DBSA
DEVELOPMENT BANK OF SOUTHERN AFRICA
Building Africa's Prosperity

THE DEVELOPMENT BANK OF SOUTHERN AFRICA

CORPORATE PLAN

2021/22 – 2023/24

February 2021

Contents

ACRONYMS AND ABBREVIATIONS

Agenda 2063	A vision and an action plan adopted by the Heads of State and Government of the African Union at their 24th Ordinary Assembly held in Addis Ababa in January 2015
4IR	Fourth Industrial Revolution
ARC	Audit and Risk Committee
AU	African Union
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
COGTA	Department of Cooperative Governance and Traditional Affairs
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
DBSA	Development Bank of Southern Africa
DDM	District Development Model
DEFF	Department of Environment, Fisheries and Forestry
DFI	Development Finance Institution
DMTN	Domestic Medium-Term Note
EAC	East African Community
EME	Exempted Micro Enterprises
ESSS	Environmental and Social Safeguard Standards
EU	European Union
FIC	Financial Intelligence Centre
GCF	Global Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFCF	Gross Fixed Capital Formation
HRNC	Human Resources, Remuneration and Nominations Committee
ICT	Information and Communications Technology
IF	Infrastructure Fund
IFRS	International Financial Reporting Standards
IDKC	Infrastructure Delivery and Knowledge Committee

IPP	Independent Power Producer
IRP	Integrated Resource Plan 2019
IUDF	Integrated Urban Development Framework
LEDS	Low Emission Development Strategy
MOU	Memorandum of Understanding
MTBPS	Medium Term Budget Policy Statement
NDP	National Development Plan
NEPAD	New Partnership for Africa’s Development
PFMA	Public Finance Management Act
PIDA	Programme for Infrastructure Development in Africa
PPP	Public Private Partnerships
QSE	Qualifying Small Enterprises
REIPPP	Renewable Energy Independent Power Producer Procurement
RSA	Republic of South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDG	Sustainable Development Goals
SEC	Social and Ethics Committee
SMME	Small medium and micro enterprises
SOC or SOE	State Owned Corporation / State Owned Entities
UN	United Nations
UNGC	United Nations Global Compact
USD	United States Dollar

1. Executive Summary

The Development Bank of Southern Africa (DBSA) is a leading development finance institution (DFI), wholly owned by the government of South Africa. The DBSA is mandated to promote economic growth as well as regional integration by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in South Africa, SADC and the wider African continent.

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.

Through investment in infrastructure, the DBSA seeks to support both short-term aggregate demand and long-run aggregate supply in the economy. Infrastructure is a necessary ingredient for supporting the expansion of local manufacturing industries and helps in expanding markets for the outputs of these industries. In summary, socio-economic development can be facilitated and accelerated by the presence of infrastructure.

The impact of the COVID-19 pandemic has had an exacerbating effect on already lacklustre global economy as it is expected to contract by 3,5 per cent in 2020. Boarder closures, trade limitations and stringent controls have weakened growth potential both locally and across the continent. South Africa suffered the ignominy of a ratings downgrade by Moody’s in June 2020 and the ratings agency has further expressed a negative country outlook. This will impact the cost of borrowing, a factor which is critical to the DBSA’s cost of funding. In the foreseeable future, it is anticipated that the DBSA will continue to suffer from the contagion effect of some of the other State Owned Companies resulting in a prolonged increased cost of funds environment. COVID-19 has also negatively impacted the Bank’s liquidity as capital markets got dislocated.

A positive factor that has emerged is the dire need for infrastructure development across the continent. In South Africa the presidency held a Sustainable Infrastructure Development Symposium in June 2020 to unveil a 276 projects infrastructure pipeline with a capital value of over R2 trillion. Of these, 88 were identified as “shovel ready”.

The DBSA has a direct role to play in South Africa’s economic recovery while maintaining a strong African, and more specifically SADC, presence. The president highlighted that the economic recovery plan will unlock R1 trillion in infrastructure investment over the next 4 years. The efficient utilisation and focused direction of these funds has the ability to create an exponential impact that results from increased infrastructure, job creation and the resultant economic growth.

Under these uncertain times, the DBSA has considered how it should adjust its strategic approach in order to remain relevant, sustain the development impact while still executing on its mandate. This requires a balanced approach to development finance with equal consideration given to the dual mandate aspects of financial sustainability and sustained development impact. Financial focus entails achieving sustainable balance sheet growth, income growth and optimisation of our cost structures. This is a necessary prerequisite for achieving inclusive and sustainable development outcomes to tackle the triple challenge of poverty, unemployment and inequality in the country. This will require an internal realignment to create efficiencies and cross functional capacity.

In order to achieve these outcomes, the 2021/22 – 2023/24 strategy therefore focuses on three elements – (1) driving an inclusive economic recovery in South Africa (2) enhancing the DBSA's role in Africa, and (3) achieving operational excellence. These elements will be underpinned by several enablers such as innovation which considers novel approaches in transformation and investment, a programmatic approach in which projects are developed and executed, future fit operations to anticipate and address current and long term trends and enhancing strategic partnerships both locally and globally.

The DBSA's approach is to align with government priorities such as the National Development Plan, the Integrated Urban Development Framework and the Sustainable Development Goals in promoting inclusive growth. We further align our activities with regional and continental treaties like the Africa Agenda 2063, Programme for Infrastructure Development in Africa. These priorities are further embedded in DBSA's Environmental and Social Management Framework, as well as its management of the Green Fund in supporting green initiatives. Furthermore, smart partnership with other DFIs, SOEs and the private sector remains critical and fundamental.

Currently the District Development Model and Infrastructure Fund are two initiatives central to DBSA and the country's plans to deliver infrastructure development that is of a high quality and supported by strong governance.

2. Organisational Overview

The DBSA has its primary purpose firmly rooted in stimulating socio-economic growth given its infrastructure and human development mandates. This includes infrastructure finance and development, human resource development and institutional capacity building.

2.1. Purpose

The DBSA aims to ***“Build Africa’s Prosperity”***. Underpinning this purpose is the DBSA’s Development Position, an ethos to ***“Bend the Arc of History toward Shared Prosperity*”**. This position means contributing to a just transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories. As a development practitioner, the DBSA regards this as the transformative change needed to realise a prosperous, integrated and resource efficient region. This stance progressively advances the common goals for sustainable and equitable wellbeing. The DBSA will work in partnerships to co-produce impactful development solutions and sustained platforms of an enabling environment for participation, a sense of purpose, empowerment and deep connections. DBSA will bend the arc of history through our continued multi-faceted investments in sustainable infrastructure and human capacity development.

2.2. Vision

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

2.3. Mission

DBSA’s mission is to advance development impact in the region, by expanding access to development finance and effectively integrate and implement sustainable development solutions to:

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

The DBSA seeks to effect economic growth that is correlated to the improvement in the quality of the lives of our people.

2.4. Values

The values that underpin the DBSA's operations are:

- ***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 needs of our clients and continuously build relationships that result in mutually beneficial outcomes
- ***Integrity* -** our deals, interactions and actions are proof of transparent and ethical behaviour that show respect and care for all our stakeholders (employees, clients, shareholder 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

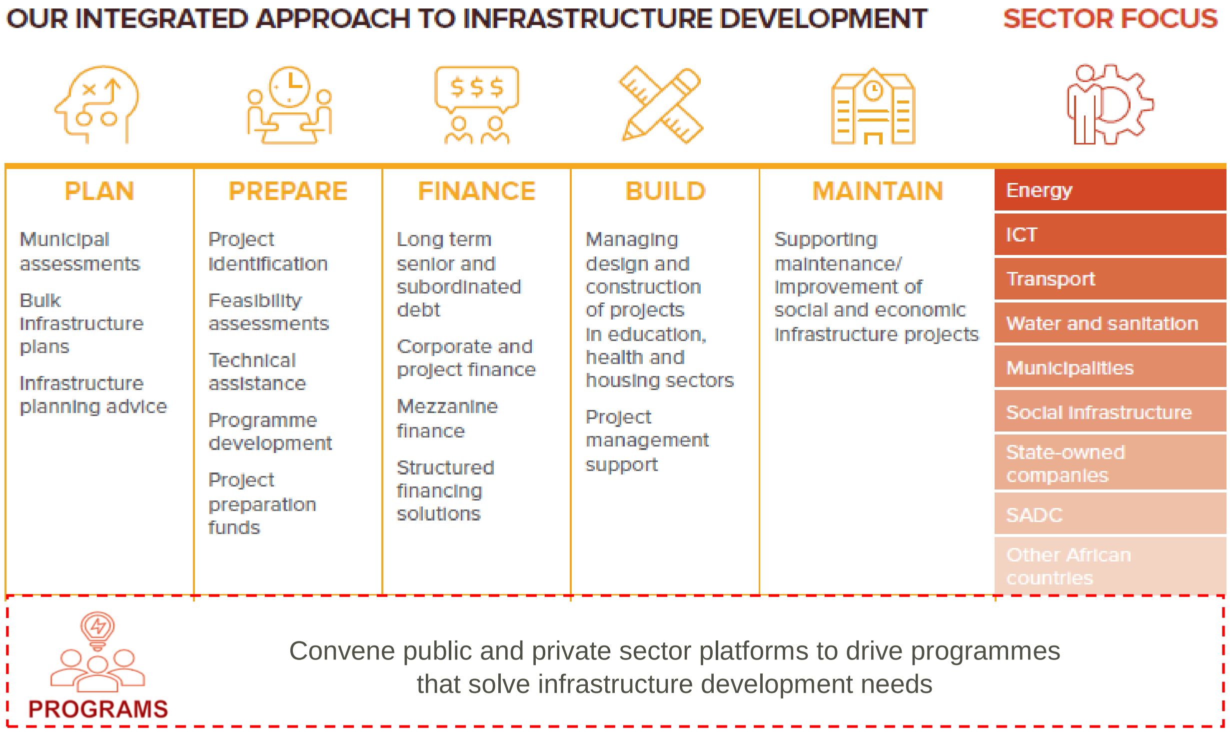
2.5. Legislative mandate and other key development imperatives

The DBSA Act sets out the role and function of the DBSA as a DFI with a sharp focus on infrastructure development, especially in Southern Africa.

The DBSA's mandate and strategy are aligned with the South African National Development Plan (NDP), Vision 2030 and Integrated Urban Development Framework (IUDF), United Nations Sustainable Development Goals (SDGs), the African Union's Agenda 2063, the Paris Agreement on Climate Change and South Africa's Low Emission Development Strategy (LEDS) 2050. The DBSA is further regulated by the Public Finance Management Act No 1 of 1999 (PFMA) and operates in terms of the King Code of Governance Principles for South Africa 2016 (King IV).

2.6. Principal Activities and Sector Focus

The DBSA participates across the infrastructure value chain and provides planning, project preparation, financing, and implementation support for economic and social infrastructure in South Africa, SADC and the rest of the African continent:



OUR INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

PLAN

Municipal assessments

Bulk infrastructure plans

Infrastructure planning advice

PREPARE

Project identification

Feasibility assessments

Technical assistance

Programme development

Project preparation funds

FINANCE

Long term senior and subordinated debt

Corporate and project finance

Mezzanine finance

Structured financing solutions

BUILD

Managing design and construction of projects in education, health and housing sectors

Project management support

MAINTAIN

Supporting maintenance/ improvement of social and economic infrastructure projects

SECTOR FOCUS

- Energy
- ICT
- Transport
- Water and sanitation
- Municipalities
- Social infrastructure
- State-owned companies
- SADC
- Other African countries

PROGRAMS

Convene public and private sector platforms to drive programmes that solve infrastructure development needs

2.7. Regional Mandate

South Africa has concluded various binational and trade agreements with countries across the continent to support broader regional integration in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa (PIDA) and AU Africa Agenda 2063. DBSA's regional development and integration strategy is largely aimed at SADC, it broadly includes countries outside of SADC for selected regional economic communities, for example the tripartite free trade area linking SADC, COMESA and EAC as well as corridor development.

The three main pillars of this tripartite strategy include market integration, infrastructure development and industrial development. Continental opportunities will be explored in the following countries:

SADC (16)		EAC (6)	ECOWAS (15)		Other non-SADC countries (5)
Angola	Mauritius	Burundi	Benin	Liberia	Cameroon
Botswana	Mozambique	Kenya	Burkina Faso	Mali	Djibouti
Comoros	Namibia	Rwanda	Guinea-Bissau	Niger	Eritrea
Democratic Republic of Congo	Seychelles	Uganda	Côte d'Ivoire	Nigeria	Ethiopia
Eswatini	South Africa	South Sudan	Ghana	Sierra Leone	Gabon
Lesotho	Tanzania	Tanzania (also in SADC)	Cabo Verde	Togo	
Madagascar	Zambia		Guinea	Senegal	
Malawi	Zimbabwe		Gambia		

3. Macro-economic context

The emergence of COVID-19 has triggered a global sovereign-debt crisis, as the associated economic fallout of the pandemic has placed further demand on fiscal frameworks to fund the health crisis and accelerate economic recovery efforts. For resource-exporting countries, the negative impact of the health crisis was worsened by the collapse in resource prices, such as oil and copper, which resulted in significantly weaker export earnings. Conversely, increased demand for safe-haven assets resulted in a rally in the gold price. The surge in the gold price, together with stronger exports, resulted in South Africa registering a surplus of 5,9 per cent of gross domestic product (GDP) on the current account of the balance of payments – the biggest surplus since the third quarter of 1988.

The South African government already raised concerns pre-COVID-19 regarding persistently weak economic growth and the deteriorating state of the fiscus. Government reiterated these risks in the October 2020 Medium Term Budget Policy Statement (MTBPS) and warned of a possible debt spiral, should government not be able to stabilise debt, limit bailouts to state-owned enterprises as well as contain the growing government wage bill. The deterioration in the fiscal position, together with weak economic growth prospects, contributed to South Africa's long-term foreign currency credit rating being downgraded further into sub-investment grade in November 2020.

Following a more severe second wave of COVID-19 infections globally and in South Africa in the latter part of 2020, renewed lockdown measures were put in place. The number of new infections in South Africa peaked at the start of January 2021, as the move to an amended Alert Level 3 in December 2020 succeeded in bringing the rate of new infections down. South Africa introduced additional restriction to the amended Alert Level 3 in January and February 2021. After months of development and trials, several vaccines have been approved and rollout is underway. According to Bloomberg's vaccine tracker, more than 100 million doses of vaccines have been administered in 64 countries at the start of February 2021. Of concern is that the rollout will be slow and unequitable in many developing countries, including South Africa. South Africa's first consignment of vaccines have arrived at the start of February. The first phase of the rollout programme will prioritise frontline health care workers in South Arica.

As a response to COVID-19 and the impact thereof, the South Africa Reserve Bank (SARB) cut the repo rate by a cumulative 300 basis points in 2020, and introduced a government bond buying programme, which aimed to stabilise the bond market. The 10-year SA government bond yield remains below the 9 per cent mark. As at the end of 2020, yields were 28 basis points lower relative to the start of the year. The fall in domestic yields was supported by improved global sentiment and a contained inflation outlook on the back of weak economic growth.

In October 2020, President Cyril Ramaphosa unveiled a reconstruction and recovery plan for the South African economy. Following the severe negative impacts of COVID-19 on the economy, this combined effort from the Cabinet's Economic Cluster and the Presidential Economic Advisory Council aims to alleviate inequality, poverty and unemployment. The plan further aims to fast-track infrastructure investment needed to kick-start growth, not only in response to COVID-19, but also in response to the general decline in infrastructure spend in recent years. With limited fiscal space, government will rely heavily on labour, business and community organisations to execute the plan.

Since climate change remains a priority on the global agenda, the post-lockdown scenario provides government with a unique opportunity to prioritise green investment in its strategy to kickstart the move to renewables and other cleaner sources of energy. The DBSA continues to support green investment, while also being a key role player in the infrastructure development space as the implementing agent for the District Development Model (DDM) pilot and the Infrastructure Investment Fund. In particular, the DBSA released the Green Bond Framework in January 2021 as part of its support to address climate change and green initiatives.

3.1. Global Economic Highlights

The emergence of the COVID-19 pandemic has led to the biggest fall in global economic activity since World War Two. The worst of the economic impact for almost all countries (China was the exception) was experienced during the second quarter of 2020 which was followed by notable sequential rebounds in the third quarter. The global attempt to gradually lift lockdown and social distancing restrictions has not been as straightforward as initially expected. Key economies including the United States, the United Kingdom, and the European Union experienced resurgences in COVID-19 infections, which led to the reinstatement of containment measures. This implies that the economic recovery from the pandemic is likely to be of a stop-start nature as opposed to a smooth one. Monetary and fiscal policy are expected to remain supportive of economic growth in 2021. Globally, the risk of a sovereign debt crisis has increased, with the IMF estimating that global government debt is likely to increase to 99 per cent of GDP in 2020. Government debt-to-GDP in advanced economies is projected to rise to 126 per cent, while sovereign debt-to-GDP in emerging market and middle-income countries are projected to rise to 69 per cent of GDP between 2021 and 2025.

Global trade returned to pre-pandemic levels for the first time in the fourth quarter of 2020, after registering a historic decline due to COVID-19-related lockdowns and restrictions. Recovery in economic activity is expected to be more evident during the second half of 2021. So far in the first quarter, extensions of containment restrictions remain in place for some countries, while mutations of the virus continue to push infection rates higher. The global distribution of COVID-19 vaccines has commenced and is expected to not only help curtail the rates of infection, but to also induce population immunity. There are several risks facing the economic recovery, including intermittent financial market corrections amid accommodative monetary policy, as well as slower-than-anticipated vaccine rollouts which could delay the recovery in economic activity. The IMF expects the global economy to grow by 5,5 per cent in 2021, following an estimated contraction of 3,5 per cent in 2020.

3.2. Sub-Saharan Africa Outlook

Following significant declines in GDP growth in the second quarter of 2020, most economies in the Sub-Saharan African (SSA) rebounded during the third quarter. The IMF expects GDP growth to recover to 3,2 per cent in 2021, after an estimated contraction of 2,6 per cent in 2020. Tourism-dependent economies as well as exporters of oil and other commodities, continue to be most vulnerable. Economic recovery for tourism-dependent economies will materialise in line with adjustments in global travel restrictions. Meanwhile, the expected recovery in oil and other commodity prices will be supportive for commodity exporting economies. For the agricultural sector, however, locust infestation (mainly in East Africa), as well as erratic weather patterns across the broader continent, present downside risks for food production. Policymakers in the region are also grappling with balancing the need to support economic growth while keeping the debt trajectory on a sustainable path. According to the IMF, 16 countries in the region were already at high risk of debt distress at the onset of the COVID-19 crisis, with significantly less fiscal scope compared to the time of the global financial crisis. One of the key risks is the rising probability of debt defaults in the region. So far, Zambia has been the region's and continent's first case of debt default. Potential further defaults may have been delayed for the time being, in part due to the G20 Debt Service Suspension Initiative (DSSI). The outlook for growth in the region depends largely on global vaccine rollouts, the removal of containment measures and increased global demand as the global economic recovery ensues. Real GDP (%) forecast for countries in the DBSA footprint is depicted below:

Oil exporters and other resource intensive countries: GDP %				**Non-resource intensive countries: GDP %**			
Country	**2019**	**2020**	**2021**	**Country**	**2019**	**2020**	**2021**
Angola	-0,9	-4,0	3,2	**Cote d'Ivoire**	6,5	1,8	6,2
Botswana	3,0	-9,6	8,7	**Eswatini**	1,1	-3,5	1,4
Congo, DRC	4,4	-2,2	3,6	**Ethiopia**	9,0	1,9	0,0
Republic of Congo	-0,6	-7,0	-0,8	**Kenya**	5,4	1,0	4,7
Ghana	6,5	0,9	4,2	**Lesotho**	1,0	-4,8	3,9
Mozambique	2,3	-0,5	2,1	**Madagascar**	4,8	-3,2	3,2
Namibia	-1,0	-5,9	3,4	**Malawi**	4,5	0,6	2,5
Nigeria	2,2	-4,3	1,7	**Mauritius**	3,0	-14,2	9,9
South Africa	0,2	-8,0	3,0	**Seychelles**	3,9	-13,8	4,2
Tanzania	7,0	1,9	3,6	**Togo**	5,3	0,0	3,0
Zambia	1,4	-4,8	0,6	**Uganda**	6,7	-0,3	4,9
Zimbabwe	-6,5	-10,4	4,2				

3.3. South Africa Outlook

South Africa’s real GDP growth rebounded by 66,1 per cent on a quarter-on-quarter seasonally adjusted and annualised rate in the third quarter of 2020, following the resumption of most economic activities under less severe lockdown measures. The outcome was underpinned by positive growth across all industries. The sharp increase exceeded market expectations and followed a downwardly revised contraction of 51,7 per cent during the second quarter. According to the latest IMF outlook, South Africa’s GDP is expected to contract by 7,5 per cent in 2020, before increasing to 2,8 per cent in 2021. Growth will likely remain muted over the medium term and the recovery is expected to be slow and choppy. The recovery will further be constrained by frail domestic demand conditions, weak business confidence, and continued load shedding. In addition, limited fiscal space, slow implementation of macroeconomic reforms as well as an underperforming labour market will add further downside risk to the economic growth outlook.

3.4. Prices

Since 2018, the inflation rate has remained contained around the midpoint of the target range of 3 – 6 per cent. The average inflation rate for 2020 remained subdued at 3,3 per cent, mainly as a result of weak domestic demand and a sharp decline in fuel price inflation on the back of weak global demand for crude oil. Producer price inflation also moderated on account of the sharp drop in oil prices. Prices are expected to hover around the mid-point of the inflation target range over the next two years, despite expected electricity price increases and the recovery in Brent crude oil prices. The SARB kept the repo rate unchanged at 3,5 per cent at the January 2021 meeting, and will likely remain accommodative over the short to medium term. The slow economic recovery and weak demand will likely keep inflation around the midpoint of the inflation target range over the next two years.

