered the benchmarking outcome analysis of executive management total reward packages relative to the market
- Reviewed and recommended to Board for approval the allocation of STI for the CEO and executives
- Approved the retention bonus allocation for the CEO and executives
- Recommended the Non-executives' Fees to the AGM for approval
- Reviewed the new three-year Employment Equity Plan for the DBSA
- 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

EMPLOYEE REMUNERATION

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

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

Guaranteed pay

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

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

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

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

Short term Incentives (STI)

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

STI scorecard

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

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

Performance distribution categories

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

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

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.

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.

Reference information

ANNEXURE A – APPLICATION OF KING IV PRINCIPLES

King IV Principle	Detail
Principle 1: The governing body should lead ethically and effectively.	The DBSA's Board is responsible for providing leadership and strategic oversight to the Bank to ensure that the Shareholder's value creation is achieved. The Board members are accountable both as individuals and as a collective to provide sound judgment and ethical leadership through the ethical principles enacted in King IV and their fiduciary responsibilities as contained in the Companies Act of 2008. These principles and responsibilities are embedded in the Board Charter, the DBSA's Code of Ethics and Code of Conduct. Our ethics policies include the Directors' Conflict of Interest Policy, the Politically Exposed Persons Policy, the Anti-Bribery and Corruption Policy, which govern the Board to uphold ethical standards and lead ethically. Furthermore, the Board ensures that the shared organisational values are enshrined in all the policies and operations of the Bank. Independent assessment of the Board including assessment of Board chairman and individual members, Board Committees and governance of the institution conducted after every two years coordinated by the Chairman of the Board assisted by the company secretary. During the year under review, the Board received the outcome of the independent Board evaluation. The outcome of the evaluation amongst other indicated that The Governing Body is ethical in its dealings, there is good governance and is supported by a strong company secretariat team. During the year under review, the Board approved the Code of Conduct providing guidance on the conduct expected of the Bank's directors. The Board discloses their financial and external interests annually, and where there are instances of conflicts of interest, the Board as a collective and/or Board committee mitigate the risk appropriately to the best interest of the Bank. Furthermore, each Board and committees' agenda consist of declaration of interests in reference to the agenda items at each meeting. This affords the Board to act responsibly and remain transparent.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has approved shared values, namely integrity, high performance, service orientation, customer and innovation. These values came under serious test during the period of the pandemic; however, we were able to adhere to them and remain as agile as possible in the new way of work. These values form the basis of our Code of Ethics, which applies to the DBSA's employees, Board and suppliers. The Ethics Office has developed a well-consulted ethics management strategy and plan during the year under review. This is aimed at entrenching ethics in the day-to-day business conducts, thus building towards a maturing ethical culture in the Bank. Training of ethics policies was provided during inductions throughout the year and through employees/managers consulting with the Ethics Office for ethical advice before making business decisions in the best interest of the Bank. Performance evaluations of employees include ethical conduct. The Ethics Office reports to the Social and Ethics Committee quarterly about the ethics performance of the Bank. The Social and Ethics Committee of the Board exercises oversight over the ethics management of the Bank. As a continuous endeavour to establish an ethical culture, the future focus includes starting to institutionalise the three-year Ethics Management Plan according to the timelines on the plan. However, it must be noted that the adverse effect emanating from the COVID-19 pandemic has stalled progress on this deliverable as most of the activities required physical contact. However, virtual initiatives are considered to maintain an ethical culture in the Bank. The Code of Ethics is available on our website, www.dbsa.org
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The DBSA is intentional about integrating responsible corporate citizenship (RCS) as part of the way it does business. The performance measures of RCS are shared across functions and business units. The Board has delegated to the Social and Ethics Committee and Board Credit and Investment Committee, the oversight of integrated responsible corporate citizenship performance of the DBSA. This is governed through the implementation of the Board-approved Sustainability Framework informed by Environment and Social Safeguards Standards (ESSS). It promotes sound environmental and social practices, encourages transparency and accountability, and contributes to positive development impacts. In the wake of the COVID-19 pandemic, the organisation has introduced the Work-From-Home (WFH) policy and systems for employees to comply with the lockdown regulations to support the government's efforts to manage the effects of the pandemic. Through the Bank's Stakeholder Management Programme which included a pilot to measure its stakeholder relationship quality, the Bank has appreciated its strengths to enhance and identified its areas of improvement. To redress the areas of improvement, the stakeholder relations office has developed mitigation actions to strengthen more our stakeholder engagements to make the Bank more customer-centric in its operations.