The exchange value of the rand has been volatile as general market sentiment has moved between risk-on and -off modes during these uncertain times. However, since mid-2020, the exchange value of the rand has remained resilient, even against the backdrop of a second wave of COVID-19 infections. During the final quarter of 2020, the exchange value of the rand appreciated against major currencies (US dollar, euro and pound). The trajectory of the exchange value of the rand is mostly influenced by key international events such as weakness in the US dollar. The exchange value of the rand is poised to recover against major currencies, on the back of COVID-19 vaccine distributions and the ensuing global economic recovery. Downside risk to the rand include accommodative monetary and fiscal policy, as well as government's ability to consolidate the fiscus which will be an important factor for ratings agencies and further sovereign credit ratings' downgrades. On the positive side, the local unit remains attractive as a risk asset, given accommodative global monetary policy, as well as the continued search for high-yielding assets by global investors.

3.5. Fixed Investment

After the steep fall of 59,8 per cent quarter-on-quarter (seasonally adjusted and annualised) in the second quarter of 2020, Gross Fixed Capital Formation (GFCF) staged a mild recovery of 26,5 per cent in the third quarter. Key contributors were construction works, residential buildings, non-residential buildings and machinery and other equipment. Private sector fixed investment increased by 33,2 per cent, followed by public corporations (16,8 per cent) and general government (9,8 per cent). GFCF will likely continue to increase on the back of significant infrastructure commitments by government, as well as the drive to crowd in private sector investment. This includes the expected implementation of investment projects under the Infrastructure Fund, which will involve partnerships with private sector funds to support an infrastructure-led economic recovery. The DBSA strategic actions are committed to support this drive. GFCF as a percentage of GDP stood at 19 per cent in 2019 – far below the 2030 National Development Plan aspirations of 30 per cent.

3.6. Generalised risks to the global, Sub-Saharan and South Africa outlook

Domestic economic recovery and infrastructure financing activities in the short to medium terms will be influenced by the following factors:

- Uncertainty surrounding the evolution of COVID-19, including resurgences in infections and the reinstatement of lockdown measures. Mutations of the virus could also render the current vaccines less effective, which could result in delays in economic recovery.
- Delayed vaccine rollouts could hamper the rate of recovery in global economic activity, leading to a much slower recovery in 2021. Of further concern is that the rollout will be slow and unequitable in many developing countries.
- China's economic recovery bodes well for the recovery in commodity prices. However, weaker than expected economic growth in other major economies continues to limit the recovery in commodity prices.

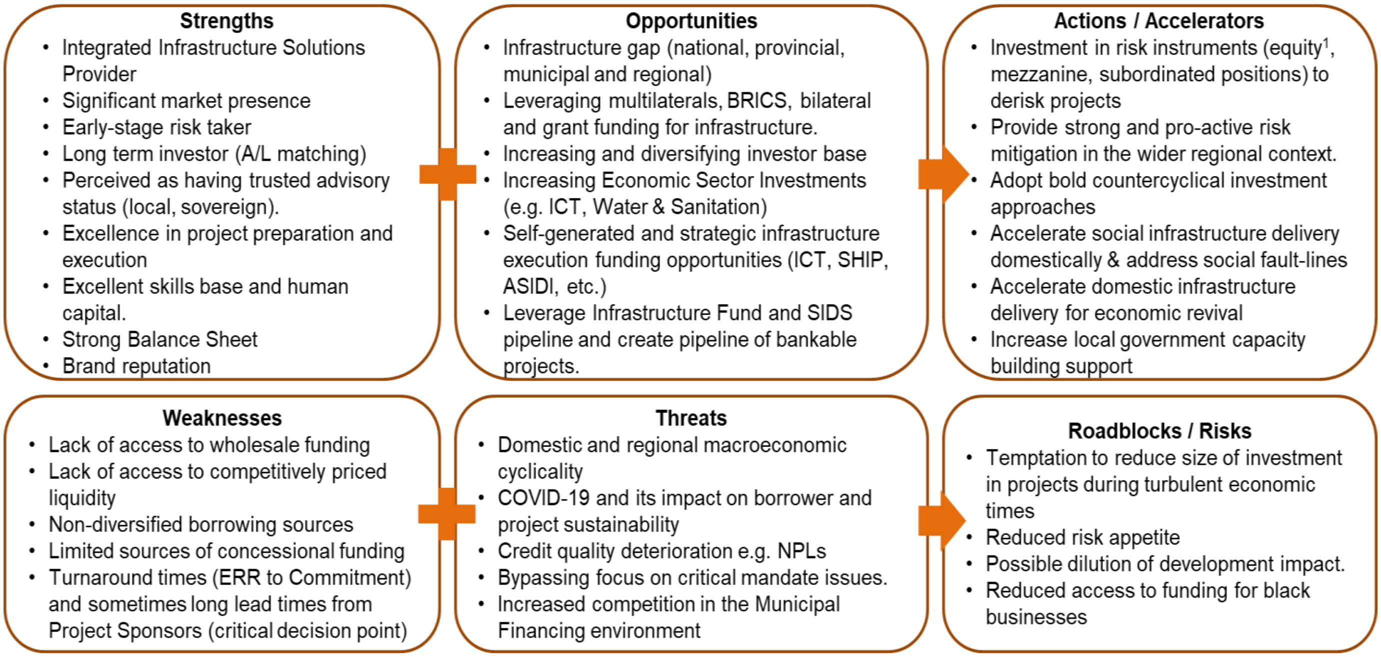
- Locust infestation in East Africa, as well as erratic weather patterns across the broader continent, pose a serious threat to food security.
- Government's debt-to-GDP ratios have reached new highs. Governments will, therefore, have to strike a balance between prioritising growth and stabilising these high and unsustainable debt levels.
- Once the DSSI initiative comes to an end, the probability of debt defaults (and by extension sovereign credit rating downgrades) will likely rise in the SSA region.
- Financial market corrections will likely occur intermittently. There has been a notable rise in the prices of risk assets on the back of highly accommodative global monetary and fiscal policy.

4. Strategic review

The strategic review is done to provide a summary of the key issues that drive DSBA's strategy. For a detailed strategic analysis of the Bank, please consult the latest strategic report.

4.1. SWOT Analysis

The SWOT analysis is undertaken to provide a high-level synopsis of the DBSA's internal and external strategic positioning as shaped by the actions/accelerators and roadblocks/risks.



Strengths

- Integrated Infrastructure Solutions Provider
- Significant market presence
- Early-stage risk taker
- Long term investor (A/L matching)
- Perceived as having trusted advisory status (local, sovereign).
- Excellence in project preparation and execution
- Excellent skills base and human capital.
- Strong Balance Sheet
- Brand reputation

Opportunities

- Infrastructure gap (national, provincial, municipal and regional)
- Leveraging multilaterals, BRICS, bilateral and grant funding for infrastructure.
- Increasing and diversifying investor base
- Increasing Economic Sector Investments (e.g. ICT, Water & Sanitation)
- Self-generated and strategic infrastructure execution funding opportunities (ICT, SHIP, ASIDI, etc.)
- Leverage Infrastructure Fund and SIDS pipeline and create pipeline of bankable projects.

Actions / Accelerators

- Investment in risk instruments (equity[1], mezzanine, subordinated positions) to derisk projects
- Provide strong and pro-active risk mitigation in the wider regional context.
- Adopt bold countercyclical investment approaches
- Accelerate social infrastructure delivery domestically & address social fault-lines
- Accelerate domestic infrastructure delivery for economic revival
- Increase local government capacity building support

Weaknesses

- Lack of access to wholesale funding
- Lack of access to competitively priced liquidity
- Non-diversified borrowing sources
- Limited sources of concessional funding
- Turnaround times (ERR to Commitment) and sometimes long lead times from Project Sponsors (critical decision point)

Threats

- Domestic and regional macroeconomic cyclicality
- COVID-19 and its impact on borrower and project sustainability
- Credit quality deterioration e.g. NPLs
- Bypassing focus on critical mandate issues.
- Increased competition in the Municipal Financing environment

Roadblocks / Risks

- Temptation to reduce size of investment in projects during turbulent economic times
- Reduced risk appetite
- Possible dilution of development impact.
- Reduced access to funding for black businesses

[1] The DBSA is currently reviewing its stance on equity investments

5. Corporate Strategy

DBSA's long-term strategy is set against the macroeconomic background outlined above and is underpinned by infrastructure development to enable structural change of the South African economy and the rest of Africa economies, while advancing inclusive transformation. Emphasis is placed on the proactive infrastructure value chain development approach despite tough market conditions and the impact of COVID-19.

Conceptualizer

DBSA identifies development programmes which direct the concerted action by a diverse range of actors, to foster an enabling environment, as well as to craft and coordinate interventions that solve socio-economic challenges.

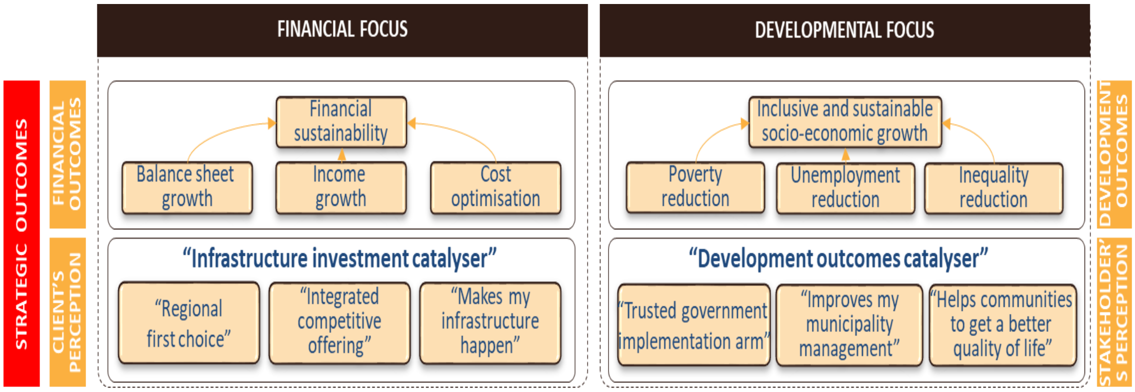
Catalyser

The DBSA plays a role in raising investment levels through innovative catalytic mechanisms which allow us to play a much stronger role in stimulating the economy and having a material impact on GDP growth.

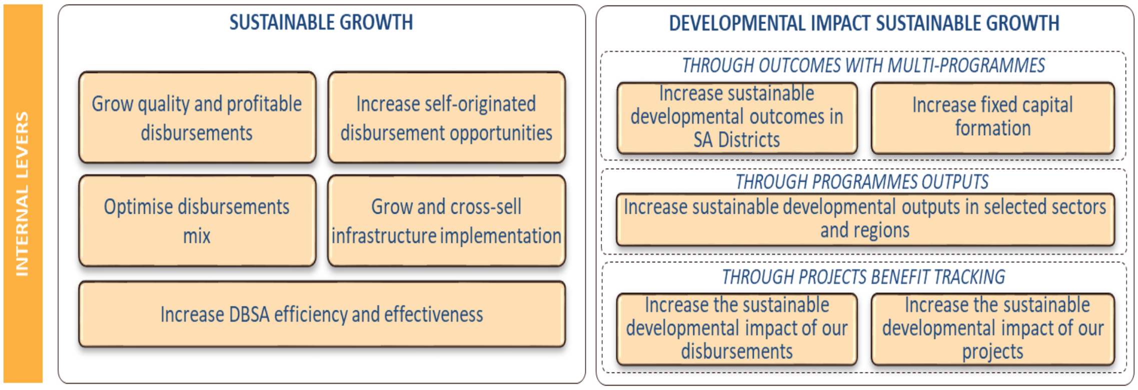
Implementer

The DBSA places a firm focus on the implementation of key priority projects to deliver tangible solutions that Build Africa's Prosperity

The DBSA's mandate requires that the Bank maximise development impact in its sphere of influence (i.e. infrastructure development, financing and capacity development in the process), both in South Africa and across the continent. This also requires a purposeful strategy directed at continuous financial sustainability through balance sheet growth, income growth and cost optimisation so that the bank can continue to deliver sustainable development outcomes for decades to come.



Tough economic conditions in 2020 have put a negative strain on the DBSA's balance sheet, making a focus on the financial sustainability of the organisation an imperative. The DBSA will, however, endeavour to play the counter-cyclical role that is expected of any DFI in these challenging times in aid of economic recovery. We will achieve this through a concerted effort at maximising sustainable growth through core frontline activities while simultaneously ensuring that programme outputs are maximised in all that we do.



The DBSA will, during the period 2021/22 – 2023/24, continue with the implementation of the current strategy, underpinned by the following key focus areas (KFAs):

- **Inclusive economic recovery in South Africa** – The focus area is directed towards meaningful growth in South Africa and seeks to build on existing initiatives while adapting to current changing market conditions. Agility and focus in the development mandate are critical to the successful attainment in this focus area. Inclusive economic recovery requires strong governance and the strengthening of institutions which is a by-product of various DBSA initiatives.
- **Strategic Africa lens** – This focus area is aimed at growing and maintaining a strong position on the rest of the continent while still aligning with the mandate statement, maintaining strong profitability and ongoing liquidity and credit management.
- **Doing things differently** – This focus area is aimed at achieving and creating a future fit and resilient DBSA, an organisation that is relevant and digitally enabled with proficient processes, strong governance and appropriate accountabilities.

5.1. The DBSA strategic objectives

5.1.1. Financial sustainability

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

5.1.2. 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 growth 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 the South African districts. The DBSA works to create an integrated development environment in the value chain in order to respond to the rapid changes in the environment – particularly in a post-lockdown environment.

5.1.3. Future fit DBSA

The DBSA will harness the power of 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 an understanding and appreciation of the value creating power of new technologies, as well as the ability to adapt to ensuing challenges.

5.1.4. Strategic 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 and developmental skills to enhance internal processes. Excelling in strategy execution through ensuring corporate strategy execution is key. Working as a team through collaborative efforts will lead to a higher success rate of achieving goals.
- **Boost and develop key partnerships:** The Bank's aptitude to nurture strategic partnerships that are mutually beneficial in achieving the mandate is an asset. These strategic partnerships

include building relationships with other DFIs, SOEs, the public and private sector. 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 have the benefit of enhancing the DBSA's reputation as one of the leading African DFIs.

- **Good governance** is of paramount importance within governments and in business to meet stakeholder expectations in the short, medium and long term. The DBSA strives to continuously improve governance and risk management.

5.2. DBSA's Call to Action

The DBSA has elevated key action areas (including previous initiatives) to enhance the delivery of its strategy:

Theme	Initiative name	High level description
Inclusive economic recovery in South Africa	**District Development Model**	Enhancing government's service delivery efforts across South Africa to build thriving communities.
	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.
	Navigating the Just Transition	Contributing to an equal, sustainable and prosperous South Africa (largely off the back of the transition out of fossil fuels).
	Converting approvals to disbursements	Building organisational sustainability by converting high potential (HiPo) transactions to meet our disbursement targets.
	Catalysing connectivity	Unlocking the power of connectivity to stimulate economic activity and growth – relishing the potential of the digital economy.
	Informal Economy: Township and rural	Provide development support in order to uplift underserved communities.

Strategic Africa lens	**Driving SA Inc**	Developing a country position in collaboration with the private sector, national governmental bodies and other DFI's to capitalise on growth opportunities around the continent emanating from the Africa Continental Free Trade Agreement.
Doing things differently	**Building a Digital DBSA**	Overcoming our stumbling blocks and rewiring legacy systems and to invest R30 – 50 million in technology and process innovation.
Inclusive Transformation	**Inclusive transformation**	Implementing 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.
	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.

5.2.1. Inclusive economic recovery in South Africa

Economic growth that does not uplift the standard of living of citizens is meaningless. One of our key market segments is municipalities. Ensuring that municipalities function optimally remains a key focus area of the Bank. Municipalities, through their proximity to ordinary citizens, remain an important vehicle to expand infrastructure access. In this regard, the DBSA will work closely with COGTA in the rollout of the District Development Model.

5.2.1.1. District Development Model

The District Development Model (DDM) seeks to enhance government's service delivery efforts across South Africa to build thriving communities. The problem that the DDM is solving for is poor service delivery and development impact. This is caused by lack of coherent and joint planning, budgeting and implementation, weak collaboration between different spheres of government, deficient strategic focus of plans and existing Inter-Governmental Relations mechanisms that are not optimally utilised. The myriad of challenges at municipal level have been exacerbated by the COVID-19 crisis faced by the nation and can only be resolved through strengthening cooperative governance and representative democracy as encapsulated through the DDM.

The adoption of the DDM presents an opportunity to partner with all three spheres of government, the private sector and the communities served and serviced mainly by government departments and its associated agencies. The DDM will be implemented through the spatialisation of development priorities and objectives and the review and reprioritisation of plans, budgets and programmes by each sphere, sector department and state entity.

This is facilitated through and anchored around the One Plan which is an Intergovernmental Plan setting out a long-term strategic framework to guide investment and service delivery in relation to a specific district or metropolitan space. The DDM seeks to enable the achievement of One Plans across all district municipalities and metros taking a holistic planning view into perspective.

The District Hubs have been established with 3 pilot district municipalities (Waterberg, OR Tambo and eThekwini Metro) and a comprehensive plan to address all 44 districts and 8 metros. Once implemented, these should accelerate service delivery and benefit ordinary citizens. The DDM is aimed at enhancing state capacity and strengthen Local Government so that there is greater cohesion and positive development impact. The outcome of the DDM is to ensure that there is sustainable development resulting in poverty reduction, increased employment, improved equality and inclusive and gender mainstreamed budgets based on community needs.

5.2.1.2. Infrastructure Fund

The Infrastructure Fund aims to transform the state’s approach to the financing of infrastructure projects, reduce fragmentation of infrastructure spend and ensure efficient and effective use of resources. In September 2018, the President of South Africa announced the Infrastructure Fund initiative as the pathway that builds on efforts to transform public infrastructure development. The Fund is meant to further improve the speed and quality of delivery. Given the limited fiscal space that has been worsened by the COVID-19 pandemic, the strategic importance of infrastructure as a lever and stimulus for economic recovery and growth has come to the fore.

The Infrastructure Fund intends to support government funding and ancillary support for co-financing of blended finance programmes and projects. This includes financing from the local capital market and international financing institutions to complement broader budgeting reforms that the government is undertaking to address problems in the infrastructure value chain.

The DBSA has been appointed to manage and operationalise the Fund through a “ring-fenced” division of the Bank. The DBSA has established the Infrastructure Fund and will facilitate the financial structuring, procurement and implementation of priority blended-finance projects and programmes, monitor and drive the process of moving the projects through the planning stage until financial close.

The Infrastructure Fund is meant to create a sustainable infrastructure development ecosystem while accelerating and scaling up catalytic infrastructure development and implementation. The Infrastructure Fund is expected to contribute R1 trillion in infrastructure for South Africa over the next 10 years. Inherent and imperative development impacts include direct social improvement, inequality reduction, poverty reduction and job creation.

The Fund requires well-executed project preparation to support a pipeline of projects that are bankable, exhibit strong governance and are geared to respond to the socio-economic fallout that emanates from the pandemic. The DBSA will focus on strengthening its internal project preparation activities in order to facilitate this requirement.

5.2.1.3. Navigating the Just Transition

Contributing to an equal, sustainable and prosperous South Africa.

The DBSA is developing the Integrated Just Transition Investment Framework which seeks to address the strategic positioning of the DBSA as a responsible energy sector investor on the African continent.

The role of the DBSA in supporting and financing the implementation of the independent power producer programme thus far amounted to around R40 billion (South Africa: R18 billion and Rest of Africa: R22 billion). Financial support to 9 B-BBEE entities and 15 local community trusts funded in the form of debt and equity amounts to at least R2.9 billion.

DBSA seeks mainstream sustainable development across all its mandated sectors especially energy, transport, water and social sectors. Institutional arrangements must be adapted to ensure the participation of all relevant stakeholders at the international, national, regional, sectoral and local levels in the building of an appropriate framework and position statement for a Just Transition whilst ensuring internal coherence with national and international institutions at the regional and global level.

DBSA Credit Enhancement Programme's such as the 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.

Collaboration with the Department of Environment, Fisheries and Forestry (DEFF) has facilitated the DBSA's role in acting as a national implementing agent for the Global Environment Facility (GEF) and for serving as an accredited entity for the Green Climate Fund (GCF). DBSA programmes financed by the GCF include the Climate Finance Facility (CFF), for which GCF granted DBSA USD55 million to co-fund private sector infrastructure projects and businesses through credit enhancement and tenor extension.

5.2.1.4. Converting approvals to disbursements

The DBSA seeks to continue building organisational sustainability by converting transactions to meet disbursement targets. Furthermore, proper project identification, comprehensive preparation, and appropriate structuring is key to maximising investment and ultimately magnify development outcomes within the confines of an underperforming economy. Other initiatives include the development and rollout of new instruments and financing structures, all seeking to solve for obstacles to accelerated development.

5.2.1.5. Catalysing connectivity

The DBSA will continue unlocking the power of connectivity to stimulate economic activity and growth – relishing the potential of the digital economy. The COVID-19 pandemic has exposed the digital divide that exists in South Africa. In order to bridge this divide, ICT infrastructure is required particularly in rural settlements where digital penetration is lowest.

The DBSA together with the Department of Communication and Digital Infrastructure (DCDT) have embarked on a programme to deliver on the SA Connect programme. The first phase saw over 900 government facilities connected with the second phase expected to connect over 44 000 sites in 44 district municipalities. DBSA has secured R50 million to conclude a feasibility study and establish a programme management office (PMO). The aim of the PMO is to support DCDT and capacitate the department in order to effectively implement the programme based on the outcomes of the feasibility study.

The establishment of the PMO creates several opportunities for the DBSA including the creation of funding opportunities and balance sheet diversification, the potential for thought leaders in ICT infrastructure and most importantly the development of back bone infrastructure to support connectivity to households and small and medium sized enterprises.

5.2.1.6. Informal Economy: Township Economy and Rural Development

5.2.1.6.1. Provide development support in order to uplift underserved communities through the Development Labs (DLABS)

The principles and development impact objectives of the DLABS program are key to stimulating both the township and rural economies.

The DBSA Development Labs (DLABs) or development precinct model is based on the DBSA's development position and aimed at creating spaces which act as vehicles for community just transitions.

The model includes the different levers that focus on sustainable growth, development and transitions and are community specific. The model has a blueprint which includes key drivers to facilitate social interventions, local economic development and human resilience.

The DBSA acts as a convener of the DLABs platform providing the infrastructure investment and coordinating technical expertise. The DBSA provides an initial capital injection and operational support over a 3-5-year period to support the precincts in becoming self-sustaining vehicles.

5.2.1.6.2. High Impact Investment Portfolio (HIIP)

The High Impact Investment Portfolio (HIIP) speaks to the investment platforms that create an enabling environment. This allows the DBSA to be responsive to the needs of society by responding to the current development challenges (i.e. inequality, unemployment and poverty) in a manner that is innovative. The primary focus of the portfolio will be on the under-served markets that require innovative and non-commercial funding to get them through the high-risk capital stage of their business. Furthermore, the size and the tenor of the product loans complement the desired development outcomes.

5.2.1.6.3. Innovative ways of intervening in the informal economy

The Bank is also exploring various collaborative ways to participate in the informal economy, particularly to support SMMEs.

5.2.2. Driving SA Incorporated

The approach to drive the SA Incorporated (SA Inc) solution towards infrastructure delivery in the region will include working on early stage projects that require project preparation to build a robust deal pipeline. Promoting the SA Inc agenda with a focused SA Inc approach to the continent through bespoke credit and funding structures offered by DBSA through collaboration.

5.2.2.1. SADC

Focus will be placed on those projects with good credit and strong returns, strong regional integration with SA, and projects that can be prepared and structured for participation by local funders within the SADC region. Furthermore, part of the SADC portfolio will be aggressively pursued for repayments to create headroom for new business.

5.2.2.2. Non-SADC

Focus will be more on collaborations and smaller or syndicated deals to spread the risk. The DBSA seeks to improve relationships at Chief Executive level with leading private and public sector organisations across the continent. This approach will be enabled by collaborations by Project Preparation as well as the Syndication and Distribution Units to sell down transactions where relevant to free up headroom. Furthermore, strong credit management, ongoing risk assessments and non-performing loan management underpin the rest of Africa strategy success.

5.2.3. Building a Digital DBSA

Building a digital DBSA aims to overcome our stumbling blocks and rewiring legacy systems through transforming core business processes as well as responding to customer needs by investing R30 – R50 million in technology and process innovation. The Bank is committed to digital transformation which includes Bank-wide digital capability building and is articulated in these focus areas across the organisation.

- **E-Procurement:** The e-procurement solution will enable a more efficient and effective supply chain management business process for the DBSA and its suppliers. The e-procurement solution will reduce turnaround times and enforce standardised governance and provide an audit trail of supporting documentation. The implementation of the e-procurement platform will enable the overall quality, timelines and cost effectiveness of the tendering process and provide a more streamlined method of submitting, managing and receiving tender documents. A modular implementation strategy has been adopted, the first of which, the "Supplier Management Module" has been completed.
- **Building information modelling (BIM):** This initiative aims to develop a sophisticated platform that enables modelling of desired infrastructure, effective project management capability and allows for data mining and analytics related to pricing and other construction project elements. The University of Johannesburg is the strategic partner on this initiative.
- **Digital lending platform:** This entails the creation of a digital technology platform that enables DBSA to respond to customer needs in order to fund projects with funding requirements below R40 million. The platform further enables the start of the digitalisation of the lending process value chain to increase efficiency and effectiveness of the Bank's current processes, capabilities and overall operating models. The development of the roadmap and implementation plan for the digital lending platform include collaboration with strategic partners.
- **Process Optimisation**: Through various process innovation activities (i.e. robotic process automation, business process reengineering) the Bank can affect organisational efficiencies and agility that enable high performance. Expected outcomes of optimisation efforts include automated processes, efficient and collaborative ways of work and the building of digital capabilities.

5.2.4. Inclusive transformation

Given the triple challenge that South Africa faces of unemployment, inequality and poverty, a strong focus is needed in developing the right points of access both in the enabling infrastructure and the means to acquire land, equipment and finance. Exacerbating the triple challenges are the effects of decades of structural exclusion of previously disadvantaged groups. Various governmental policies seek to redress these issues, of which the DBSA plays a supporting role in the achievement of transformation in the country.

5.2.4.1. B-BBEE

The DBSA drives sustainability in both social and economic transformation in the sectors that it participates in through the development of financing, funding instruments and asset classes with an emphasis on Broad Based Black Economic Empowerment. These range from participating in early risk project preparation and might include taking equity positions and providing bridge capital facilities for our clients. DBSA is also piloting a working capital facility for contractors employed in the execution of our projects implemented through the Infrastructure Delivery Division.

Internally the DBSA focuses on the development and advancing of the careers of Black professionals, whilst developing the future leadership of the Bank. Gender mainstreaming remains a key focus of the Bank when reviewing its policies and practices ensuring that an enabling environment is created for effective performance.

5.2.4.2. Gender mainstreaming

Historically, the infrastructure sector and the DBSA loan book, as well as support for government's Black Industrialist programme was leaning strongly towards male-owned companies. Furthermore, strategies, policies and procedures were not aligned to the vision of gender-inclusive development. There was therefore a need for DBSA in its partnerships to show ongoing commitment to developing value chains that include women and youth in South Africa and Africa.

The gender mainstreaming objective was initiated with aim of positioning the DBSA as a thought leader in contributing to gender equality, especially in infrastructure development. Further to this is the aim to ensure that the DBSA applies leading practices for gender-inclusive development and directs development finance solutions to under-served stakeholders while also attracting, developing and retaining talent.

5.2.4.3. Measuring the development impact

The DBSA has strengthened its monitoring and evaluation approach over the past 8 years by creating an evaluation process that allows some bespoke adjustments across projects but maintains a level of rigour that facilitates improved evidence gathering and reporting.

The DBSA monitors and measures its development outcomes through a Development Results Reporting Framework (DRRF) which includes a Development Results Template (DRT), a Development Results Working Group (DRWG) and a specific reporting requirements and evaluation methodologies.

Currently a process is underway to create a development impact index which will generate an impact rating to help determine the difference an investment makes from baseline to exit. The index will enable the DBSA to set baselines of desired development outcomes. In addition, the index will be used to guide investment decisions made within the DBSA in support of the Bank’s development mandate, while clearly showing its contribution to alleviating unemployment, poverty and inequality.

Impact measurement enables the DBSA to monitor and track the outcomes and impacts of its projects and ensure delivery on its mandate of development finance. Impact measurement provides an important source of data that facilitates development impact reporting, accountability and transparency. The development impact data serves to both guide and support the investment and fund allocation process and importantly the strategic planning process. From a reputational and marketing perspectives, development impact measurement provides credibility and assurance that the DBSA is not only delivering on its mandate but is also aligning its activities with national and international development objectives and goals.

6. The Balanced Scorecard

Objective	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Actual 2019/20	Original Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
CORE MEASURES – FINANCIAL OUTCOMES (36%)									
Financial Focus: Financial Outcomes (13%)									
Maintain financial sustainability	• ROE (calculated on sustainable earnings)	CFO	5%	SDG 9	-1.6%	4.5%	2.76%	3.21%	3.52%
	• Net interest income	CFO	3%	SDG 9	R4.3 billion		R4.4 billion	R4.9 billion	R5.3 billion
	• Cost to income ratio (DBSA)[1]	CFO	3%	SDG 9	25.6%	38.9%	44.3%	43.1%	42.1%
	• Balance sheet growth (Development loans)	CFO GE: Coverage GE: Transacting	2%	SDG 9	12%		2%	5%	4%
Financial Focus: Internal Levers (23%)									
Sustainable Growth	• **Total Disbursements**		**15%**		**R15.4 billion**	**R13.5 billion**	**R13.5 billion**	**R14 billion**	**R15 billion**
	○ Top 5 Metropolitan cities (direct and indirect lending) [2]	GE: Coverage; GE Transacting	3%	SDG 11	R2.0 billion	R3.7 billion	R3.5 billion	R3.5 billion	R3.6 billion
	○ M2/M3 municipalities (direct and indirect lending)	GE: Coverage; GE Transacting	3%	SDGs 6, 9, 11	R0.5 billion	R0.8 billion	R0.7 billion	R0.7 billion	R0.8 billion
	○ Other social infrastructure (excl. municipalities)	GE: Coverage; GE Transacting	3%	SDGs 3, 4, 6, 9	R0.2 billion	R0.7 billion	R0.6 billion	R0.7 billion	R0.8 billion
	○ Economic infrastructure	GE: Coverage; GE Transacting	3%	SDG 5, 7, 9,13	R7.3 billion	R3.5 billion	R4.5 billion[3]	R4.5 billion	R4.8 billion
	○ Rest of Africa	GE: Coverage; GE Transacting	3%	SDGs 7, 9, 10, 13, 17	R5.4 billion	R4.8 billion	R4.2 billion	R4.6 billion	R5.0 billion
	• Third party funds catalysed	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	2%	SDG 8, 17	R43.1 billion	R13.5billion	R31 billion	R36 billion	R41 billion

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[1] 2019/20 and 2020/21 only considered Financing Business i.e. excl. IDD but included Development Expenditure and PPD grants
[2] Alternative to direct financing of municipalities
[3] TCTA reclassified from Social Sector

Increase self-originated disbursement opportunities	• Disbursements generated through DBSA program management offices, infrastructure plans and feasibility studies/ Total SA disbursements	GE: PPD GE Transacting	2%	SDGs 7, 9, 13	-		R1.4 billion	R1.6 billion	R1.7 billion
	• Value of Infrastructure delivered	GE: IDD	2%	SDG 1, 3, 4, 5, 8, 9, 11, 17	R4.1 billion	R4.1 billion	R3.7 billion	R4.1 billion	R4.3 billion
Municipal Support Activities	• Value of infrastructure unlocked in under-resourced municipalities	GE: Coverage GE: PPD	2%	SDG 7, 9	R1.4 billion	R0.9 billion	R1.2 billion	R1.5 billion	R1.5 billion

Objective	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Actual 2019/20	Original Target 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
CORE MEASURES - DEVELOPMENT OUTCOMES (31%)									
Development Focus: Development Impact Sustainable Growth									
Accelerating development impact	• Development Impact Index (sum of components below excl. climate disbursements)	GE: Fin Ops GE: Coverage	27%	SDG 1, 8			Positive index growth	Positive index growth	Positive index growth
Development Outcomes	• Number of jobs created	GE: Fin Ops GE: Coverage GE: Transactions	2%	SDG 1, 8, 9			9 000	10 200	11 000
		GE: IDD			9 758	7 800	8 800	9 750	10 200
Increase SA fix capital formation	○ Value of projects/programmes committed through the Infrastructure Fund	GE: IF	2%	SDG 9, 11			R3.7 billion	R4.3 billion	R4.8 billion
	○ Percentage of DBSA RSA disbursement (fundamental infrastructure only)	GE: Coverage; GE: Transactions GE: PPD	2%	SDG 9, 11			60% of total disbursement	60% of total disbursement	60% of total disbursement
Increase outcomes in SA Districts	○ Degree of achievement of pilot districts developmental outcomes measures	GE: Coverage; GE PPD	2%	SDG 1,3,4,6,7,8, 11		One Plans delivered: 3 = 5 score 2 = 3 score 1 = 2 score 0 = 1 score	Execution of the targets contained in One Plans	Execution of the targets contained in One Plans	Execution of the targets contained in One Plans
Increase outcomes through programme outputs	○ Number of student beds through SHIP programme	GE: PPD	2%	SDGs 4,8, 9 , 11		1 400 beds	4 700 beds	13 500 beds	18 400 beds
Increasing sustainable impact of funded projects	○ Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g. CFF, EGIP etc.)	GE: PPD	2%	SDG 7, 13		R300 million	R400 million	R500 million	R550 million
Innovation Initiatives	• Number of D-labs	CIO	2%	SDG 1,8, 11		2 DLAB sites disbursing	2 fully executed and functional programs + 3 New DLabs disbursing	3 fully executed and functional programs + 5 new DLabs disbursing	5 DLabs disbursing
	• Number of permanent employment opportunities through the D-labs	CIO	2%				10	15	25
	• Number of individuals that have successfully completed future skills programmes (training, learnerships, entrepreneurship and employment-ready skills)	CIO	2%				150	300	1 500

	• Number of LED start-up enterprises supported through the DLAB precincts. (Micro Enterprises, SMMES etc	CIO	1%				20	40	60
	• Number of transactions through the High Impact Investment Portfolio	CIO	2%	SDG 9, 11	5		2 transactions approved for funding 2 transactions committed for funding	2 transactions approved for funding 2 transactions committed for funding	3 transactions approved for funding 3 transactions committed for funding
Transformation	• Number of transactions that are committed for DBSA funding to black-owned entities (50% shareholding and above)	GE: Coverage GE: Transacting	2%	SDG 1, 5,7,9	-	5	5	6	6
	• Number of transactions that are committed for DBSA funding to black women-owned entities (30% shareholding and above)	GE: Coverage GE: Transacting	2%	SDG 1, 5,7,9	-	2	3	4	4
	• Percentage of procurement spend on black women-owned suppliers for IDD third party fund (50% and above shareholding)	GE: IDD	2%	SDG 1, 5, 7, 9	-	20% of total procurement spend from B-BBEE suppliers	30% of total procurement spend from B-BBEE suppliers	35% of total procurement spend from B-BBEE suppliers	35% of total procurement spend from B-BBEE suppliers
Support to Small and Medium Enterprises	• Support provided to Emerging Contractors through the Contractors' Working Capital Facility	GE: IDD	2%	SDG 1, 5,7,9	-		R250 million	R300 million	R400 million
	• Establish a ring-fenced SMME lending fund in collaboration with others	GE: Coverage GE: Transacting	2%	SDG 1, 5,7,9,17			R250 million	R250 million	R250 million

Objective	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Actual 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
ENABLERS (13%)								
Increase DBSA efficiency and effectiveness	• Digital DBSA (digitalisation, automation and process re-engineer)	CFO	3%	Not applicable	-	2 business processes automated for our core business	2 business processes automated for our core business	3 business processes automated for our core business
Develop a high performance and accountability culture	• Timeous submission of Performance contracts, PDP and Performance Appraisals, Leave management and similar HR processes	GE: Human Capital	3%	Not applicable	-	• More than 80% of the PSC sent on time and quality • More than 80% performance review meeting conducted • Approval of >80% of PDPs and adherence to PDP	• More than 80% of the PSC sent on time and quality • More than 80% performance review meeting conducted • Approval of >80% of PDPs and adherence to PDP	• More than 80% of the PSC sent on time and quality • More than 80% performance review meeting conducted • Approval of >80% of PDPs and adherence to PDP
Excel in strategy execution	• Conduct corporate strategy review and identify strategic opportunities	Chief Economist	3%	Not applicable	-	Conduct at least 1 review per division annually	Conduct at least 1 review per division annually	Conduct at least 1 review per division annually
Smart Partnerships	• Client satisfaction survey	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	2%	Not applicable	4.5	3.7	3.8	4.0
	• Stakeholder survey	All GE	2%	Not applicable	-	3.0	3.3	3.5

Objective	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Actual 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
GOVERNANCE AND COMPLIANCE PERSPECTIVE (20%)								
Improve DBSA governance and risk management	• Irregular, unauthorised and fruitless and wasteful expenditure	Chief Financial Officer	5%	Not applicable		Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure
	• Ethical behaviour	Corporate Secretariat	5%	Not applicable		Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour
	• Compliance with the PFMA	Chief Risk Offer	5%	Not applicable		Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline
	• Unqualified Audit opinion	Chief Financial Officer	5%	Not applicable		Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis

7. Annexures

7.1. ANNEXURE A: COMPLIANCE CHECKLIST

No	Description	Reference	Status
1	**Strategy**	Point 2	✓
2	**Key Performance Indicators**	Point 3	✓
3	**Compliance check list**	Annexure A	✓
4	**Capital Expenditure Plan** (covering the next three years)	Annexure B	✓
5	**Financial Plan (covering the next three years) including:** • Projected income statement • Projected balance sheet • Projected cash flow statement	Annexure B	✓
6	**Dividend Policy**	Annexure B	✓
	Procurement Policy	Annexure B	
7	**Materiality and Significance Framework**	Annexure B	✓
8	**Governance Structures** • Governance structures and roles/responsibilities • Structure of Board of Directors committees Structure of Executive Management	Annexure C	✓
9	• **Employment Equity Plan** (recommended)	Annexure D	**TBC**
10	**Fraud Prevention Plan**	Annexure E	✓
11	**Borrowing Programme** (covering the next three years)	Annexure F	✓
12	**Risk Management Plan** • Description of risk management process • Key operational risks	Annexure G	✓
13	**Other Supporting Plans** Environmental Framework (recommended)	Annexure I	✓

7.2. ANNEXURE B: FINANCIAL PLAN

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

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

In preparing the three-year financial plan of the DBSA, domestic and international macro-economic environment factors have been considered. The effects of COVID-19, which started as a global health pandemic, has caused unprecedented havoc in the global economy, and South Africa and the Bank has not been spared from this economic disruption. The downgrade of the country's sovereign credit rating to sub-investment grade by Moody's in March 2020 further deepened the economic turmoil brought on by the pandemic. This had a knock-on effect with DBSA receiving its downgrade by Moody's to Ba2 in June 2020.

The financial projections (see below) take into account the affordability of the DBSA planned activities without negating the expected delivery on its mandate. The budgets prepared for this plan for the three-year period project approximately R45.7 billion in cash disbursements. The proposed budgets are informed by the need to pay closer attention to the DBSA's balance sheet. This was done in line with the need to increase funding activities in support of the country's economic recovery interventions. However, based on three-year projections, overall funding levels will increase steadily in the outer years to ensure that the DBSA maintains and strives towards more acceptable risk ratios (such as debt/equity, borrowings and impairments as per DBSA's risk appetite framework).

7.2.1. 3-year financial plan assumptions

The financial projections in this plan are premised on the following assumptions

Year	2021/22	2022/23	2023/24
Average impairment factor	2.10%	3.00%	2.70%

Year	2021/22	2022/23	2023/24
USD/ZAR rate	15.65	16.00	16.29

Year	2021/22	2022/23	2023/24
Year on year inflation rate	4.19%	4.46%	4.50%

Funding base rates	2021/22	2022/23	2023/24
Jibar 6M	3.77%	4.35%	4.62%
Gov't rate 10 to 13 Years	10.24%	10.52%	10.52%
Libor	0.27%	0.35%	0.35%

Capital Expenditure Plan

The capital expenditure plan as set out below is mainly to support the collective operations of the Bank and the envisaged growth over the next three years. The following table provides a summary

Asset type	Projection 2021/22	Projection 2022/23	Projection 2023/24
Building	R162.11m	R170.2	R178.7m
Computer equipment	R27.41m	R28.8	R30.2m
Intangible assets	R30.48m	R32.m	R33.6m
Total	**R220m**	**R231m**	**R242.5m**

Loan Book Summary

The table below reflects the budgeted gross loan book and impairment provision over the medium term. The impaired amount reflected in the Financial Plan is based on preliminary IFRS9 impairment numbers. The implementation team is currently assessing the full extent of the impact and significant changes will be communicated accordingly.

Loan book summary R'm	**2021 Forecast**	**2022**	**2023**	**2024**
SA Financing				
Gross loan book	R 67,136	R 70,843	R 76,260	R 81,157
Impairment provision (Incl. interest in suspense)	-R 3,272	-R 3,752	-R 4,268	-R 4,823
Net loan book	R 63,864	R 67,091	R 71,991	R 76,334
International Financing				
Gross loan book	R 29,916	R 29,140	R 29,880	R 30,891
Impairment provision (Incl. interest in suspense)	-R 8,028	-R 9,148	-R 10,352	-R 11,647
Net loan book	R 21,888	R 19,992	R 19,528	R 19,244
Total DBSA	**R 85,752**	**R 87,083**	**R 91,519**	**R 95,578**

7.2.2. 3-year Financial Plan

THREE YEAR FINANCIAL PLAN					
Balance Sheet	**Actual**	**March Forecast**	**3 Year Forecast**		
	FY 2019/20 R'mil	**FY 2020/21 R'mil**	**FY 2021/22 R'mil**	**FY 2022/23 R'mil**	**FY 2023/24 R'mil**
Assets					
Cash & cash equivalents	3,459	7,577	3,689	3,747	3,855
Financial market assets	2,636	1,565	1,557	1,530	1,504
Equity investments	5,994	4,906	4,163	3,894	3,749
Development loans	86,263	85,752	87,083	91,519	95,578
Development Bonds	1,288	1,288	1,287	1,286	1,286
Fixed assets	498	536	647	765	891
Other assets	328	347	364	382	401
Total Assets	**100,465**	**101,970**	**98,791**	**103,123**	**107,264**
Liabilities					
Other liabilities	1,556	903	933	961	990
Deferred income	-	437	509	573	630
Medium to long term: debt securities	28,507	43,336	27,669	17,212	14,119
Medium to long term: lines of credit	32,040	18,624	17,575	14,076	11,901
Medium to long term: derivatives	785	163	284	249	215
Medium to long term: New debt	-	-	12,466	29,545	37,584
Total Liabilities	**62,888**	**63,463**	**59,436**	**62,615**	**65,439**
Equity					
Share capital	200	200	200	200	200
Retained earnings	23,005	23,806	24,655	25,808	27,125
Other reserves	14,372	14,500	14,500	14,500	14,500
Total Equity	**37,578**	**38,506**	**39,355**	**40,508**	**41,825**
Total equity & liabilities	**100,465**	**101,970**	**98,791**	**103,123**	**107,264**
Debt : Equity Ratio	163%	162.5%	148.7%	152.2%	154.1%
Debt : Equity Ratio (incl R20bn callable capital)	107%	107%	99%	102%	104%