King IV Principle	Detail
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	DBSA development finance supports a growing array of clients interested in the development impact of projects and transactions in South Africa and other African countries. This annual report underscores the potential of this approach. By reviewing and assessing transactions, designing tailored financing solutions and enhancing partnerships among stakeholders, DBSA is helping to mobilise capital in support of sustainable development. The Integrated Annual Report also provides illustrative examples of transactions in the Sustainability Review and outlines our strategic priorities for 2021 and beyond. The Board assesses on a continual basis the positive and negative outcomes resulting from its business model and responds to it as highlighted in the Integrated Annual Report. To view the DBSA's core purpose, risks and opportunities, strategy and business model, as well as the performance in terms thereof. Refer to page 10 of this report
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.	The Integrated Annual Report presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of the DBSA's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. Our reporting is also geared towards reporting on the anticipated development impact in order to identify development-focused transactions and crowd-in third party capital providers. The DBSA is striving to fully achieve this principle by actively soliciting input from key users of our reports and communicate with our stakeholders amongst others, through our reports, website and Stock Exchange News Service (SENS). The DBSA's Integrated Annual Report, Annual Financial Statements, Sustainability Review and Corporate Governance disclosures can be downloaded from our website, www.dbsa.org
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	During the year under review, the DBSA Board continued to serve as the focal point and custodian of corporate governance in the organisation by ensuring that at all levels, the DBSA subscribes to the highest standards of corporate governance, integrity and ethics. This is a commitment that is guarded jealously and is intrinsic in every step the Board takes in fulfilling its mandate. In carrying out its oversight responsibility, which amongst others, include accountability for the strategic direction and performance of the DBSA, the Board is satisfied that it has fulfilled its responsibilities in accordance with the King IV principles of good governance, Board and Board committee charters which were reviewed during the year under review to ensure alignment with best practices. The Board met 8 (eight) times and attendance was satisfactory at all times. Some of the steps taken by the Board during the year under review concerning its custodianship of governance includes full participation in the Shareholder-led independent Board appraisal to review the performance and effectiveness of the Board. The appraisal revealed that the DBSA has good governance structures from the Board to the committees to executives to Risk Management, Internal Audit and Compliance functions, etc. and good operating procedures. In addition, the appraisal substantiated that the Board provides oversight on strategic direction and targets set and there is a good strategic framework. It monitors overall performance against targets. The Board Charter is available on our website, www.dbsa.org
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board is satisfied with the current composition and believes that it reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The majority of the members are independent directors (the Chairman of the Board is an independent director) and the Board has diverse skills in terms of qualifications, experience and overall strong value add. In addition, the Board is diverse with different races, ages and good representation from a gender perspective. During the year under review, there were two vacancies in the Board. In addition, the terms of office of eight non-executive directors came to an end. In line with good governance, a third of members whose terms came to an end was retired from the Board to allow fresh ideas and Board continuity, i.e. five out of eight members were reappointed for another term of three years and four new members were appointed to the DBSA Board.

ANNEXURE A – APPLICATION OF KING IV PRINCIPLES CONTINUED

King IV Principle	Detail
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Subsequent to the conclusion of the appointment and reappointment process by the Shareholder in October 2020, Mr Bantu Holomisa posted an open letter on the UDM website making allegations of irregular reformation of the DBSA Board. In this regard, the Bank wishes to highlight that the appointment of members to the DBSA Board is specified on the DBSA Act which stipulates that the duty to appoint Board members rests with the Shareholder. The actions taken with regards to Board vacancies and reappointments of Board members were in accordance with directions from the Shareholder. At the end of the year under review, the Board comprises 13 members, i.e. 11 non-executive directors and two executive directors, 85% blacks (10 African and one Asian), two whites and 46% women (six females). The gender and race representation was in line with the Government Policy which requires at least 75% African. The gender representation fell below the required 50% women representation in management position due to the resignation of Ms Zanele Monnakgotla from the Board in February 2021. In filling the vacancies, the Board will ensure that the Board has good representation from a gender perspective. The DBSA does not have any members that are serving for more than nine years. In accordance with the Board Charter, any term beyond nine years (i.e. three three-year terms) for an independent non-executive director should be subject to a particularly rigorous review by the Board, of not only the performance of the director but also the factors that may impair his independence. For more detail on the composition of the Board of Directors, refer to pages 118 to 123.
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	To enable the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and oversight and confirming the location of authority and decision rights within the Bank, there is a clear delegation of authority from the Board to its committees and subsequently to the Chief Executive Officer articulated by the committee charters and the DBSA Delegation of Authority (DoA) matrix. The committee charters and DOA matrix were reviewed during the year. During the year under review, the Board established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters. The current Board committees are: Audit and Risk, Board Credit and Investment, Human Resources and Remuneration, Infrastructure Delivery and Knowledge Management, Nomination, and Social and Ethics. For information on Board committees, i.e. responsibilities, functions, composition, etc. refer to pages 110 to 111.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	During the year under review, the DBSA Board received the outcome of the Shareholder-led independent Board appraisal, which began in the 2019/20 financial year. Amongst others highlighted the following: Board strength – Good governance structures from the Governing Body to the committees to executives to Risk Management, Internal Audit and Compliance functions, etc. and good operating procedures. The Governing Body provides oversight on strategy direction and targets set and there is a good strategic framework. The Board monitors overall performance against targets. There is robust challenge and consideration in taking investment and mandate decisions, the CEO and management are held to account on financial performance and controls. The Governing Body is ethical in its dealings, there is good governance and it is supported by a strong company secretariat team. Areas for improvement – Board succession planning to ensure Board continuity and committee size and composition. The action plan is in place to address identified areas of improvement to ensure continued improvement of the Board.

<table>
<tr><th>King IV Principle</th><th>Detail</th></tr>
<tr><td>Principle 10:
The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</td><td>Within the prescripts of the DBSA-enabling Act, the Board adheres to the best good governance practices concerning the appointment of the CEO. The Nomination Committee recommends to the Board a replacement/successor for the CEO as and when necessary to be put forward for the Shareholder's consideration and approval and ensure that formal succession plans for the CEO is developed and implemented.

The CEO is delegated with the authority from and is accountable to the Board for the development and successful implementation of the Bank's corporate strategy and the overall management and performance of the Bank.

The Board is satisfied that its delegation to management enables the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and confirmation of the location of authority and decision rights within the Bank.

Directors receive regular briefings on changes in risks, laws and the environment in which the Bank operates. The Nomination Committee oversees the development and implementation of continuing development programmes for directors in relation to the requirements of the Bank.

The Board is satisfied with the current arrangements in place for accessing professional corporate governance services and there is an ongoing discussion to enhance the arrangements.</td></tr>
<tr><td>Principle 11:
The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</td><td>The management of risk and opportunity is a fundamental part of delivering on our mandate ensuring that the Bank achieves its objectives on a sustainable basis. The DBSA's risk management function adheres to the principles of King IV to oversee the Bank's internal control framework and the implementation of risk management processes across the Bank's value chain.

The Bank has adopted a combined assurance model that comprises five lines of defence and clearly defines the roles and responsibilities for the management of risk within the Bank. It emphasises that the ownership and management of risk is everyone's responsibility within the Bank from the Board to line management and employees. As per DBSA's governance framework, DBSA Board has appointed the Audit and Risk Committee, a Board subcommittee, to be ultimately accountable for the effective management of risk and opportunity. All other Board subcommittees provide oversight for key risks that are relevant for their terms of reference.

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

As at 31 March 2021, the following were the principal risks of the DBSA:
<table>
<tr><th>Rank</th><th>Principal risk</th><th>Residual risk rating</th></tr>
<tr><td>1</td><td>Credit risk</td><td>High</td></tr>
<tr><td>2</td><td>Successive waves of COVID-19</td><td>High</td></tr>
<tr><td>3</td><td>Cybersecurity risk</td><td>High</td></tr>
<tr><td>4</td><td>Liquidity risk</td><td>High</td></tr>
<tr><td>5</td><td>Reputation risk</td><td>High</td></tr>
<tr><td>6</td><td>Business environment and operations</td><td>Moderate</td></tr>
<tr><td>7</td><td>People and culture risk</td><td>Moderate</td></tr>
</table>
A review of the ERM function across the Bank is done on an annual basis by external auditors. The team maintained a maturity score of greater than 4 out of 5 under the year of review. Actions emanating from any findings are addressed where applicable. The ERM unit sets out its objectives in the annual ERM plan which is approved and signed off by the Board.</td></tr>
</table>