	THREE YEAR FINANCIAL PLAN				
	FY Mar 2020	March 2021 Forecast	3 Year Forecast		
	Actuals R'mil	2020/21 R'mil	FY 2021/22 R'mil	FY 2022/23 R'mil	FY 2023/24 R'mil
Total Interest Income	8,286	8,166	8,534	9,220	9,663
Interest expense (post hedging)	(3,863)	(3,508)	(4,153)	(4,365)	(4,393)
Net interest income	**4,424**	**4,658**	**4,381**	**4,855**	**5,270**
Net fee income	53	(6)	16	28	41
IDD Management fees and other income recovery	207	168	205	226	239
Dividend income	33	8	21	14	13
Project preparation income	12	22	56	75	87
Other operating income	**11**	**12**	**-**	**-**	**-**
Other income	11	12	-	-	-
Operating income	**4,739**	**4,862**	**4,680**	**5,198**	**5,651**
Impairments	**(3,633)**	**(1,379)**	**(1,601)**	**(1,721)**	**(1,851)**
Revaluation on equity investments	**(306)**	**(444)**	**68**	**45**	**27**
Operating expense	**(1,112)**	**(1,209)**	**(1,441)**	**(1,509)**	**(1,581)**
- Personnel expenses : DBSA	(614)	(738)	(836)	(878)	(922)
- Other expenses : DBSA	(281)	(251)	(346)	(362)	(378)
- Depreciation : DBSA	(29)	(32)	(38)	(38)	(39)
- Personnel expenses : IDD	(137)	(145)	(169)	(177)	(186)
- Other expenses : IDD	(51)	(43)	(51)	(53)	(56)
- Depreciation : IDD	(1)	(1)	(1)	(1)	(1)
Development expenditure:					
Project Preparation	(42)	(116)	(180)	(200)	(220)
Corporate Social Investment	(25)	(24)	(30)	(32)	(33)
Municipal interest subsidy	(17)	(11)	(20)	(21)	(22)
Municipal planning and capacity support	(31)	(55)	(170)	(196)	(197)
Stakeholder Relation Costs (CE grants)	(4)	(1)	(15)	(17)	(18)
Strategic initiatives (IF, Township econom	(8)	(146)	(216)	(265)	(305)
Covid-19 initiatives	(150)	-	-	-	-
	0	0	0	0	0
Sustainable earnings	**(587)**	**1,476**	**1,076**	**1,283**	**1,451**
Forex adjustments	1,172	(932)	(160)	(61)	(65)
Revaluation gains / (losses) on other financial instruments	(80)	8	(67)	(68)	(69)
Net profit	**504**	**553**	**849**	**1,153**	**1,316**
RoE (on average equity) - Sustainable earnings	-1.57%	3.88%	2.76%	3.21%	3.52%
Net interest margin *	5.1%	5.0%	4.7%	5.1%	5.3%
Cost to income (DBSA)	29.1%	32.1%	44.3%	43.1%	42.1%
Cost to Income ratio IDD	91%	112.7%	107.3%	102.5%	101.5%
Cost to Income ratio excl IDD	26%	29.3%	41.4%	40.4%	39.4%

CASH FLOW STATEMENT	Actual	Forecast	3 Year Financial Plan		
	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
	R'mil	R'mil	R'mil	R'mil	R'mil
Net profit:	**504**	**553**	**849**	**1,153**	**1,316**
Adjustments:	**(1,532)**	**(1,502)**	**(2,410)**	**(2,779)**	**(2,999)**
- Depreciation	29	32	39	39	40
- TA Grants	117	207	261	313	356
- Dividends	(176)	(8)	(21)	(14)	(13)
- Losses on asset disposals	(0)	(0)	-	-	-
- Fee accruals	190	75	-	-	-
- Equity gains	371	(35)	(68)	(45)	(27)
- Revaluation gains/(losses)	(102)	575	-	-	-
- Forex (gains) / losses on equity investments	(1,172)	932	(51)	148	154
- Forex (gains) / losses on USD assets	-	-	1,418	(469)	(398)
- Forex (gains) / losses on USD funding	-	-	(1,206)	382	309
- Impairments	3,633	1,379	1,601	1,721	1,851
- Net interest income	(4,424)	(4,658)	(4,381)	(4,855)	(5,270)
Subtotal	**(1,028)**	**(949)**	**(1,561)**	**(1,625)**	**(1,682)**
Change in other assets	(7)	(74)	(17)	(18)	(19)
Change in other liabilities	14	(222)	101	92	86
Interest & dividends received	8,159	8,149	8,555	9,234	9,676
Interest paid	(3,524)	(3,386)	(4,153)	(4,365)	(4,393)
Net cash from operating activities	**3,614**	**3,518**	**2,925**	**3,317**	**3,668**
Cash flows from development activities	**(9,017)**	**(2,791)**	**(3,748)**	**(5,834)**	**(5,850)**
Development loan disbursements	(15,641)	(13,681)	(13,500)	(14,000)	(15,000)
Development loan repayments	6,255	10,938	9,393	8,099	9,290
Net increase in equity investments	421	136	620	380	217
Grants paid	(70)	(173)	(261)	(313)	(356)
Net advances on National Mandates	20	(11)	-	-	-
Cash flows from investment activities	**33**	**1,217**	**(143)**	**(130)**	**(139)**
Purchase of PPE & intangible assets	(20)	(74)	(150)	(158)	(165)
Proceeds from PPE	3	1	-	-	-
Movement in FMA	50	1,290	7	27	26
Cash flows from financing activities	**5,839**	**2,754**	**(2,922)**	**2,705**	**2,429**
Capital raised	-	-	-	-	-
Financial market liabilities repaid	(19,520)	(19,361)	(7,553)	(16,178)	(10,479)
Financial market liabilities raised	25,359	22,115	4,631	18,884	12,907
Net increase / (decrease) in cash & cash equivalents	468	4,698	(3,888)	58	108
Effect of exchange rate movements on cash balances	67	(579)	-	-	-
Movement in cash & cash equivalents	**536**	**4,118**	**(3,888)**	**58**	**108**
Cash & cash equivalents beginning of the year	**2,923**	**3,459**	**7,577**	**3,689**	**3,747**
Cash & cash equivalents end of the year	**3,459**	**7,577**	**3,689**	**3,747**	**3,855**

7.2.2. Dividend policy

The purpose of the dividend policy is to set out guidelines that DBSA uses to decide on how much of its earnings it will distribute to its shareholder as a development dividend. The DBSA considers the following in declaration of a development dividend:

- The Corporate Plan commitments and strategic objectives, including investments and expenditures in fulfilling the mandate of the DBSA;
- Whether the DBSA will reasonably satisfy the solvency and liquidity test immediately after completing the proposed development dividend;
- Whether the DBSA will reasonably satisfy the liquidity requirements in accordance with the DBSA liquidity risk policy;
- Sources and uses of future cash flow requirements have been satisfied; and
- It is not in contravention of the DBSA Act.

DBSA development dividend formula

An amount which equates to 3% of sustainable earnings, with reference to the most recent audited annual financial statements, will be set aside as a development dividend.

7.2.3. Procurement Policy

In line with the requirements of the Public Finance Management Act (1999), the Bank has developed and implemented procurement policies and procedures that also addresses the BEE requirements set out in government policy and relevant legislation.

The DBSA also strives to promote Exempt Micro Enterprises and Qualifying Small Enterprises through its preferential procurement practices. It is currently rated as a Level 1 contributor in terms of the Broad-Based Black Empowerment Act and has plans to maintain the Level 1 rating whilst improving participation to 51% black women owned enterprises.

7.2.4. Materiality and Significance framework

Treasury Regulation Section 28.3.1 – "For purposes of materiality (sections 55(2) of the Public Finance Management Act (PFMA)) and significant (section 54(2) of the PFMA), the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority.

Materiality	Proposed Framework	Resulting figures for 2021/22
Materiality Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements, financial information and non-financial information. Materiality depends on the size and nature of the omission or misstatement.	**<u>Quantitative</u>:** 1% of Total Assets **<u>Qualitative</u>:** All losses as a result of Criminal conduct, irregular and fruitless and wasteful expenditure are material. The DBSA has zero tolerance on all acts of criminal conduct.	R 1 billion
Significant		
Section 54(2) of the PFMA states that the accounting authority for a public entity must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of any of the following qualifying transactions:		
(a) Establishment or participation in the establishment of a company.	All transactions	-
(b) Participation in a **significant** partnership, trust, unincorporated joint venture or similar arrangement.	1% of the value of total assets	R 1 billion
(c) Acquisition or disposal of a **significant** shareholding in a company.	1% of the value of total assets This excludes transactions in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within	R 1 billion

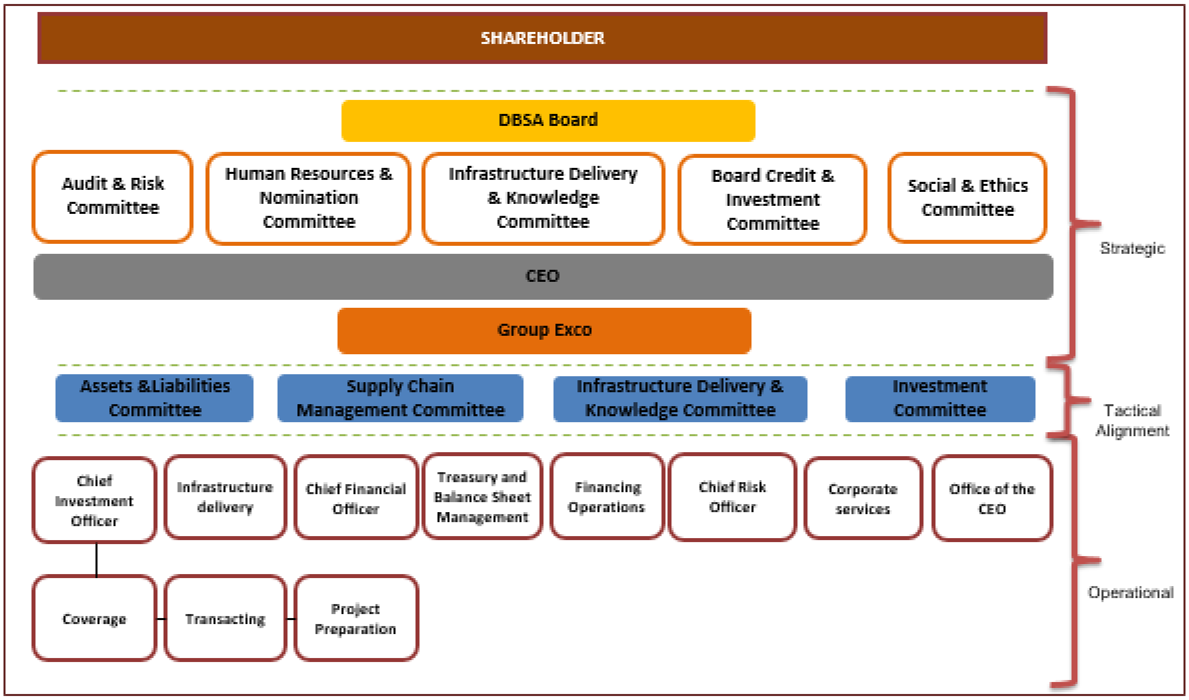
Materiality	Proposed Framework	Resulting figures for 2021/22
	the powers and objects of the Bank as stipulated in the DBSA Act.	
(d) Acquisition or disposal of a **significant** asset	1% of the value of total assets. Significant acquisition and disposal of assets excludes all assets acquired or disposed in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within the powers and objects of the Bank as stipulated in the DBSA Act. Exclusion examples include equity investments, financial instruments, development loans.	R 1 billion
(e) Commencement or cessation of a **significant** business activity.	1% of the value of total assets	R 1 billion
(f) Change in the nature or extent of its interest in a **significant** partnership, trust, unincorporated joint venture, or similar arrangement.	1% of the value of total assets	R 1 billion
(g) Regardless of the above significant threshold, the following transactions are also considered significant; Any transaction that: • Results in the DBSA acquiring or disposing of a shareholding of at least 20% in any entity or structure; • Regardless of the percentage holding, any transaction that results in a direct equity investment exceeding 7.5% of total assets (as	All transactions 7.5% of total assets	R 7.5 billion

Materiality	Proposed Framework	Resulting figures for 2021/22
per the 2019/20 financial year) of the Bank. - Results in the DBSA being deemed to have control over any entity regardless of the shareholding acquired.	All transactions	

7.3. ANNEXURE C: CORPORATE GOVERNANCE FRAMEWORK

Governance Structure

The directors of the DBSA are committed to full compliance with the principles embodied in appropriate international corporate governance codes and strive to align the Bank's corporate governance with national and international best practices. The figure below illustrates its governance framework.



The DBSA has embraced King IV Code on Corporate Governance and has completed an assessment of its practices against the 16 applicable principles. The Application of King IV Principles 2019 uploaded on the DBSA website as part of the 2020 DBSA annual integrated report provides details of the measures that were taken to meet the prescribed governance outcomes.

DBSA Board

The constitution and business of the Board of directors is governed by the DBSA Act and its regulations, as well as the relevant provisions in the PFMA and the Companies Act.

The Board currently consists of 14 directors, 12 of whom are independent non-executives and one is a National Treasury shareholder representative. The Chief Executive and the Chief Financial Officer are the only executive directors. The Board charter does not distinguish fiduciary responsibilities of shareholder representatives from that of independent non-executive directors. The Board is the focal point of corporate governance in the DBSA as it is ultimately accountable and responsible for the performance, affairs and behaviour of the Bank.

Board of Directors

			
Mr. Enoch Godongwana (63) *Director of the New Development Bank*	**Prof Mark Swilling (60)** *Co-Director: Centre for Complex Systems in Transition , University of Stellenbosch*	**Mr. Patrick Dlamini (50)** *Chief Executive and Managing Director: DBSA*	**Ms. Boitumelo Mosako (42)** *Chief Financial Officer*
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, economics, finance and labour relations **Academic qualification**s: Master of Science: Financial Economics, University of London **Other directorships:** New Development Bank: Non-executive Director Mondi Plc: Non-executive Director	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:** Member of the International Resource Panel (IRP) and Convenor of the Cities Working Group of the IRP, convened by the United Nations Environment Programme, 2007 – 2020 Fellow of the World Academy of Arts and Science Co-Ordinator of the State Cape Research Group Director, Friends of Sustainability Education (Non-Profit Company) Senior Advisor, SystemIQ Plc (London) Director, Teif IQ (Pty) Ltd (Stellenbosch & Addis Ababa)	DBSA Staff member and CEO as from: 1 September 2012 **Expertise** Strategic leadership, human capital development and finance **Academic qualifications:** Master of Science in Global Finance (MSGF), HKUST-NYU Stern Advanced Executive Programme, Kellogg School of Management, USA EDP, University of the Witwatersrand's Business School. Advanced Specialist Financial Management Programme, Business Studies, National Technikon B Com, University of KwaZulu-Natal. **Other directorships:** BOPHYLD: Director Lanseria Group: Non-executive Director Morgan Group: Director Interloc: Director Siba Advisory Services	DBSA Group Executive as of 1 April 2018 and Executive Director as of 1 June 2018 **Expertise:** Finance and Strategy **Academic qualifications:** Chartered Accountant (SA) Higher Diploma in Auditing, Advanced Management Programme, Harvard Business School Postgraduate Diploma in Accounting, University of Cape Town BCom Accounting, University of Cape Town **Other directorships:** None

Board of Directors (continued)

			
Ms. Patience Nosipho Nqeto (62) *Director of companies*	**Mr. Gaby Magomola (77)** *Director of companies*	**Ms. Martie Janse van Rensburg (63)** *Director of companies*	**Ms. Anuradha Sing (48)** *Executive: Strategic Business Operations MTN Group*
DBSA Non-executive & Independent Director as from: 1 August 2017 **Expertise:** Business management, strategic management, people management, financial management, policy management and administration **Academic qualifications:** MBA, University of Charles Sturt, Australia Honours (Economics), University of South Africa BCom, University of Transkei **Other directorships:** Bongo Strategic Compass (Pty) Ltd: Non-Executive Director	DBSA Non-Executive & Independent Director as from: 2 October 2020 **Expertise:** Credit risk, Project Finance and Strategic leadership **Academic qualifications**: BCom (Accounting & 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 & Technology) Massachusetts Institute of Technology, USA **Other directorships:** Sekwati Holdings, Exec Chairperson Ankaprox, Director Thamaga Pipeline Solutions, Chairperson Thamaga Group of Companies, Chairperson Stand 20 Athol , Director	DBSA Non-Executive & Independent Director as from: 1 January 2019 **Expertise:** Finance, treasury, project finance, infrastructure delivery and strategy **Academic qualifications:** Executive Programme in Strategy and Organisation, Stanford University Business Chartered Accountant CA(SA) B Compt Hons, UNISA B Com, University of the Free State **Other directorships:** Sephaku Holdings Limited: Non-executive Director and Chairman of the Audit and Risk Committee, member of Remuneration and Nominations Committees Etion Ltd – AltX listed: Non- executive Director and Chairman of Audit and Risk Committee, member of Remuneration, Nominations and Social and Ethics Committees Ivanhoe Mines Ltd – TSX listed: Non-executive Director Independent Regulatory Board for Auditors (IRBA): Non-executive Director, Chairman First Rand Bank: Non –executive member of the International and Specialised Finance Wholesale Credit Committee Ashburton Investments: Non-executive member of the Investment Credit Committee	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

Board of Directors (continued)

			
Dr. Blessing Mudavanhu (48) Founder and President of Dura Capital Ltd DBSA Non-executive Director as from: 1 August 2017	**Advocate Maseapo Kganedi (46)** Company Secretary & Head of Governance, Risk and Legal Compliance-South African Tourism DBSA Non-executive Director as from: 2 October 2020	**Mr. Petrus Matji (54)** Managing Director of Lion Infrastructure Africa (54) DBSA Non-executive Director as from: 2 October 2020	**Ms. Zanele Monnakgotla (49)** *Director of companies* DBSA Non-Executive & Independent Director as from: 1 August 2017
Expertise: Banking, director risk management, business management and development finance **Academic qualifications:** Ph.D. Mathematics, University of Washington, USA M.S. Financial Engineering, University of California at Berkeley, USA M.S. Applied Mathematics, University of Washington, USA B.S. Honours Mathematics, University of Zimbabwe **Other directorships:** Dura Capital): Executive director	**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	**Expertise:** Project management, Project Finance, Infrastructure delivery and management. **Academic qualifications:** BSc (Physics & 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	**Expertise** Business Management, project finance, development finance, legal, corporate finance and risk management **Academic qualifications:** Master's in finance, Wits Business School Management Advanced Programme, Wits University LLM in Tax, Wits University LLB, Rhodes University BCom, Rhodes University **Other directorships:**

CBZ Holdings Limited: Executive director	**Other directorships:** Gauteng Partnership Fund	Management Advanced Programme, Wits Business School MBL, University of South Africa **Other directorships:** Overberg Water Board .	SASOL Khanyisa – Non- Executive Chairman of Sasol Khanyisa Public Limited. SASOL South Africa – Non- Executive Director. Polyslit (Pty) Ltd - Non- Executive Director. Member of Rhodes University Board of Governors Philafrica (Pty) Ltd: Non-executive Director Ecobank Transnational Incorporated: Non-executive Director

Board of Directors (continued)

	
Ms. Malijeng Ngqaleni (61) *Deputy Director General: Intergovernmental Relations (IGR), National Treasury*	**Mr. Bongani Nqwababa (54)** Director of Companies
DBSA Non-Executive as from: 1 January 2019 (Shareholder representative) **Expertise** Economics, policy, government and leadership **Academic qualifications:** MSc. Agricultural Economics: University of Saskatchewan, Canada BA Economics: National University of Lesotho **Other directorships:** None	DBSA Non-Executive 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: Chairman of Babcock Engineering (Pty) Ltd BN Africa Capital (Pty) Ltd: Executive Director Twenty Fifty Energy (Pty) Ltd: Executive Director

Directors' appointment and induction

Appointment and nomination of directors to the DBSA Board is regulated by the DBSA Act in terms of which the shareholder is charged with appointing the directors, based on their abilities in relation to socio-economic development, finance, business, banking and/or administration. The Human Resources, Remuneration and Nominations Committee of the Board considers nominations for appointments, and proposes a list to the Board, after which recommendations are made to the Minister for approval. Directors are appointed on a performance contract of three years and are eligible for reappointment, depending on satisfactory performance. The Act further allows the Board to co-opt persons with special knowledge to its committees. A Board induction is conducted for all new Board members.

Board Charter

The DBSA Board is governed by a charter which outlines the principal provisions of the DBSA Act, the fiduciary responsibilities of directors, the relationship with executive management, and matters of policy that the shareholder and the Board ought to follow in order to ensure good corporate governance. The role of the Board, as defined by the charter, is summarised as follows:

- Ensure that the Bank achieves its mandate as defined by the shareholder through the Bank's founding statute (the DBSA Act);
- Responsible to the broader stakeholders, which includes the present and potential beneficiaries of the DBSA's products and services, clients, lenders and employees, to achieve continuing prosperity for the Bank;
- Exercise leadership, enterprise, integrity and judgement in directing the Board to achieve continuing prosperity and to act in the best interests of the Bank while respecting the principles of transparency and accountability;
- Provide strategic guidance to management in the formulation and review of corporate strategy, and approve major plans of action, governance policies, appropriate procurement and provisioning systems, annual budgets and business plans;
- Ensure that the technology and systems used in the Bank are adequate to run the business properly for it to compete through the efficient use of its assets, processes and human resources;
- Ensure that the shareholder's performance objectives are achieved and that the same can be measured in terms of performance of the Board. In this regard, the Board shall annually

conclude a shareholder compact as required in terms of the Public Finance Management Act (PFMA) to document key performance areas.;

- The Board members shall develop and put in place a Code of Ethics outlining the values, ethics, and beliefs that guide the behaviour of the Board and define the ethical standards applicable to it and to all who deal with it;
- Board members shall monitor the social responsibilities of the Bank and promulgate policies consistent with the Bank's legitimate interests and good business practices.

Board Committees

The DBSA Act gives the Board a mandate to appoint sub-committees necessary for carrying out its fiduciary responsibilities. In line with principles of the King IV Report, all committees of the Board have formal terms of reference to ensure effective decision-making, monitoring and reporting. The terms of reference are reviewed periodically, along with the overall effectiveness and performance of the committees.

The Board has six committees: The Audit and Risk Committee, Board Credit and Investment Committee, Human Resources, Remuneration and Nominations Committee, Social and Ethics Committee, Investment Valuations Committee as well as the Infrastructure Delivery and Knowledge Committee.

- **Audit and Risk Committee**

The functions of this committee are regulated by the PFMA and King IV Report. Currently it oversees the Bank's internal control framework, and reviews and evaluates the integrity of financial and other statutory reporting, risk management processes, compliance with laws and regulations and information technology. It oversees the internal and external audit functions and reviews the internal audit plan and the annual assessments of significant risk exposures.

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

- **Board Credit and Investment Committee**

This committee reviews the Bank's credit strategy, credit risk management programme, trends in portfolio quality, the adequacy of provision for credit losses and the credit risk management policies approved by the Board. The committee approves all credit and investment proposals as shown on the table below.

	MS1 – MS10		**Above MS10**
South Africa			
Municipal clients	> R1 000 million		> R500 million
Other public sector clients	> R500 million		> R250 million
State Supported Programmes	> R500 million		> R250 million
Private sector clients			
	MS1-MS10	**MS11-MS13**	**Above MS13**
Rest of Africa			
SADC: Low risk countries	> US$50 million	> US$20 million	All
SADC: Medium risk countries	> US$20 million	> US$10 million	All
SADC: High risk and post conflict countries	> US$10 million	All	All
SADC: Private sector clients	All	All	All
Rest of Africa (excluding SADC)	All	All	All

- **Human Resources, Remuneration and Nominations Committee**

This committee supports the Board in the execution of its duties with respect to implementation of the human capital strategy, nomination of directors, governance, executive remuneration and Board affairs. It has the responsibility to ensure that there are adequate processes, policies, systems and procedures to ensure sound corporate governance.

- **Infrastructure Delivery and Knowledge Committee**

This committee oversees the implementation of the strategic mandates and infrastructure delivery programmes as well as the Bank's policy advisory and knowledge management strategy as approved by the Board.

- **Social and Ethics Committee**

The role of this committee is oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. It governs the ethics in a way that supports the establishment of an ethical culture.

Composition of DBSA Board and Board Committees (TBC)

The table below presents the composition of the DBSA Board and its committees.

DBSA Board	Audit and Risk Committee	Board Credit and Investment Committee	Infrastructure Delivery and Knowledge Committee	Human Resources, Remuneration and Nominations Committee	Social and Ethics Committee
Mr. Patrick Dlamini (CEO)		X	X		X
Mr. Enoch Godongwana		X	X	X	
Prof Mark Swilling		X	Chair	X	X
Ms. Zanele Monnakgotla	X	X			Chair
Ms. Martie Janse van Rensburg	Chair	X	X		
Mr. Bongani Nqwababa (New)	X	X			
Mr. Petrus Matji (New)		X	X		
Ms. Pinkie Nqeto	X			Chair	X
Mr. Gaby Magomola (New)	X	X			
Advocate Maseapo Kganedi (New)				X	X
Dr. Blessing Mudavanhu	X	X		X	
Ms. Malijeng Ngqaleni			X		
Ms. Anu Sing	X	Chair		X	
Ms. Boitumelo Mosako (CFO)		X			

Corporate Secretariat

The Bank through its corporate secretariat function facilitates the development and execution of the annual Board programme through the coordination of meetings of the Board and its sub-committees.

Internal control and the Internal Audit function

Responsibility for the systems of internal financial and operational control rests with the Board and has, without subrogation, been delegated to the Audit and Risk Committee. The Bank's governance principles on ethical behaviour, legislative compliance and sound accounting practice lay the foundation for its internal control processes, while the enterprise-wide risk management approach and risk strategy adopted by the Board form the framework for internal control. Executive management is accountable for determining the adequacy, extent and operation of control systems.

The internal audit function conducts periodic reviews of key processes linked to the significant risks of the Bank to provide independent assurance to the Board and management on the effectiveness of the internal control system. Members of the Audit and Risk Committee review this function, and the chief audit executive has unfettered access to the chairperson of the committee and the Board to ensure the escalation of any significant audit matters requiring immediate Board attention.

Quality assurance assessments for the internal audit function (internal and external)

Internal audit conforms to the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors. This function undergoes an external quality assurance assessment every five years as recommended by King II. The function has further implemented a quality assurance and improvement programme during which internal quality assurance assessments are conducted on an ongoing basis for all audit engagements. Additionally, periodic self-assessments are conducted to assess the function as a whole, in terms of quality and areas of improvements.

Combined assurance

The DBSA has implemented a combined assurance function which is coordinated and managed by internal audit. King III describes this model as "Integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies and optimise overall assurance to the Audit and Risk committee, considering the company's risk appetite".

The model reflects the key risks facing the DBSA coupled with the key processes and controls in place to ensure the mitigation and/or minimisation of these risks. Along with the five levels of defence strategy the DBSA has adopted, the model seeks to identify the assurance providers of the identified key risks. The assurance providers are delineated in the Combined Assurance Policy and report the consolidated outcomes of their assurance activities to the Audit and Risk Committee through the combined assurance working committee (CAWC).

Additionally, internal audit issues a written assessment annually to the Audit and Risk Finance Committee providing assurance on the overall control environment, taking cognisance of the governance, IT, risk management and operational/financial risk areas. Such assurance is informed by the outcome of the audits/reviews conducted, based on an approved risk-based audit plan.

Ethics management and fraud prevention

The Bank also has an ethics management programme to ensure that ethics is managed comprehensively.

The Bank acknowledges that in today's business environment, fraud is prevalent, and all business organisations are susceptible to the risk of fraud. The fraud prevention plan which is updated annually sets out and reinforces the Bank's policy of zero tolerance towards fraud and management's commitment to combating all forms of fraud inherent in the Bank's operations.

Executive Management

			
Mr. Paul Currie (58) ***Chief Investment Officer*** DBSA staff member and Group Executive as from: 17 May 2010	**Mr. Ernest Dietrich (57)** ***Group Executive: Treasury*** DBSA staff member as from: 2 January 2001 Group Executive as from: 1 January 2016	**Mr. Michael Hillary (50)** ***Group Executive: Financing Operations*** DBSA Staff member and Group Executive as from 1 October 2012	**Mpho Kubelo (42)** ***Group Chief Risk Officer*** DBSA Staff member as from 1 November 2007 Group Executive as from 6 October 2017
Academic qualifications Advanced Management Programme, INSEAD MBA (with distinction), Institute of Financial Management, Manchester Business School and University of Wales CA (SA) Postgraduate Diploma in Accountancy, University of Port Elizabeth BCom (Accounting), University of Port Elizabeth. BSc (Physiology), University of Cape Town **Directorships** None	**Academic qualifications** CFA Charter MBA, University of Cape Town MSc (Mathematics), University of Western Cape HDE, University of Western Cape **Directorships** None	**Academic qualifications** MBA, University of Witwatersrand. BCom Hons, University of Witwatersrand CAIB (SA), Institute of Bankers **Directorships** Chairman: Old Mutual Housing Impact Fund: (DBSA nominee)	**Academic qualifications** Executive Development Programme, GIBS (2015) MBA, University of Witwatersrand: Business School (2013) CFA Charter (2009) Post Graduate Diploma in Business Administration, University of KwaZulu Natal (2003) BSC Electrical Engineering, University of Witwatersrand (1999) MS Risk Management, Stern Business School (New York University) (2019) **Directorship** Development Bank of Zambia (DBSA nominee)

Executive Management (continued)

			
Ms. Zodwa Mbele (48) ***Group Executive: Transacting*** DBSA Staff member as of 9 October 2016 Group Executive as from 1 October 2017	**Ms Sheila Motsepe (51)** **Group Executive: Human Capital** DBSA staff member and Group Executive effective 1 February 2019	**Mr. Mohale Rakgate (46)** ***Group Executive: Infrastructure Fund*** DBSA staff member from 01 December 2007 Group Executive as from 01 October 2017	**Mr. Chuene Ramphele (46)** ***Group Executive: Infrastructure Delivery*** DBSA Staff Member as from: 1 June 2010 Group Executive as from: 1 November 2018
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: Credit Committee Vodacom Insurance and Life Assurance Companies Vergenoeg Mining (Pty) Ltd Merchant West Holdings (Pty) Ltd	**Academic qualification** MBA, Gordon Institute of Business Science (GIBS), University of Pretoria Master of Science (Clinical Psychology), Sefako Makgatho Health Sciences University Bachelor of Science Honours (Psychology) (Cum Laude), Sefako Makgatho Health Sciences University Bachelor of Social Sciences (Social Work), North West University Directorship None	**Academic qualification** Master of Science in Global Finance, HKUST-NYU Stern Project and Infrastructure Finance Programme, London Business School Advanced Management Programme, Harvard Business School Post-Graduate Certificate in International Management, University of London Bachelor of Commerce (Accounting), University of Limpopo **Directorship** Director: Proparco: (DBSA Nominee)	**Academic qualifications** MBL, UNISA Graduate School of Business Leadership Baccalaureus Technologiae: Public Management, UNISA Advanced Management Development Programme, University of Pretoria National Diploma: Public Management and Administration, Technikon Northern Transvaal **Directorships** Supplier Development Facility (Pty) Ltd: Non-executive Director Ecocars Traders (Pty) Ltd: Non-executive Director

Executive Management (continued)

	
Ms. Bathobile Sowazi (48) ***Company Secretary*** DBSA Company Secretary from 1 May 2010	**Mr. Mohan Vivekanandan (47)** *Group Executive: Coverage* DBSA Staff member and Group Executive as from 24 March 2014
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** None	**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)

7.4. ANNEXURE D: EMPLOYMENT EQUITY PLAN

In support of the overall DBSA Vision, the Employment Equity (EE) vision is to build a transformed and high performing workforce that is representative of the demographics of the country. The three year EE Plan has been developed and will be implemented to enhance the achievement of the EE vision.

This vision is in line with the DBSA's strategic objective of continuing transformation by employing staff in line with employment equity and gender mainstreaming requirements. The vision will be realised by implementing the non-numerical goals contained in the Bank's EE Policy and the EE numeral target contained in this document.

In establishing the numerical goals for the DBSA for the period 2022 - 2024, the key challenges, lessons learnt, potential growth rate of the DBSA, benchmarks and the B-BBEE scorecard were taken into consideration in setting the targets for 2021/22 – 2023/24. The key focus is to ensure consistent improvement in shifting DBSA towards a demographically representative workforce, in line with South Africa's economically active population profile.

Proposed Summary of the 3-year EE Numerical Targets (2022– 2024)[4]

Occupational Level	EE TARGET (BLACK)	BLACK				EE TARGET BLACK FEMALE	BLACK FEMALE			
		BASE	FY 2022	FY 2023	FY 2024		BASE	FY 2022	FY 2023	FY 2024
Top Management	60%	70%	70%	73%	73%	40%	30%	36%	40%	45%
Senior Management	60%	64%	67%	70%	73%	30%	24%	30%	34%	36%
Professionally Qualified	70%	71%	75%	78%	82%	40%	36%	40%	40%	43%
Skilled Tech	88%	82%	80%	82%	85%	50%	61%	53%	55%	57%
Semi-Skilled	N/A	98%	98%	98%	98%	N/A	45%	45%	45%	45%
Unskilled and defined decision making		100%	100%	100%	100%		81%	81%	81%	81%
TOTAL		81%	82%	84%	85%	40%	46%	48%	49%	51%

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[4] Still subject to internal consultation and approval

The Bank starts from a base of 81% black with natural attrition unlikely to significantly create opportunities for a major shift in the demographic profile. The DBSA will focus on interventions to create opportunities for development and enhancing the work environment to embrace disability.

7.5. ANNEXURE E: FRAUD PREVENTION PLAN[5]

INTRODUCTION AND DEFINITIONS

Prevention of fraud in the 21st century is about understanding internal and external risks. Given the requirement to protect the DBSA's assets and to prevent wasteful expenditure, the EXCO must ensure that internal controls operate effectively. It is vital to identify and manage exposure to commercial crime in any nature or form.

The focus of this plan is to create a zero-tolerance environment, a high level of awareness and a control environment that makes it as difficult as reasonably possible to misappropriate assets or to succumb to any form of fraud, corruption or associated dishonest irregular activity. It gives effect to the DBSA Fraud and Corruption Prevention Policy.

The four pillars - of the plan:

- Create a zero-tolerant environment;
- Understand and manage the risks;
- Be proactive in defence;
- React swiftly and efficiently to the appearance or allegations of crime and irregularities.

PURPOSE & SCOPE

Establishing a Zero Tolerance Environment

Zero-tolerance is a fundamental aspect of the plan and will be cemented through appropriate policy, procedures, management support and regular EXCO communication.

All instances of known or suspected fraud and corruption will be investigated, disciplinary processes followed, and criminal charges initiated where appropriate, or as required by law.

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[5] This is a summarised version of the Fraud Prevention Plan. The detailed plan to be attached as addendum of the Corporate Plan

The Bank shall actively promote the plan and involve all internal and external stakeholders. Communication includes giving exposure to:

- The DBSA Fraud and Corruption Policy;
- The DBSA Fraud and Corruption Prevention Plan and its initiatives;
- Disciplinary actions and prosecutions instituted and their outcomes; Recoveries of losses from acts of fraud and corruption.

The Bank will communicate to all employees the significance of adherence to the DBSA Code of Ethics and will conduct familiarisation workshops/training on the DBSA Code of Ethics, Conflict of Interest and Whistleblowing Policies.

The Bank will, on a regular basis, review the efficiency of the current whistle-blowing hotline and campaign.

All new appointees will receive induction training and all personnel will receive ongoing formal awareness training in fraud related topics.

The DBSA Fraud Response Plan, which is an essential annexure to the Fraud and Corruption Prevention Plan, provides detailed guidance for either the receipt of a report on suspicions of fraudulent/corrupt activity or an appearance/other indicator of the commission of a crime or fraudulent/corrupt activity.

The Bank will ensure that it has the resources to investigate an actual or suspected crime, either through internal or external forensic auditors.

Annual fraud and corruption risk assessments will be undertaken, with the information and lessons learnt forming feedback into risk management models and processes.

Proactive Defence

The proactive procedures assist the Bank in identifying areas of risk and preventing incidents of fraud. Data interrogation exercises are periodically carried out on the Bank’s standing and transactional data, including HR and procurement records. The purpose is to identify patterns of potentially fraudulent behaviour, internal control implementation weaknesses and possible conflict of interest situations.

The Bank also has a formal conflict of interest and declaration of interest policy which is a key policy tool. The Bank ensures comprehensive background checking on prospective employees and potential service providers.

The Bank has a reporting database for the recording of all incidences and allegations of fraud, corruption and associated irregular conduct. It is also a tool in identifying any fraud and corruption trends and assists in the formulation of lessons learnt.

Internal control policies, systems and procedures (Level 1 - 3) are actively monitored and in many instances reviewed by internal audit. Policies are reviewed/updated as required by the relevant division/department/unit and approved by EXCO. Audits which test prevention measures are performed on a regular basis.

The “Tip Offs Anonymous” fraud reporting hotline (0800 204 933) is in place and advertised widely to employees, suppliers and business partners.

DBSA Business Processes supporting the Prevention of Fraud and Corruption

The following aspects of the Bank’s operations are essential to the proper conduct of its affairs, but also support fraud prevention and promote a zero-tolerance environment:

- Strong and effective internal controls, including rigorous approval processes and the regular assessment of fraud and corruption risks, inclusive of appropriate remedial actions;
- Regular assessments of all significant business processes for control, with remedies for procedural weaknesses;
- Strong culture of best practice corporate governance, including visible EXCO support for the anti-fraud initiatives;
- A strong code of business ethics which is regularly communicated to all employees and clearly stipulates the Bank’s stance on corporate values, compliance issues, conflicts of interest, business gifts, use of corporate resources and the consequences of dishonest behaviour;

- The implementation of a delinquent register of business partners, former employees/contractors or service providers/vendors/sub-contractors who have been implicated in acts of fraud/corruption/other irregular dishonest conduct;
- The protection of the Bank's intellectual property, critical business strategies and trade secrets from competitors and any entity or person/s who would seek to use such information to the detriment of the Bank;
- Lessons learnt processes, providing best practice information from previous audits and investigations on how to avoid/mitigate areas of potential risk;
- Probity checks on suppliers/contractors/sub-contractors to determine whether there are conflicts of interests or other significant issues which may impact their ability to deliver on contractual obligations;
- The application of compliance database tools to identify any politically exposed person or prominent influential persons, which enable decision making committees to apply their minds during investment and other critical authorisation processes;
- A strong, independent and effective Board Audit and Risk Committee and internal audit, compliance and risk functions;
- Strong and independent external auditors;
- Ethical, equitable and thorough employment practices and policies.

GOVERNANCE AND MANAGEMENT

The custodian of this policy is the general manager: internal audit, who is responsible for issuing, implementation, administration, revision, interpretation and application of this policy, which will be revised annually as required and fully reviewed every three years.

POLICY ENFORCEMENT AND SANCTIONS

Failure by any DBSA employee to comply with this policy may result in disciplinary action being taken in terms of the DBSA disciplinary code.

7.6. ANNEXURE F: FUNDING PLAN AND BORROWING PROGRAMME

INTRODUCTION

The purpose of this annexure is to outline the Bank’s borrowing programme for the 2021/22 – 2023/24 financial years.

KEY POINTS ON THE DBSA FUNDING STRATEGY

The focus continues to be on:

- The diversification and optimisation of the Bank’s funding sources to achieve an optimal funding mix at the lowest cost possible in order to promote long term financial sustainability.
- Expanding the investor base both locally and offshore as core to diversification.
- Developing a Sustainable Development Goals (SDG) Bond Framework to access the impact investor universe.
- Exploring the offshore USD bond market for potential issuance when opportune.
- Building on the Bank’s bilateral lender base both to further diversify, and to counter the market impact of the Covid-19 pandemic.
- Optimising funding costs through balancing sources and tenors relative to the inherent refinancing risk.

FUNDING STRATEGIES

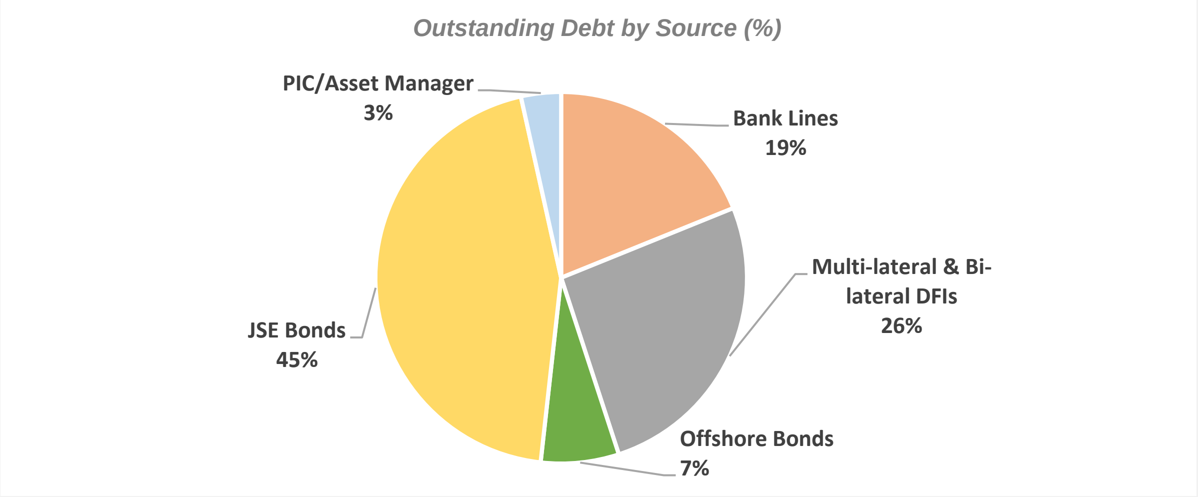
- The execution of the funding strategy includes sourcing appropriate DFI lines of credit, banking facilities, bonds and commercial paper placements, both public and private.
- Actual funding and final split between the different funding sources that the Bank has access to is driven by expected disbursement outcomes, market demand for DBSA paper and pricing considerations.
- Continuous monitoring of markets both domestic and offshore enable Treasury to identify opportunities to optimise and lower the Bank’s borrowing cost whilst at the same time expanding the investor and lender base.
- Maintaining appropriate prudential liquidity.

- Specific tenors and pricing (fixed vs. floating) of new debt will be driven by investor/lender demand, prevailing market conditions, pricing, and borrower demand for DBSA funding.
- Extending the debt maturity profile to reduce refinancing risk, balanced against potential reinvestment risk on the other side.

FUNDING RAISED 1 APRIL 2020 – 1 NOVEMBER 2020

Net borrowings of R3.2 billion equivalent for the period are well within the Board approved limit of R8 billion. The bulk of the funding sourced were lines of credit with commercial banks and our DFI partners where existing credit lines were repurposed to allow for upfront drawdowns to counter the market shutdown inflicted by the pandemic. This enabled the Bank to build sufficient liquidity buffers during the COVID-19 crisis, firstly to allow for normal business operations to continue, and to potentially allow the Bank to respond to increased demand from borrowers in the face of tightening lending by commercial banks.

Table 1: Funding sources as at 1 November 2020



BORROWING TERMS AND CONDITIONS

The Bank's domestic bonds / commercial paper are issued under the JSE listed DMTN Programme which captures the terms and conditions of the bond funding. Bilateral facilities both from DFIs and commercial banks. Private Investors are executed under terms and conditions typical of international loan agreements with many of the Bank's lenders adopting or approximating the standards of the Loan Market Association (LMA).

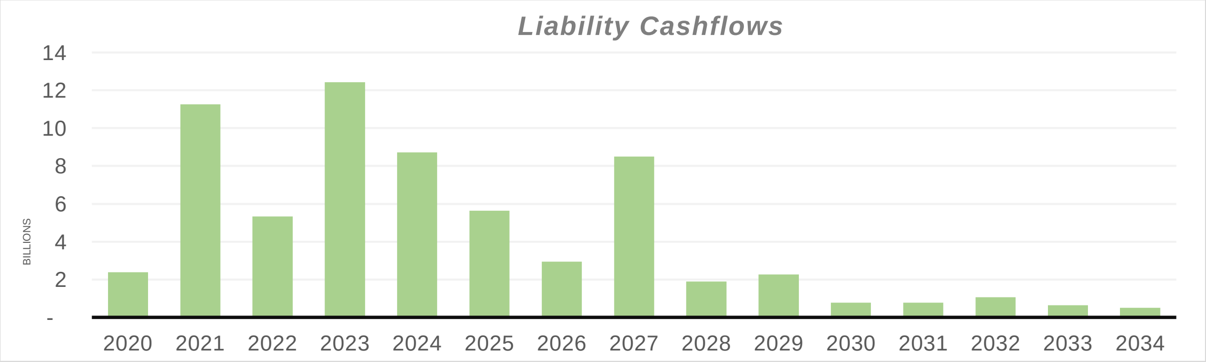
Some of the conditions include but are not limited to:

- The requirement that the SA government retains control and ownership of the Bank.
- Compliance with the Bank's leverage ratio of 250%, including callable capital.