ANNEXURE A – APPLICATION OF KING IV PRINCIPLES CONTINUED

King IV Principle	Detail
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	There is a global pandemic caused by COVID-19, which has led to a nationwide lockdown in South Africa and other countries around the world. This has caused DBSA to activate its Resumption Plan which includes the Work-from-Home Strategy, from 17 March 2020 to date, guided by the country's Disaster Recovery Plan. In the year under review, significant changes in our operating context were brought on by the global spread of COVID-19 and subsequent lockdowns, which had an adverse impact on our profitability, credit, liquidity, and people risks.
Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board places the importance of technology and information as it is interrelated with the strategy, performance and sustainability of the DBSA. The Audit and Risk Committee exercises oversight over the governance of the ICT function of the Bank. The operationalisation of ICT governance and compliance has been delegated to management. Management monitors the implementation and compliance of ICT Governance, ICT Risk Management (aligned to the Bank's ERM framework), IT infrastructure and architecture and implementation of business and information technology (IT) projects aligned to the Bank's priorities through the ICT Steering Committee. The areas of focus during the reporting period were the continuation of enabling employee productivity through the implementation of the modern workplace platform. Some initiatives to automate business processes were accelerated during the period. The information and cybersecurity capability elevated during the period as the landscape changed to incorporate the provisions of remote work due to the COVID-19 pandemic. Heightened cybersecurity awareness training was provided to employees, simulation tests were conducted periodically, and gaps identified were addressed through ICT operational and monitoring processes in place. There were no major incidents during the reporting period. The Internal Audit function annually issues a written assessment to the Audit and Risk Committee, providing assurance on the overall control environment, taking into account the governance of IT. The assurance provided is informed by the outcome of the audits/reviews conducted based on an approved risk-based audit plan. Future focus is the acceleration of the Digital Bank capabilities and initiatives for both internal and external stakeholders. A cost-effective and secure remote connectivity solution will be investigated and implemented.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Regulatory and best practice requirements, as well as ongoing changes to the regulatory environment within which the DBSA operates, require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation but also supervisory requirements and industry guidelines. The DBSA's compliance risk management programme is aligned to King IV's principle 13, as well as the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa. A compliance framework has been implemented to ensure effective compliance management. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage and monitor compliance risk. Furthermore, this framework sets out arrangements for governing and managing compliance, evident in the DBSA's respective compliance policies. Group Compliance has adopted a risk-based approach to the compliance management process within the DBSA. This pragmatic approach recognises that there is a need to prioritise regulatory requirements based on their relative risks and implications. During the year under review, the Group Compliance focus was on the UN Global Compact Principles which enables Social and Ethics Committee to assess, define, implement, measure and communicate the DBSA's sustainable strategy and will continue to focus on the abovementioned key focus areas, for the 2021/22 financial year. The status of the DBSA's compliance is still within our risk appetite; relationships are being well managed with our respective regulators; and no fines and/or penalties have been incurred in the financial year. The DBSA Board and executive management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards.