CURRENT LIABILITY MATURITY PROFILE

The maturity profile of the Bank's debt book is depicted in Table 2:

Table 2: Debt Maturity Profile as at 1 November 2020



The maturity profile set out in Table 2 reflects the contractual maturity as at November 2020 with no assumptions with respect to the redemption of planned borrowings.

PROPOSED BORROWING PROGRAMME FOR THE 2021/22 – 2023/24 FINANCIAL YEARS

The size of the annual borrowing requirements is driven by the following considerations:

- Projected loan disbursements.
- Contractual loan interest and capital receipts (cash inflows).
- Contractual debt service and repayments (cash outflows).
- Operational expenses.
- The projected prudential liquidity level required.

The preliminary projected cashflow forecast and borrowing requirement for the next three financial years is shown in tables 3 and 4 below.

Table 3: Cashflow Forecast for FY 2022 to 2024

	CASHFLOW FORECAST		
	Mar 2021 - Mar 2022	Mar 2022 - Mar 2023	Mar 2023 - Mar 2024
Opening cash	7,179	7,144	7,006
Interest inflows*	6,609	5,877	5,299
Interest outflows*	(2,588)	(2,313)	(2,204)
Asset capital inflows	8,615	6,060	5,657
Debt capital repayments	(7,621)	(14,730)	(6,113)
Derivative inflows	1,003	646	226
Derivative outflows	(1,118)	(675)	(150)
New disbursements	(13,500)	(14,000)	(15,000)
Operational expenses	(1,434)	(1,503)	(1,575)
New funding	**10,000**	**20,500**	**14,000**
Closing cash	**7,144**	**7,006**	**7,146**

*** floating interest rate payments and receipts are calculated as per current rate sets and will changes as reference rates change**

Table 4: Projected Net Borrowing Requirement for FY 2022 to 2024

	FUNDING REQUIREMENTS		
	Mar 2021 - Mar 2022	Mar 2022 - Mar 2023	Mar 2023 - Mar 2024
	Total	Total	Total
Gross New Funding Raised	**10,000**	**20,500**	**14,000**
Less Liability Capital Outflows	**7,621**	**14,730**	**6,113**
Net new borrowing requirements	***2,379***	***5,770***	***7,887***
Add FX volatility buffer	**476**	**1,154**	**1,577**
Add liquidity buffer	**2,700**	**2,800**	**3,000**
Borrowing Limit	**5,555**	**9,724**	**12,465**

AVAILABLE FUNDING SOURCES

A total of R61 billion funding can still be accessed through both JSE issuances (R53 billion) and available facilities (R7.4 billion).

Table 5: Available facilities and JSE DMTN Headroom

AMOUNTS IN ZAR

Facility Provider	Description	Currency	Facility Amount	Utilized Amount	Available Amount
Local Bank	RCF	USD	1,540,730,000	-	1,540,730,000
International Bank	RCF	USD	770,365,000	-	770,365,000
Line of Credit	Green Bond	EURO	3,658,200,000	-	3,658,200,000
Local Bank	Bi-Lateral Loan	ZAR	1,500,000,000	-	1,500,000,000
Subtotal*					**R7,469,295,000**
JSE DMTN Programme	Capital Markets	ZAR	80,000,000,000	26,757,116,000	53,242,884,000
Local Bank 2	Uncommitted headroom facility	ZAR	500,000,000	-	500,000,000
				TOTAL	**R61,212,17,000**

ZAR Equivalent at $1 / R15.4073 and Euro 1/ R 18.291; **As at 1 November 2020*

POTENTIAL FUNDING SOURCES

The table below depicts potential funding sources for 2020/21. The conclusion of any new facilities will be subject to our funding requirements, pipeline of projects and reaching agreement on key terms and pricing.

Table 6: Potential sources of funding

FACILITIES UNDER NEGOTIATION				
Lender	**Lender type**	**Facility type**	**Currency**	**Amount in currency**
DFI	International DFI	Credit facility	USD	50,000,000
DFI	International DFI	Credit facility	USD	100,000,000
Bank	International Bank	Credit facility	USD	50,000,000
Bond Issuance	-	Bond Issuance	USD	250,000,000
DFI	International DFI	Credit facility	EUR	200,000,000
DFI	International DFI	Credit facility	EUR	50,000,000
Bank	Bank	Credit facility	ZAR	1,500,000,000
International Investor	Investor	Private Placement	ZAR	1,000,000,000
Local Bank	Bank	Credit facility	ZAR	2,000,000,000
DFI	International DFI	Credit facility	ZAR	3,300,000,000
			Total in ZAR Equivalent	**20,616,335,000**

Whilst the domestic Debt Capital Markets remains largely closed for new public issuances, the Bank has managed to conclude a number of private placements during the year to date. This trend is likely to prevail through Q1 of 2021. Despite this, Table 6 reflects a healthy pipeline of funding sources under different stages of negotiation in ZAR, Euro and USD. A portion of this amounting to R7 billion in aggregate is expected to close by end of March 2021.

MARKET RISK MANAGEMENT

When sourcing new funding, the Bank takes into consideration the inherent interest rate and currency risk exposures. The Bank manages these risks in line with the Board approved risk management policies. Where possible, new funding is structured in order to achieve the desired interest rate, currency and maturity profiles. Where not possible, hedging instruments are used to achieve the desired profiles. Use of hedging instruments are conducted in line with the Bank's hedging policies which limit the use of such instruments for risk management purposes only.

CREDIT RATINGS

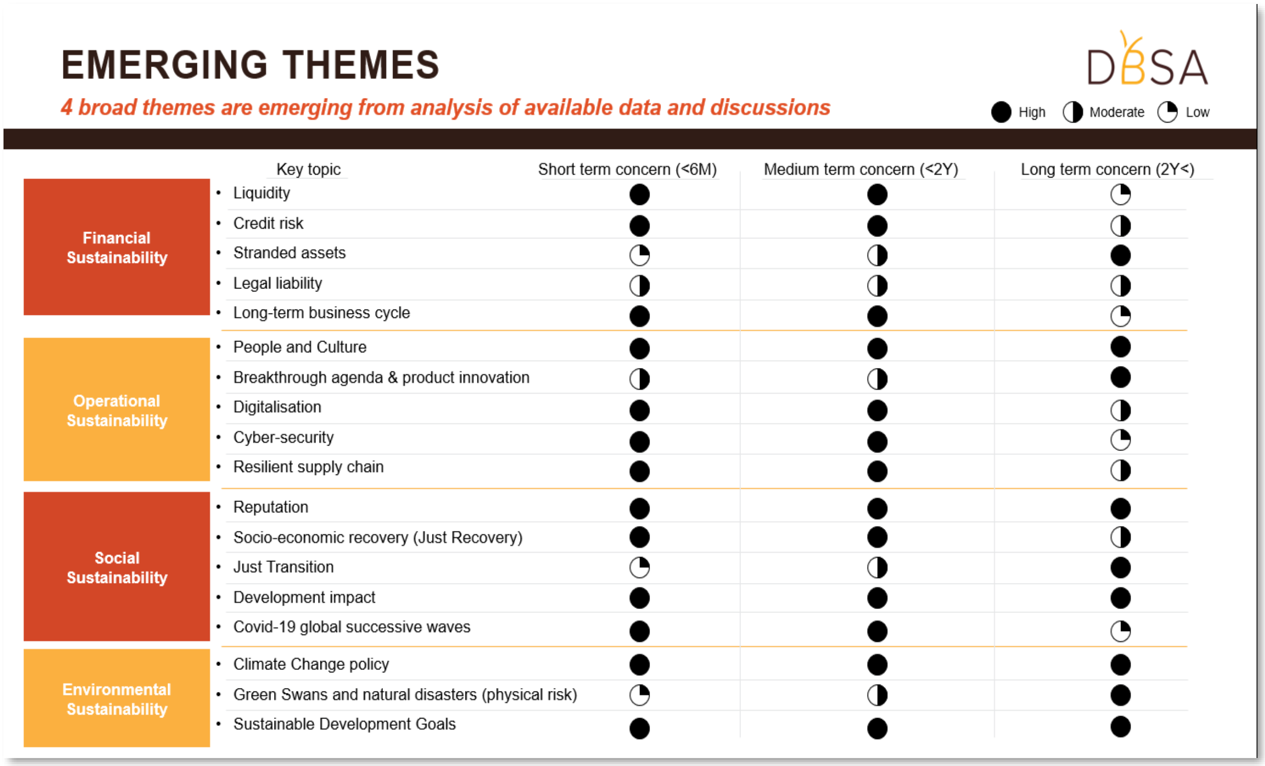
The credit rating reviews are conducted by Standard and Poor's (S&P's) and Moody's. Key considerations taken into account include financial sustainability, prudential liquidity, adequacy of impairments and provisioning, and risk adjusted capital which cushions the bank in the event of severe financial distress. Credit ratings as of 1 November 2020 were:

Agency	Issuer rating type	Short term	Long term	Outlook
Moody's	Foreign currency	NP	Ba2	Negative
	National Scale	P-1.za	Aa3.za	Negative
Standard & Poor's	Foreign currency	BB-	BB-	Stable
	Local currency	BB	BB	Stable

RECOMMENDATION

The projected net cash shortfall for the 2021/22 financial year amounts to **R 2,4 billion (**as set out in **Table 4)**. As an added prudent measure to cater for foreign exchange volatility, loans disbursements above target levels, market driven liquidity needs, and other unforeseen events and factors that may impact on these projections, it is recommended that the Board and National Treasury approve total net borrowings of **R 6 billion** for the financial year 2021/22.

7.7. ANNEXURE G: RISK REGISTER[6]



EMERGING THEMES

4 broad themes are emerging from analysis of available data and discussions

DBSA

● High ◑ Moderate ◔ Low

	Key topic	Short term concern (<6M)	Medium term concern (<2Y)	Long term concern (2Y<)
Financial Sustainability	Liquidity	●	●	◔
	Credit risk	●	●	◑
	Stranded assets	◔	◑	●
	Legal liability	◑	◑	◑
	Long-term business cycle	●	●	◔
Operational Sustainability	People and Culture	●	●	●
	Breakthrough agenda & product innovation	◑	◑	●
	Digitalisation	●	●	◑
	Cyber-security	●	●	◔
	Resilient supply chain	●	●	◑
Social Sustainability	Reputation	●	●	●
	Socio-economic recovery (Just Recovery)	●	●	◑
	Just Transition	◔	◑	●
	Development impact	●	●	●
	Covid-19 global successive waves	●	●	◔
Environmental Sustainability	Climate Change policy	●	●	●
	Green Swans and natural disasters (physical risk)	◔	◑	●
	Sustainable Development Goals	●	●	●

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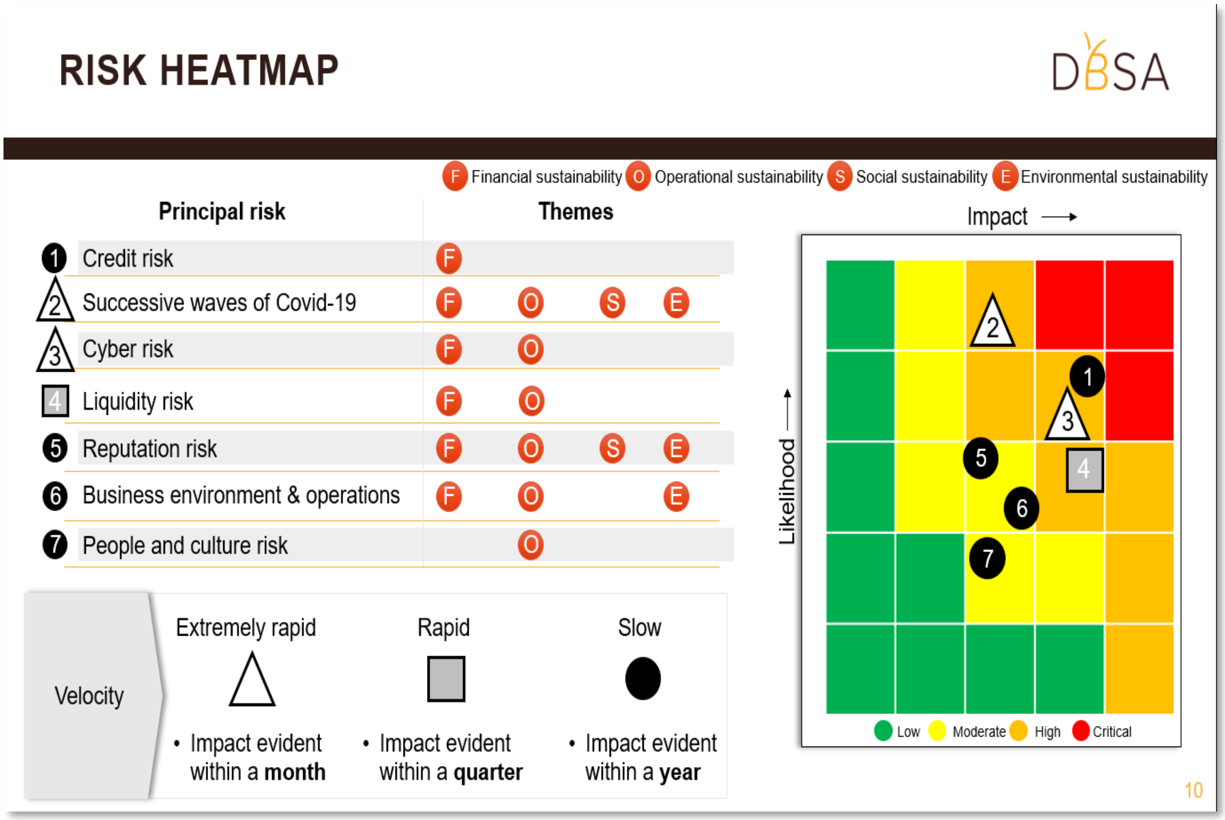
[6] This is a summarised version of the Risk Management Plan. The detailed plan will be attached to the Corporate Plan as an addendum



RISK HEATMAP

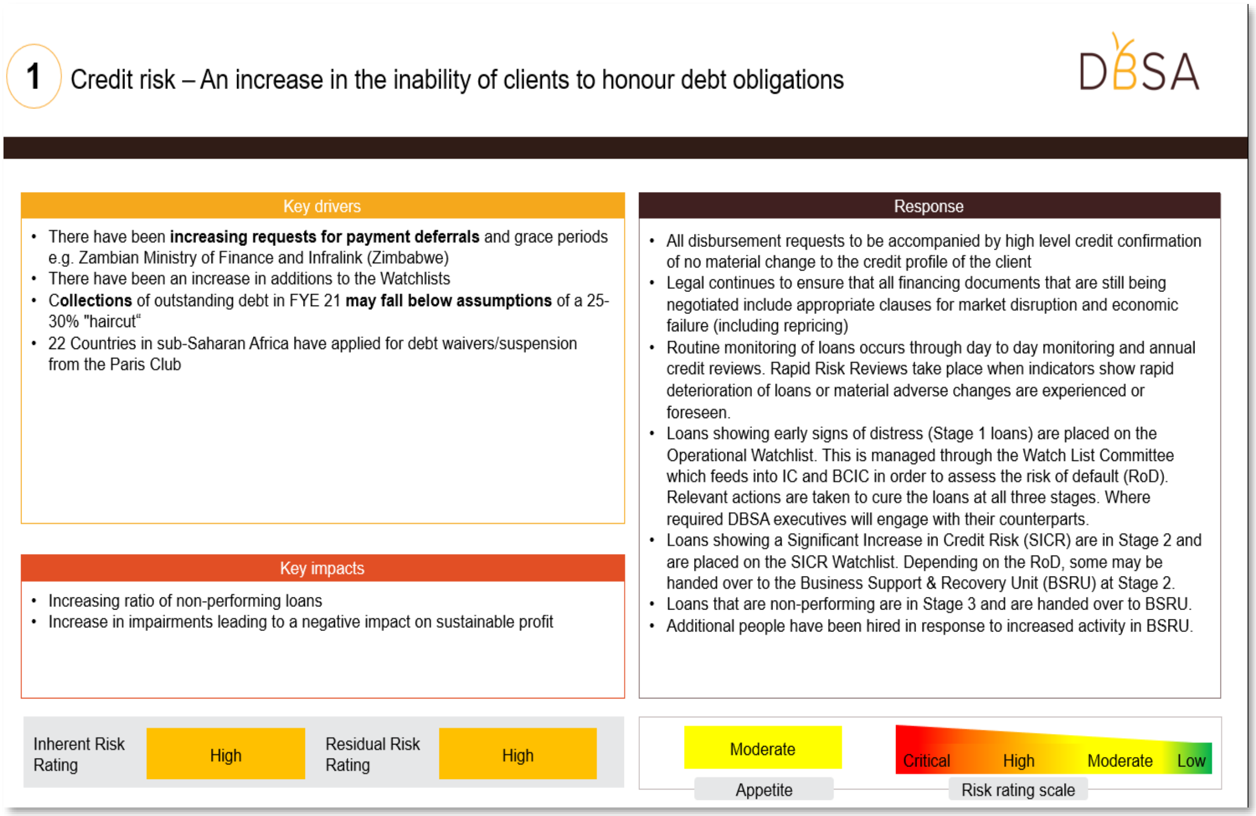
DBSA

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

Principal risk		Themes			
❶	Credit risk	F			
△2	Successive waves of Covid-19	F	O	S	E
△3	Cyber risk	F	O		
▢4	Liquidity risk	F	O		
❺	Reputation risk	F	O	S	E
❻	Business environment & operations	F	O		E
❼	People and culture risk		O		

Velocity	Extremely rapid	Rapid	Slow
	△	■	●
	Impact evident within a **month**	Impact evident within a **quarter**	Impact evident within a **year**

10



1 Credit risk – An increase in the inability of clients to honour debt obligations

DBSA

Key drivers

- There have been **increasing requests for payment deferrals** and grace periods e.g. Zambian Ministry of Finance and Infralink (Zimbabwe)
- There have been an increase in additions to the Watchlists
- **Collections** of outstanding debt in FYE 21 **may fall below assumptions** of a 25-30% "haircut"
- 22 Countries in sub-Saharan Africa have applied for debt waivers/suspension from the Paris Club

Key impacts

- Increasing ratio of non-performing loans
- Increase in impairments leading to a negative impact on sustainable profit

Response

- All disbursement requests to be accompanied by high level credit confirmation of no material change to the credit profile of the client
- Legal continues to ensure that all financing documents that are still being negotiated include appropriate clauses for market disruption and economic failure (including repricing)
- Routine monitoring of loans occurs through day to day monitoring and annual credit reviews. Rapid Risk Reviews take place when indicators show rapid deterioration of loans or material adverse changes are experienced or foreseen.
- Loans showing early signs of distress (Stage 1 loans) are placed on the Operational Watchlist. This is managed through the Watch List Committee which feeds into IC and BCIC in order to assess the risk of default (RoD). Relevant actions are taken to cure the loans at all three stages. Where required DBSA executives will engage with their counterparts.
- Loans showing a Significant Increase in Credit Risk (SICR) are in Stage 2 and are placed on the SICR Watchlist. Depending on the RoD, some may be handed over to the Business Support & Recovery Unit (BSRU) at Stage 2.
- Loans that are non-performing are in Stage 3 and are handed over to BSRU.
- Additional people have been hired in response to increased activity in BSRU.

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite: Moderate

Risk rating scale: Critical High Moderate Low

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)

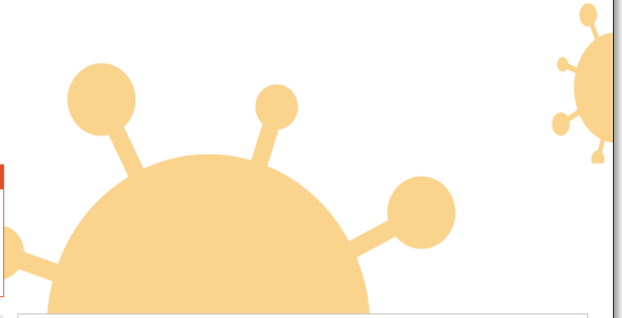
DBSA

Key drivers

- Easing of lockdowns across the world
- Ineffective efforts at social distancing and use of PPE
- Inadequate availability of PPE

Response

- Resumption Plan will continue to guide the phasing in of the workforce, guided by the new regulations.
- Work from Home principle remains primary
- Permits to access campus only for emergency purposes



Key impacts

- Increase in the lockdown level in RSA and across the world
- Consequential impacts on liquidity and credit risk as well as business operations
- Stalling of construction projects in IDD

Inherent Risk Rating	High	Residual Risk Rating	High

Moderate

Appetite

Critical High Moderate Low

Risk rating scale

---

3 Cyber risk - Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security

DBSA

Key drivers

- COVID-19 pandemic has forced organisations and individuals to embrace new practices such as remote working. Cyber criminals around the world may be capitalizing on the use of less secure "at home" networks.
- 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.

Key impacts

- Non-compliance to POPIA if data security is breached and personal information is compromised
- Business disruption
- Adverse impact on reputation

Response

- **Fostering a culture of cyber resilience:**
  - ➢ Ongoing training and awareness using DBSA brief and virtual training.
- **Focusing on protecting critical capabilities and services:**
  - ➢ Implement Information Security Management System (ISMS) & Cyber Security Strategy-Cyber security risk simulation is in progress, by an independent vendor. Management feedback has been provided and remediation actions are underway.
  - ➢ 'Performanta', was appointed to conduct threat monitoring.
  - ➢ Implementation of Managed Portfolio Process (Business Case Evaluation and Project Prioritization)
  - ➢ Implementation of ICT Governance Framework
- **Balancing risk-informed decisions during the crisis and beyond**:
  - ➢ ICT actively part of the Covid-19 task team.
  - ➢ Virtual ICT assistance to staff
  - ➢ Promptly allow access to DBSA systems and tools to all staff via VPN and 3G facilities.
- **Updating and implementing business continuity plans**:
  - ➢ Implementation of ICT Continuity Plan (Backup & Restore Testing)
  - ➢ Ongoing revision of resilience planning processes and testing them, equipping crisis management teams with the skill sets and experience to manage under intense pressure.