King IV Principle	Detail
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Remuneration at DBSA is set against a number of factors such as performance, job level, the scope of responsibilities, market benchmarks and competitiveness, the country's economic drivers, and State-Owned Enterprises Remuneration Guidelines pronouncements. The DBSA's Board has the ultimate responsibility to ensure compliance with remuneration principles and limiting risk (this is achieved through an appropriate governance structure). The Human Resources and Remuneration Committee determines appropriate remuneration policies and guidelines for different levels of the organisation (subject to delegated authority) and monitors performance, in line with the committee's role and responsibility as set out in the Human Resources and Remuneration Committee terms of reference. The Audit and Risk Committee assists the Board in carrying out its responsibilities regarding governance, compliance and risk management. This includes the approval of the financial affordability of the remuneration envelope and STI pool to ensure the risk exposure within the organisation remains at acceptable levels. The CEO is responsible for approval of changes in remuneration, incentives and benefits and signs off on all increases, promotions, and performance bonus awards (within mandate). The Group Executive: Human Capital is responsible for managing the day to day application of the Remuneration Policy and for recommending changes to policies and practices to the CEO and Human Resources and Remuneration Committee.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	DBSA has established an effective Internal Audit unit that reports functionally to the Board Audit and Risk Committee. It provides independence assurance on key and high-risk areas, amongst others, to senior management and the Audit and Risk Committee quarterly in line with an approved audit plan. In addition, the DBSA has implemented a combined assurance which the Internal Audit function facilitates and coordinates, ensuring that the assurance of all assurance providers are consolidated and presented to the Audit and Risk Committee. A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audits. Quarterly assurance reporting is done by the Combined Assurance Working Committee to the Audit and Risk Committee. The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.
Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The DBSA is committed to a stakeholder-inclusive and customer-centric approach to business and has embedded engagement with stakeholders into its value creation process. The DBSA regards stakeholder relationships as very critical to gaining an authentic social licence to operate in the various markets we operate in. The DBSA has a Stakeholder Relationship Management Policy Framework approved by Board. To operationalise the framework, an annual Stakeholder Engagement Plan that outlines Board, executive and employees' responsibilities and deliverables is developed. Stakeholder identification and prioritisation is fundamental to the DBSA Stakeholder Relationship Management Framework given that the organisation's business is operated in diverse contexts where stakeholders have varied interests and levels of influence. Each stakeholder is identified and ranked in accordance with the DBSA strategic intent, prevailing risk factors and the prevailing business environment. The interests and influence of stakeholders are dynamic and require continuous monitoring. Such monitoring is conducted in line with the Bank's stakeholder matrix. The focus is on key stakeholders, including employees, clients, suppliers, the Shareholder, service providers, and providers of finance. The focus of the Board in the period under review was to measure the perceptions and expectations of stakeholders and identify gaps using a brand health survey. This has helped the Bank to establish a reputation baseline in the Bank's markets as a reference point for continuous improvement. The key component of the survey, brand delivery, a measure of the quality of relationships with stakeholders scored 80% which compromises two variables – advocacy and delivery – which respectively scored 80%. An opportunity gap in advocacy was identified in the Shareholder, media, and fund manager segments of our stakeholder groups. The focus in 2021/22 will be on improving the quality of relationships with these stakeholder groups.

ACRONYMS AND ABBREVIATIONS

4IR	Fourth Industrial Revolution
AADFI	Association of African Development Finance Institutions
AFD	Agence Française de Développement
AGM	Annual General Meeting
ARC	Audit and Risk Committee
AU	African Union
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
CEO	Chief Executive Officer
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
DM	District Municipality
ERM	Enterprise Risk Management
GDP	Gross domestic product
HRC	Human Resources and Remuneration Committee
ICT	Information and communications technology
IDD	Infrastructure Delivery Division
IDFC	International Development Finance Club
IDKC	Infrastructure Delivery and Knowledge Management Committee
IFRS	International Financial Reporting Standards
IIPSA	Infrastructure Investment Programme for South Africa
IPP	Independent Power Producers
JSE	Johannesburg Stock Exchange
LTI	Long term Incentive
NDP	National Development Plan
NTPPF	National Treasury Project Preparation Facility
PEP	Politically Exposed Person
PFMA	Public Finance Management Act, No 1 of 1999
PMO	Project Management Office

PMU	Programme Management Unit
PPDF	SADC Project Preparation Development Fund
PPE	Personal Protective Equipment
PPFS	AFD Project Preparation Feasibility Studies
PSGRS	Prudential Standards, Guidelines and Rating System
SADC	Southern African Development Community
SAFE	Sanitation Appropriate for Education
SARB	South African Reserve Bank
SDG	Sustainable Development Goal
SMME	Small, medium and micro-enterprise
SOE	State-Owned Entity
STI	Short term Incentives
UDM	United Democratic Movement
VIP	Ventilated improved pit latrine