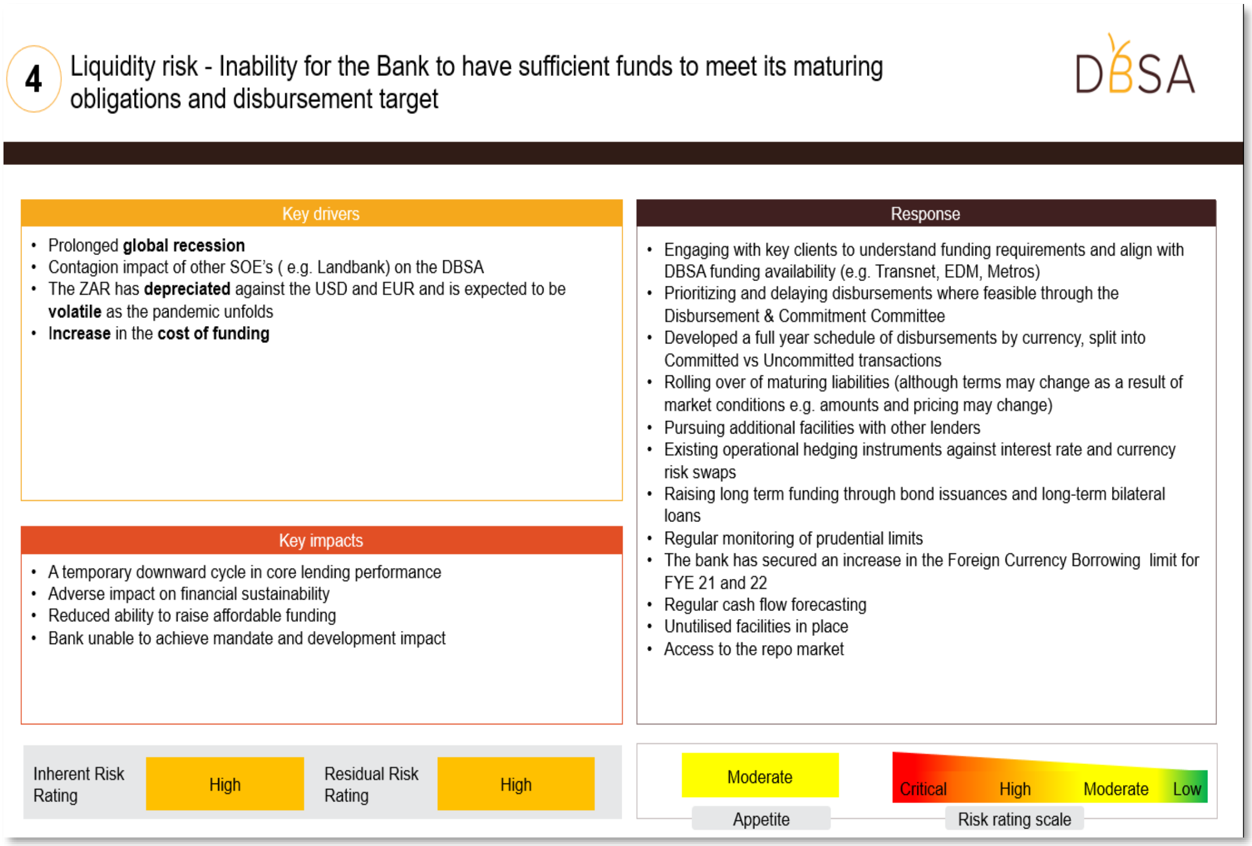
Inherent Risk Rating	High	Residual Risk Rating	Moderate

Low

Appetite

Critical High Moderate Low

Risk rating scale



4 Liquidity risk - Inability for the Bank to have sufficient funds to meet its maturing obligations and disbursement target

DBSA

Key drivers

- Prolonged **global recession**
- Contagion impact of other SOE's (e.g. Landbank) on the DBSA
- The ZAR has **depreciated** against the USD and EUR and is expected to be **volatile** as the pandemic unfolds
- **Increase** in the **cost of funding**

Key impacts

- A temporary downward cycle in core lending performance
- Adverse impact on financial sustainability
- Reduced ability to raise affordable funding
- Bank unable to achieve mandate and development impact

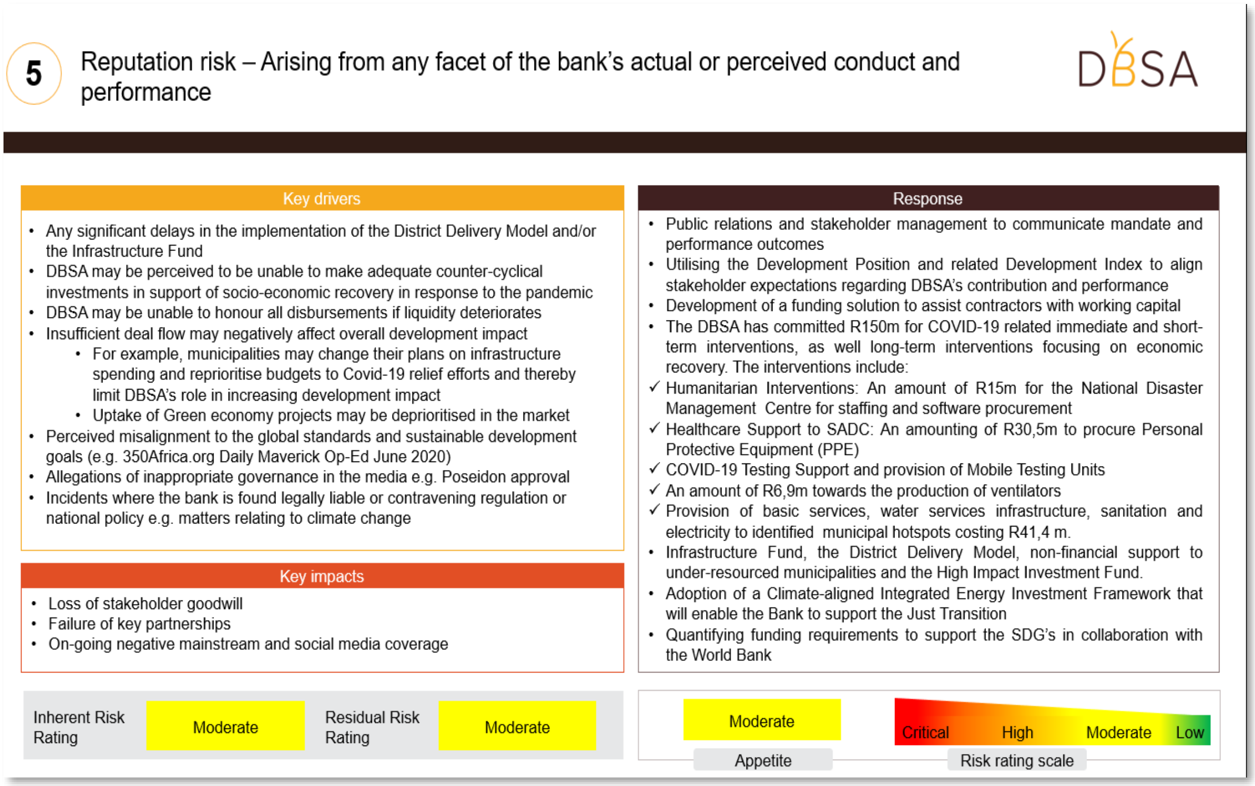
Response

- Engaging with key clients to understand funding requirements and align with DBSA funding availability (e.g. Transnet, EDM, Metros)
- Prioritizing and delaying disbursements where feasible through the Disbursement & Commitment Committee
- Developed a full year schedule of disbursements by currency, split into Committed vs Uncommitted transactions
- Rolling over of maturing liabilities (although terms may change as a result of market conditions e.g. amounts and pricing may change)
- Pursuing additional facilities with other lenders
- Existing operational hedging instruments against interest rate and currency risk swaps
- Raising long term funding through bond issuances and long-term bilateral loans
- Regular monitoring of prudential limits
- The bank has secured an increase in the Foreign Currency Borrowing limit for FYE 21 and 22
- Regular cash flow forecasting
- Unutilised facilities in place
- Access to the repo market

Inherent Risk Rating	High	Residual Risk Rating	High

Moderate
Appetite

Critical High Moderate Low
Risk rating scale



5 Reputation risk – Arising from any facet of the bank's actual or perceived conduct and performance

DBSA

Key drivers

- Any significant delays in the implementation of the District Delivery Model and/or the Infrastructure Fund
- DBSA may be perceived to be unable to make adequate counter-cyclical investments in support of socio-economic recovery in response to the pandemic
- DBSA may be unable to honour all disbursements if liquidity deteriorates
- Insufficient deal flow may negatively affect overall development impact
  - For example, municipalities may change their plans on infrastructure spending and reprioritise budgets to Covid-19 relief efforts and thereby limit DBSA's role in increasing development impact
  - Uptake of Green economy projects may be deprioritised in the market
- Perceived misalignment to the global standards and sustainable development goals (e.g. 350Africa.org Daily Maverick Op-Ed June 2020)
- Allegations of inappropriate governance in the media e.g. Poseidon approval
- Incidents where the bank is found legally liable or contravening regulation or national policy e.g. matters relating to climate change

Key impacts

- Loss of stakeholder goodwill
- Failure of key partnerships
- On-going negative mainstream and social media coverage

Response

- 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
- Development of a funding solution to assist contractors with working capital
- The DBSA has committed R150m for COVID-19 related immediate and short-term interventions, as well long-term interventions focusing on economic recovery. The interventions include:

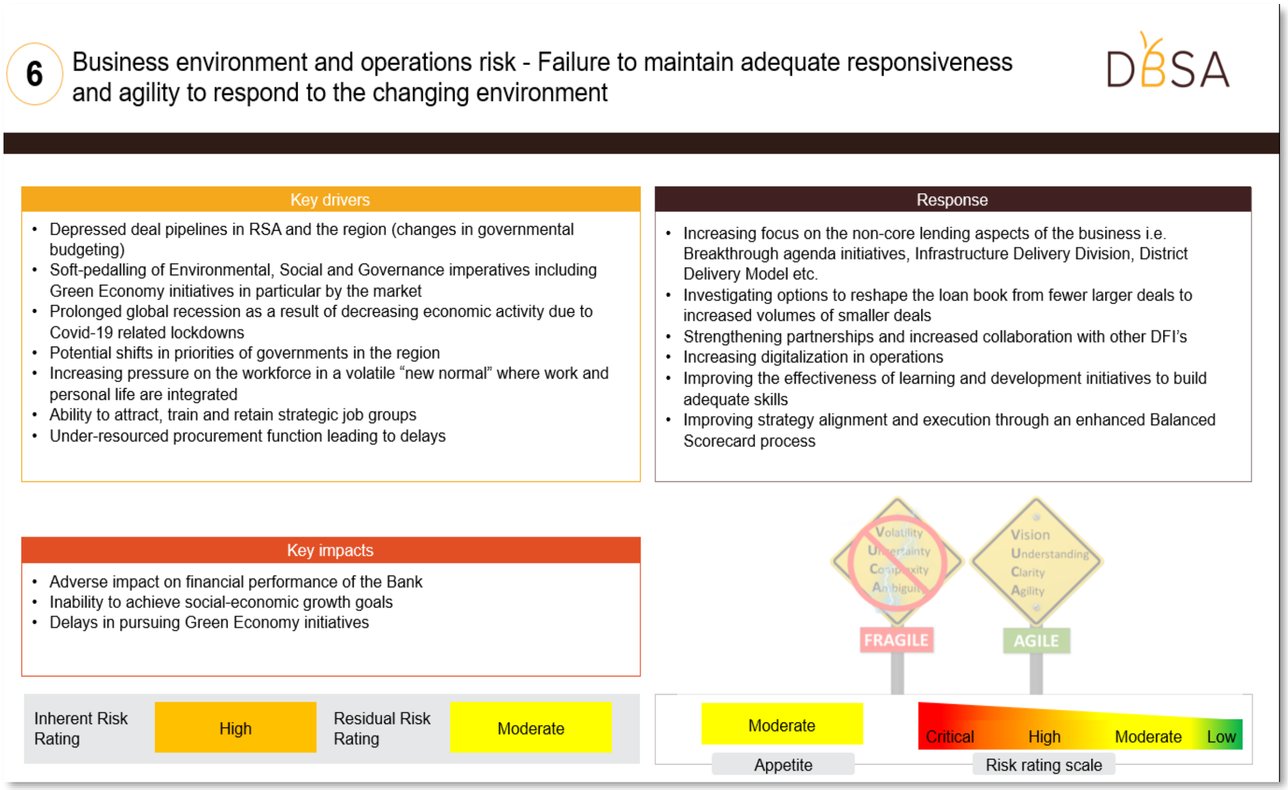
✓ Humanitarian Interventions: An amount of R15m for the National Disaster Management Centre for staffing and software procurement
✓ Healthcare Support to SADC: An amounting of R30,5m to procure Personal Protective Equipment (PPE)
✓ COVID-19 Testing Support and provision of Mobile Testing Units
✓ An amount of R6,9m towards the production of ventilators
✓ Provision of basic services, water services infrastructure, sanitation and electricity to identified municipal hotspots costing R41,4 m.

- Infrastructure Fund, the District Delivery Model, non-financial support to under-resourced municipalities and the High Impact Investment Fund.
- Adoption of a Climate-aligned Integrated Energy Investment Framework that will enable the Bank to support the Just Transition
- Quantifying funding requirements to support the SDG's in collaboration with the World Bank

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Moderate
Appetite

Critical High Moderate Low
Risk rating scale



6 Business environment and operations risk - Failure to maintain adequate responsiveness and agility to respond to the changing environment

DBSA

Key drivers

- Depressed deal pipelines in RSA and the region (changes in governmental budgeting)
- Soft-pedalling of Environmental, Social and Governance imperatives including Green Economy initiatives in particular by the market
- 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
- 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
- Under-resourced procurement function leading to delays

Response

- Increasing focus on the non-core lending aspects of the business i.e. Breakthrough agenda initiatives, Infrastructure Delivery Division, District Delivery Model etc.
- Investigating options to reshape the loan book from fewer larger deals to increased volumes of smaller deals
- Strengthening partnerships and increased collaboration with other DFI's
- Increasing digitalization 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

Key impacts

- Adverse impact on financial performance of the Bank
- Inability to achieve social-economic growth goals
- Delays in pursuing Green Economy initiatives

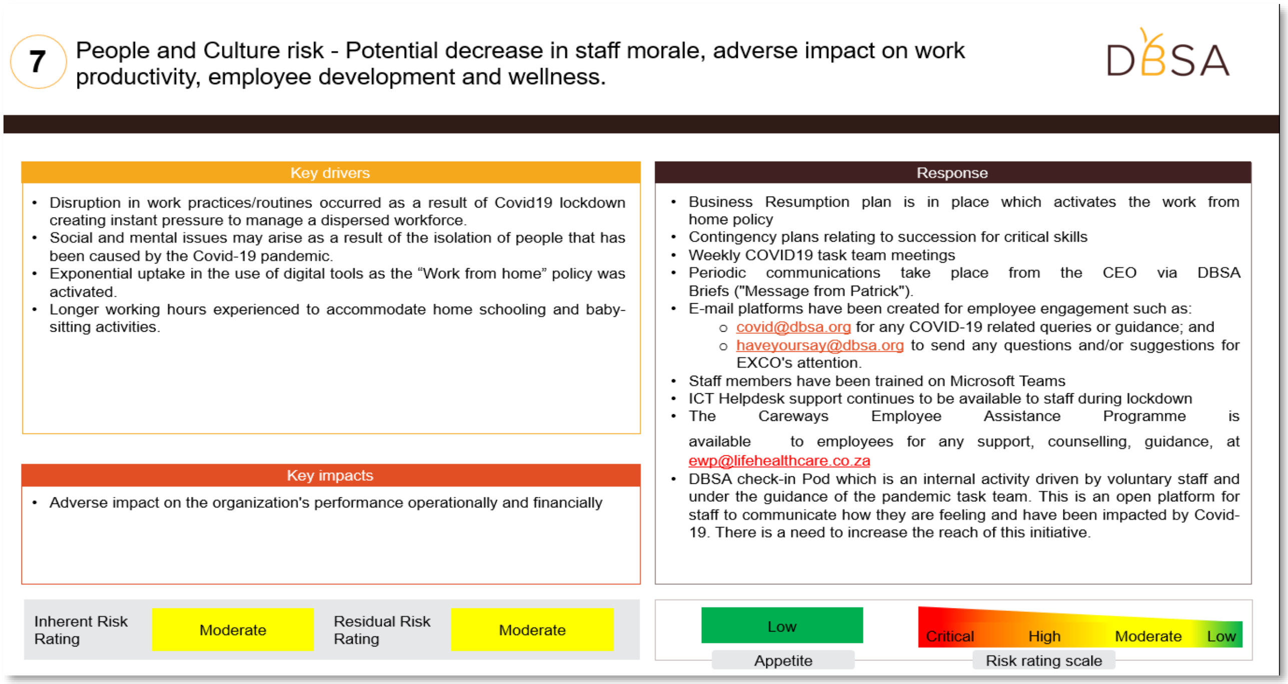
Inherent Risk Rating	High	Residual Risk Rating	Moderate

Moderate

Appetite

Critical High Moderate Low

Risk rating scale



7 People and Culture risk - Potential decrease in staff morale, adverse impact on work productivity, employee development and wellness.

DBSA

Key drivers

- Disruption in work practices/routines occurred as a result of Covid19 lockdown creating instant pressure to manage a dispersed workforce.
- Social and mental issues may arise as a result of the isolation of people that has been caused by the Covid-19 pandemic.
- Exponential uptake in the use of digital tools as the "Work from home" policy was activated.
- Longer working hours experienced to accommodate home schooling and baby-sitting activities.

Response

- Business Resumption plan is in place which activates the work from home policy
- Contingency plans relating to succession for critical skills
- Weekly COVID19 task team meetings
- Periodic communications take place from the CEO via DBSA Briefs ("Message from Patrick").
- E-mail platforms have been created for employee engagement such as:
    - covid@dbsa.org for any COVID-19 related queries or guidance; and
    - haveyoursay@dbsa.org to send any questions and/or suggestions for EXCO's attention.
- Staff members have been trained on Microsoft Teams
- ICT Helpdesk support continues to be available to staff during lockdown
- The Careways Employee Assistance Programme is available to employees for any support, counselling, guidance, at ewp@lifehealthcare.co.za
- DBSA check-in Pod which is an internal activity driven by voluntary staff and under the guidance of the pandemic task team. This is an open platform for staff to communicate how they are feeling and have been impacted by Covid-19. There is a need to increase the reach of this initiative.

Key impacts

- Adverse impact on the organization's performance operationally and financially

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Low

Appetite

Critical High Moderate Low

Risk rating scale

7.8. ANNEXURE H: BUSINESS CONTINUITY MANAGEMENT

Background

The DBSA is committed to a structured systematic and integrated approach to BCM in accordance with the current approved BCM Policy, industry standards and best practice.

The BCM reports into the risk governance structures to provide assurance to the Board. All group executives have joint accountability for the implementation of BCM in their divisions.

In order to ensure a certified business continuity capability, the DBSA has aligned to the ISO standard 22301 and the Business Continuity Institute's (BCI) Good Practice Guidelines (GPG).

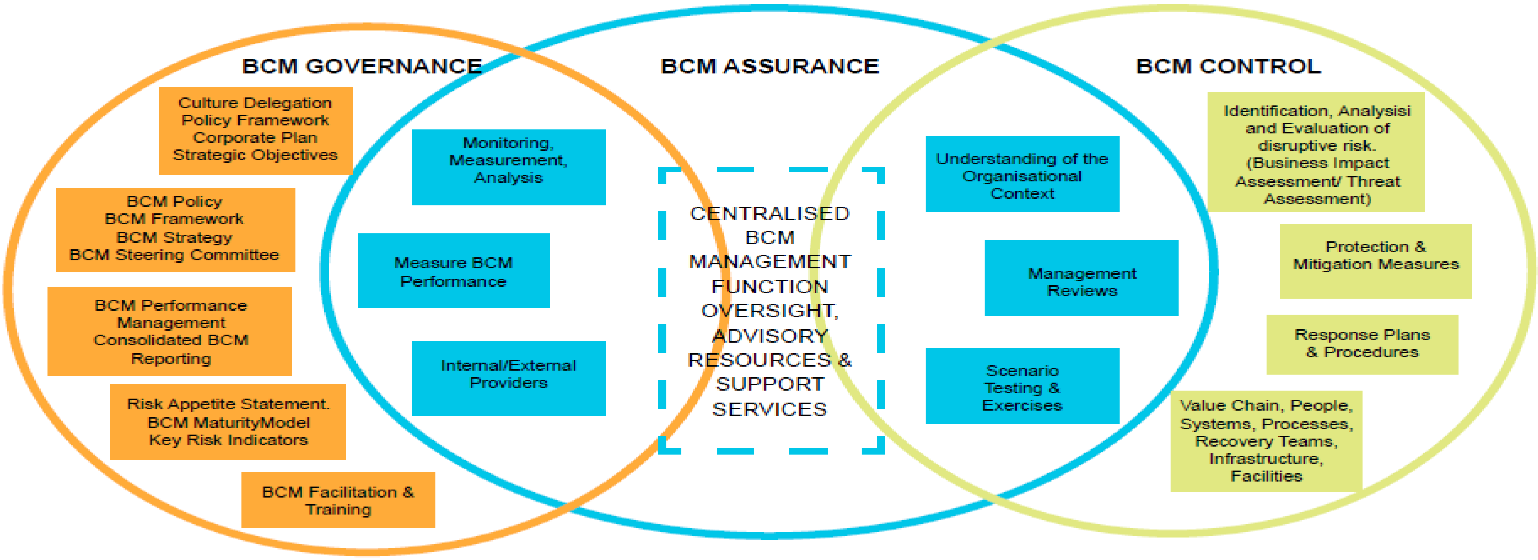
The objective is to provide ongoing management, coordination and governance to ensure that all BCM activities are conducted and implemented to build a resilient organisation.