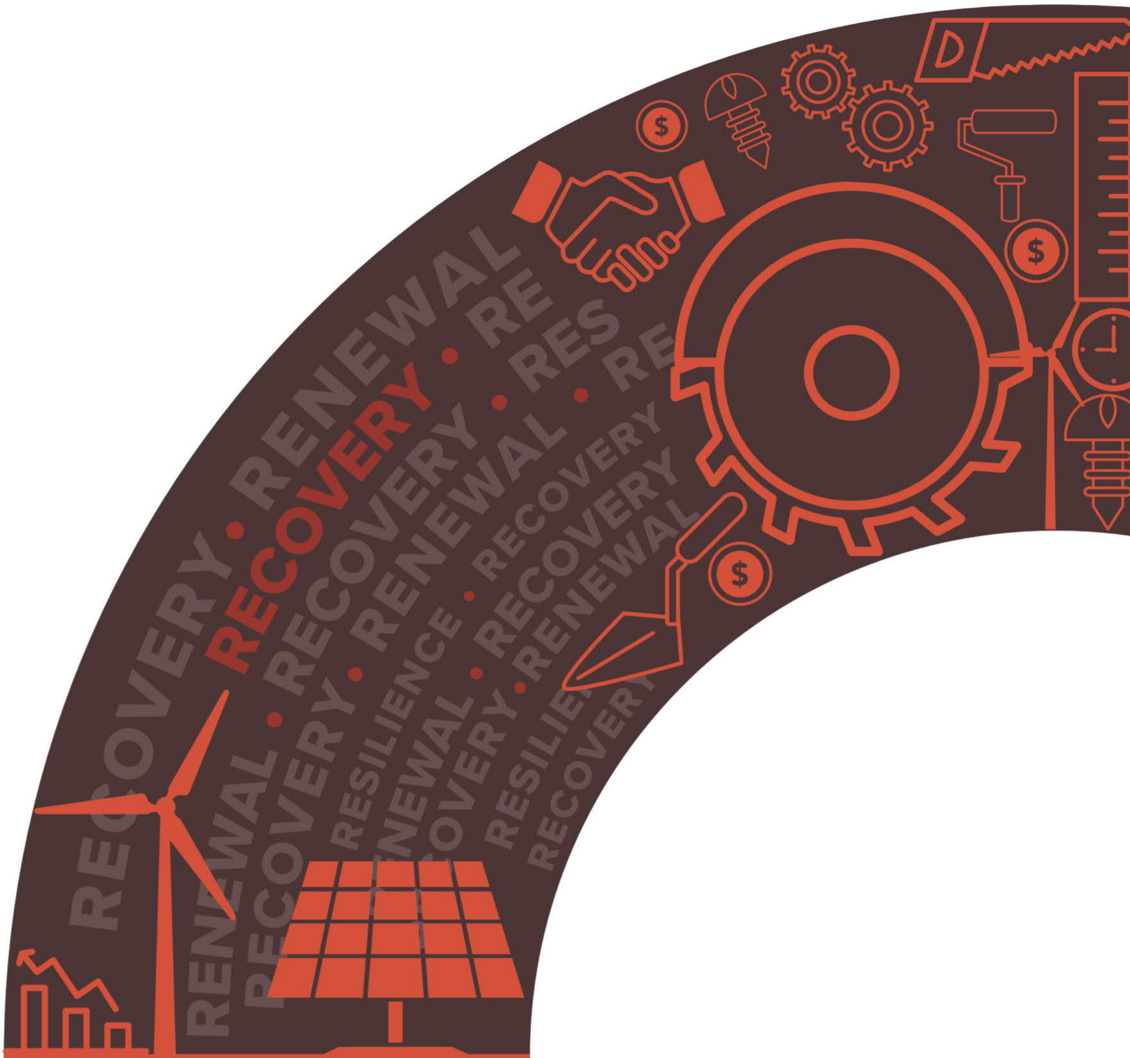
FINANCIAL DEFINITIONS

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 a percentage of total equity
Long term debt-to-equity ratio (including callable capital)	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits as a percentage of total equity and callable capital
Net interest margin	Net interest income (interest income less interest expense) as a percentage of interest-bearing assets
Return on average assets	Net profit or loss for the year expressed as a percentage of average total assets
Return on average equity	Net profit or loss for the year expressed as a percentage of average total equity
Sustainable earnings	Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments

GENERAL INFORMATION

Registered office	Headway Hill 1258 Lever Road Midrand Johannesburg South Africa
Business address	Headway Hill 1258 Lever Road Midrand South Africa
Postal address	PO Box 1234 Halfway House 1685 South Africa
Banker	The Standard Bank of South Africa
Registered Auditor	Auditor-General of South Africa
Company registration number	1600157FN
JSE Debt Sponsor	Nedbank (1 April 2020 to 31 December 2020) Rand Merchant Bank (a division of FirstRand Bank Limited) since 1 January 2021
Primary Debt Listings	JSE Limited
Telephone	+27 11 313 3911
Fax	+27 11 313 3086
Home page	www.dbsa.org
LinkedIn	www.linkedin.com/company/dbsa/
Twitter	twitter.com/DBSA Bank
Email	dbsa@dbsa.org

NOTES



www.dbsa.org

Image: The aqueducts project is a bulk water supply pipeline project commissioned to address the water capacity and bulk water infrastructure challenges faced by eThekwini Metro.