Objective of the BCM Framework

The aim of this framework is to inform and drive continual, effective, cross functional, multi-level continuity planning through holistic, integrated risk management practice. To:

- Establish a control environment to link corporate governance, risk management, business planning and operational performance to the DBSA's strategic direction (business continuity system);
- Invest time, capital, tools and techniques to ensure BCM is a fully embedded, auditable business management process (business continuity planning);
- Introduce highly structured co-ordination arrangements ensure that all planning and systems, from the initial business response to recovery and full functionality, are aligned, well understood and well communicated, with roles and responsibilities clearly defined and documented;
- Develop workforce capability and competencies through plans, skills training and role rehearsals, and adequate provision of technical equipment and committed resources;
- Ensure inter-operability of planning and operational activities considering inter- and intra-dependencies.
- Uphold a resilience philosophy in which the business continuity capability always reflects the needs, technology, structure and culture.

Overview of the BCM Framework



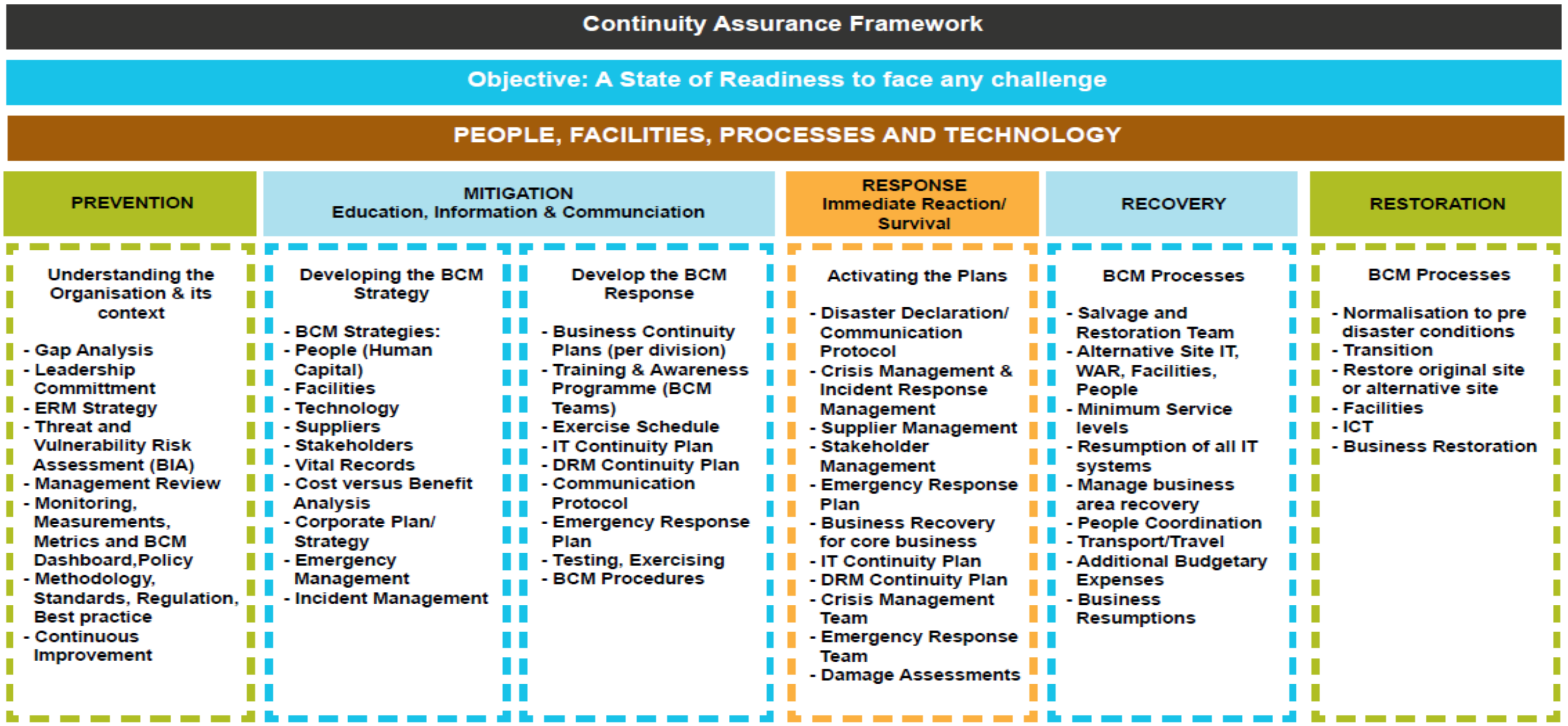
Continuity Assurance Framework

The BCM function aims to ensure that the DBSA can adequately respond, recover and restore business operations resulting from business interruption.

The CAF provides management with an evaluation of the enterprise's preparedness in the event of a major business disruption and assists with the identification of any issues that may limit interim business processing and restoration.

There are five elements that form the basis for the CAF. They ensure that the Bank has the ability to adequately respond. This framework enables effective measurement and reporting on the BCM capability.

Continuity Assurance Framework



Continuity Assurance Framework

Objective: A State of Readiness to face any challenge

PEOPLE, FACILITIES, PROCESSES AND TECHNOLOGY

PREVENTION	MITIGATION Education, Information & Communciation		RESPONSE Immediate Reaction/ Survival	RECOVERY	RESTORATION
Understanding the Organisation & its context - Gap Analysis - Leadership Committment - ERM Strategy - Threat and Vulnerability Risk Assessment (BIA) - Management Review - Monitoring, Measurements, Metrics and BCM Dashboard,Policy - Methodology, Standards, Regulation, Best practice - Continuous Improvement	Developing the BCM Strategy - BCM Strategies: - People (Human Capital) - Facilities - Technology - Suppliers - Stakeholders - Vital Records - Cost versus Benefit Analysis - Corporate Plan/ Strategy - Emergency Management - Incident Management	Develop the BCM Response - Business Continuity Plans (per division) - Training & Awareness Programme (BCM Teams) - Exercise Schedule - IT Continuity Plan - DRM Continuity Plan - Communication Protocol - Emergency Response Plan - Testing, Exercising - BCM Procedures	Activating the Plans - Disaster Declaration/ Communication Protocol - Crisis Management & Incident Response Management - Supplier Management - Stakeholder Management - Emergency Response Plan - Business Recovery for core business - IT Continuity Plan - DRM Continuity Plan - Crisis Management Team - Emergency Response Team - Damage Assessments	BCM Processes - Salvage and Restoration Team - Alternative Site IT, WAR, Facilities, People - Minimum Service levels - Resumption of all IT systems - Manage business area recovery - People Coordination - Transport/Travel - Additional Budgetary Expenses - Business Resumptions	BCM Processes - Normalisation to pre disaster conditions - Transition - Restore original site or alternative site - Facilities - ICT - Business Restoration

COVID 19 Pandemic Risk Response

The world has changed considerably since the outbreak of the Coronavirus in December 2019. The rate of change of our global environment is far faster than we as human beings are able to adapt and integrate into it. We have watched the world and the fight against the virus. It is now evident that the world will never be the same

The Coronavirus has been a disruptive threat and therefore fast became a business continuity issue. BCM Practitioners both locally and internationally invoked their pandemic continuity plans and prepared for the worst-case scenario. The reputation of the DBSA needed to be protected and the Leadership showed decisiveness and acted fast.

A cross functional pandemic task team was setup to conduct ongoing research and monitoring as the outbreak continued. The COVID-19 task team convened on the 28 January 2020 and continues to meet weekly until this day. Following the WHO Principles, the team immediately applied adaptive business continuity principles by implementing all the necessary precautionary and preventative controls to give business time to prepare for an invocation.

The following key risks have been monitored throughout the period, relating to potential operational, financial and reputational impact for the Bank:

- Workforce unavailability due to ill employees.
- DBSA Campus unavailability due lockdown or exposure to the virus.
- General duty of care principles found to be lacking may cause reputational risk.
- Noncompliance with the Occupational Health and Safety Act and the Disaster Management Act.
- Business disruption of essential services.
- Business disruption to the DBSA mandated sectors.
- Financial sustainability of the DBSA
- Cyber Attacks become prevalent during times when an organisations focus is on the potential threat.
- Damage to the DBSA brand and reputation.

The DBSA has been proactive in all the measures implemented to ensure minimal impact of COVID-19 pandemic. This included the continuous review of all Business Continuity Plans as well as the Pandemic Response Plan. In line with the legislation and the regular release of regulations the DBSA has complied where necessary. A Pandemic Policy has been drafted and the COVID-19 risks are reviewed regularly to ensure that all controls implemented are adequate. The DBSA Campus has remained closed as most of the DBSA employees successfully worked from home.

Effective communication to all stakeholders has been a key element throughout the pandemic. The Stakeholder Communication Strategy was updated as part of the Business Continuity Pandemic Plan. All stakeholders, service providers and clients were formally communicated with.

There were initially business challenges and a steep learning curve in terms of the new technology that was rolled out in the DBSA before lockdown.

Despite the challenges several opportunities have been identified to enhance the Business Continuity Management Programme. A Remote Working Policy to guide the new way of working is also being proposed going forward. Overall, the operations of the DBSA have continued with several work arounds in place and the DBSA employees have shown incredible resilience throughout this period.

7.9. ANNEXURE I: DBSA ENVIRONMENTAL & SOCIAL FRAMEWORK

This is a summarised version – the detailed plan is available on request. The DBSA environmental and social framework (DBSA ESF) approved in November 2018 by the DBSA Social and Ethics Committee, outlines the DBSA approach to mainstreaming and promoting environment and social considerations in DBSA operations.

The DBSA ESF is informed by the DBSA development definition and position which articulates the DBSA role in contributing to "a just transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories" and highlights the centrality of sustainability, equitable wellbeing, and resource efficiency in the Banks strategy and operations.

A key part of driving the transformational agenda requires DBSA to address unsustainable socio-economic production and consumption patterns, climate change and ecosystem degradation, including unprecedented rates of biodiversity loss. The inequitable distribution of environmental and social harms, risks and benefits amongst humans and between humans and nature also requires unprecedented synergy and innovation in dealing with the complexity of multiple responses.

The Environmental and Social Framework builds on how DBSA can create opportunities for a green and inclusive economy. This includes economic recovery from the COVID-19 pandemic which is inextricably intertwined with global environmental issues of biodiversity loss, climate change, air and water pollution, waste management, both in terms of its origin and the implications for environmental outcomes and the future well-being of societies around the world. A green economy-driven transformation aims at building and fostering capacity of all key agents of change.

We need to step up our efforts to utilise our biodiversity sustainably and economically to support livelihoods of all South Africans including present and future generations (National Biodiversity Economy Strategy (NBES) Department of Environmental Affairs 2016).

The solutions are in our hands – whether it is to halve emissions by 2030; craft out a new relationship with nature; or transform the way we live, produce and consume. And we also know that time is of the essence. The window for environmental action is shrinking". (Joyce Msuya, Deputy Executive Director of the United Nations Environment Programme, which hosts the AMCEN Secretariat 2020).

A green recovery will significantly enhance the resilience of economies and societies especially as they go emerge from the current recession. DBSA is focusing on measures that can drive sustainability while boosting jobs, income and growth, helping to restore environments from damaging activities. Measuring and evaluating the environmental impacts of recovery policies over time is crucial, and a set of indicators, covering a broad array of critical environmental dimensions, is being continuously updated for all DBSA projects[7].

7.9.1. Environmental and Social Sustainability Policy Statement

The DBSA environmental and social sustainability policy is aligned to its mission and mandate. The Bank regards sustainable development as a fundamental aspect of sound business practice. It recognises that economic development needs to be compatible with human welfare and a healthy environment and that the sustainable development agenda is inter-linked with humanitarian, environmental justice and social equity. The DBSA acknowledges that the financial sector must play a critical enabling role to limit global warming and address the impacts associated with environmental degradation and climate change. It is committed to supporting the SDGs and to:

- Achieve positive social and environmentally sustainable development outcomes in DBSA operations to realise a green and inclusive economy;
- Communicate the Banks social, environmental and governance policies with our partners and participate in collaborative processes to incentivise and drive a green and inclusive economy
- Pursue global environmental, social and governance policies and practices in the Bank's asset management and operational activities
- Adopt a precautionary approach to environmental, social and governance in compliance with relevant legislation
- Promote strategies and practices to address environmental degradation, social inequality and climate considerations

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[7] This is in alignment with OECD Policy Responses to Coronavirus (COVID-19) Making the green recovery work for jobs, income and growth **Updated 06 October 2020**

- Ensure that clients apply the DBSA social and environmental safeguard standards
- Identify and quantify environmental and social risks, monitor and review environmental social and governance performance of all operations
- Improve metrics of sustainability indicators, aligned to the SDGs and sharing relevant information with clients, stakeholders and partners
- Continuously strive to improve environmental social and governance performance
- Promote transparency in processes, outputs and outcomes
- Ensure meaningful public engagement that particularly helps empower vulnerable people

7.9.2. Documentation

The *DBSA Environmental Sustainability Strategy, the DBSA Environmental and Social Sustainability Policy, the DBSA Environmental and Social Safeguard Standards and the DBSA Climate Change Policy Framework, outline the DBSA approach to* Environmental and social sustainability considerations. These documents combine to form the DBSA *Environmental and Social Management Framework* which ensures that the DBSA's operations, programmes and projects are socially responsible, environmentally sound, financially sustainable and in line with government requirements.

The Bank has developed (and continues to refine) its *Environmental Assessment Framework and Environmental and Social Safeguards* which outline the Bank's approach to environmental appraisal and due diligence and ensure they keep up and promote global good practices. The last update of this document took place in 2020. The Bank's environmental, social and governance analysts implement the policies. The policies promote consistency in supporting and enhancing the Bank's decision-making processes. They mitigate and manage environmental and social risk, while also ensuring increased development impact. The bank strives to achieve net positive environmental (such as biodiversity, ecosystem services, water security) and social outcomes as well as net positive social and economic outcomes where opportunities present.

Integrated Reporting, Global Reporting Initiative and United Nations Global Compact (UNGC)

The DBSA reports on, and effectively considers, its economics, ethical, governance, social and environmental performance.

The DBSA has adopted integrated and sustainable reporting principles. During 2013 the DBSA became a member of the United Nations Global Compact (UNGC) which is the world's largest corporate citizenship initiative that addresses and integrates CSR requirements with the integrated reporting requirements. As a result, the DBSA annual report (was compiled to align with both the integrated and sustainability reporting requirements of the GRI Sustainable Reporting Guidelines, as well as the UNGC universally accepted ten principles that address the areas of human rights, labour, environment and anti-corruption.

7.9.3. DBSA Environmental and Social Management Framework

All programmes and projects considered for funding undergo a rigorous environmental and social appraisal as part of the broader investment appraisal process. This approach enables the DBSA to embed sustainability principles into every step of the investment value chain.

DBSA Environmental and Social Assessment covers multiple elements of Sustainability

Legislative & safeguards compliance

- Project compliance with Local Legislation, Country Systems and standards & DBSA ESSS
- Outline Client obligations to meet Safeguards Standards triggered by the project

Project risk/ opportunity screening & rating

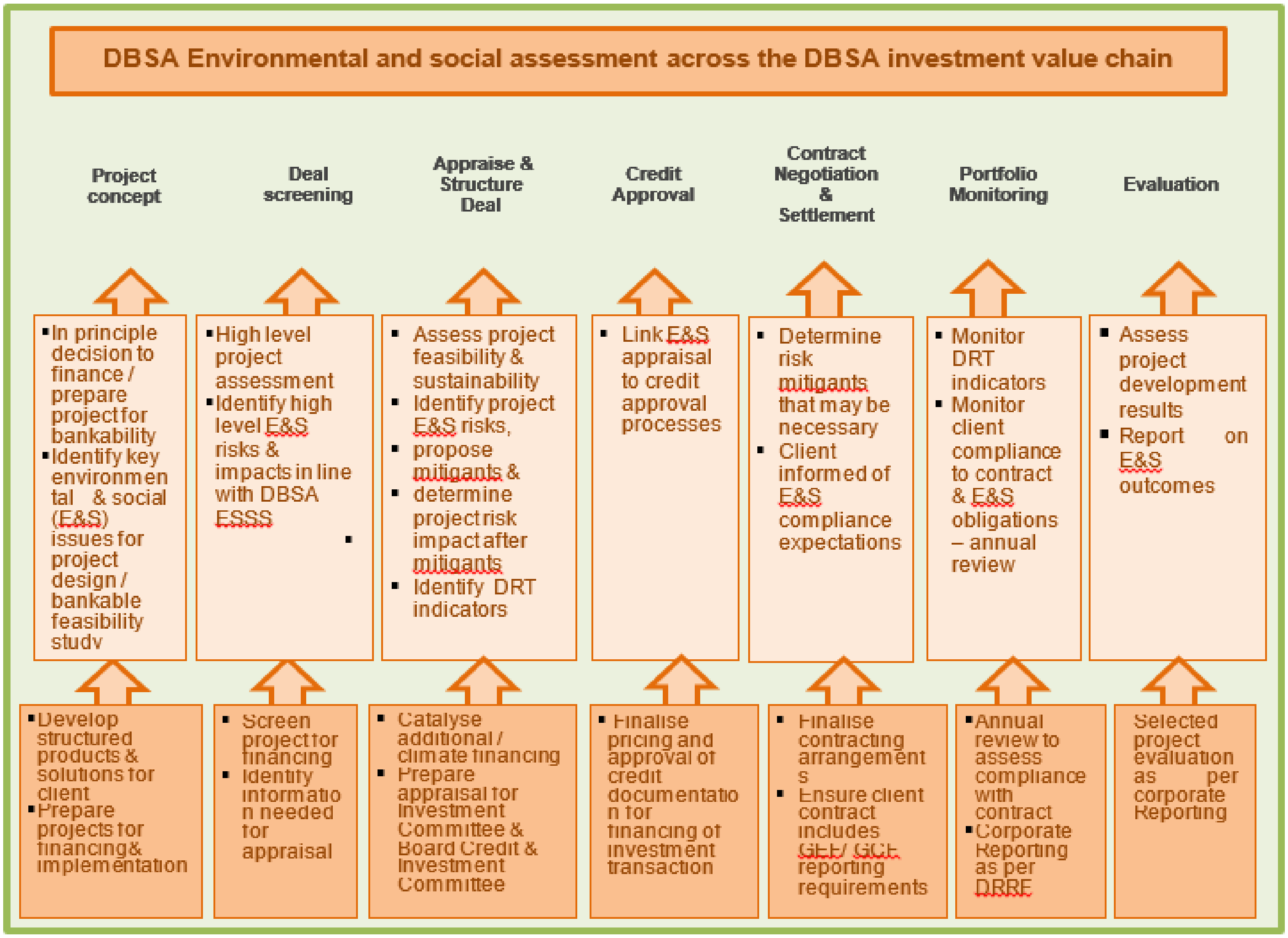
- Screen for social & environmental impacts, natural capital/ecoystem services dependencies and risks
- Provide a project risk rating
- Outline potential impact of mitigants proposed e.
- Seek potential for postive impact outputs and outcomes

Environmental & Social Governance

- Assess client environmental social and governance framework & institutional capacity
- Assess application of management tools to address ESG risks & impacts (e.g ESMP) through project life cycle
- Address identified areas of project attention (e.g Hazard Assessment, vulnerability to climate change/ natural resource dependencies, etc)
- Promote improved monitoring, reporting against SDG aligned targets and indicators

Resource Use, Natural Resource Management, & community benefits

- Project efficiency /equity of resource use
- Address greenhouse gas emissions, climate change, ecosystem risks
- Identify opportunities for investment towards climate change adaptation, mitigation, ecosystem /bioidiversity restoration, and water resource management
- Identify opprtunities for maximising social inclusion & local stakeholder & gender benefits / restitution



7.9.4. DBSA's contribution towards the development of a sustainable South Africa and a green economy

The Bank is actively involved in broadening its support for a greener economy and sustainable green infrastructure across its mandate areas. It is working with the DEA and the NT to facilitate and ensure greener infrastructure and sustainable development across the region. The Bank is involved in the following environment and sustainable development related initiatives:

- Support to the Department of Water Affairs: Water Resource Commission MOU
- DBSA partnership with *UNEP-FI* in the Natural Capital Finance Alliance (NCFA) initiative to promote natural capital inclusion in financial decision-making. UNEP-

FI are leading a global project entitled "Advancing Environmental Risk Management Project" which aims to develop tools to assist financial institutions to address natural capital in environmental appraisal and credit risk assessments. DBSA participation in Phase 1 of the global partnership, completed in 2019, enabled DBSA to provide a global case study and support the development of a global tool to assess natural capital dependency. The DBSA is working on methodologies to apply the toll within the DBSA investment decision making processes.

- International Development Finance Club (IDFC) Partnership input into the IDFC Green Finance Mapping Survey. This annual report outlines the contribution of the DBSA loan book in supporting climate mitigation/adaptation, ecological/biodiversity/water security enhancements.
- DBSA provides inputs into the Climate Action for Finance Institution's initiative which comprises over 40 international banks and coordinates lessons learnt to advance effective climate action in finance institutions.
- Climate Policy Initiative (CPI), the Agence Française de Développement (AFD). DBSA and World Bank Partnership, resulted in the publication of the CPI publication Understanding the Impact of a low carbon transition on South Africa, March 2019. The report outlines the measures that South Africa can take to reduce climate transition risk, avoid risk concentrations, and reduce costs associated with decarbonisation of the South African economy.
- Building on work to prepare an Integrated Energy Just Transition Investment Framework, the DBSA is, in the current financial year, finalising the Banks position in relation to the banks position to investment within the energy sector, approaches to transition risk management and alignment with the Task Force for Financial Disclosures Recommendations and scaling up of interventions to support a just energy transition in South Africa.
- World Bank DBSA Partnership. In May 2019 the DBSA, through the Chief Executive and the Sustainable Development Vice Presidency at the World Bank, initiated a collaboration to identify and quantify the infrastructure investments needed in South Africa to reach the Sustainable Development Goal (SDG). This work is to be informed by the methodology applied in the IBRD report "Beyond the Gap" (Rozenberg and Fay 2019) and aims to:

    - Quantify the infrastructure funding gap to achieve the infrastructure-related SDGs
    - Highlight infrastructure cost drivers and the implications of policy choices
    - Collate data sets and coordinate available expertise
    - Set the targets of what needs to be financed to achieve the infrastructure *SDGs.*

- The South African National Space Agency (SANSA) and DBSA Partnership aims to leverage the use of satellite imagery, spatial tools, models and Information Communication Technology (ICT) to support environmental risk mitigation procedures, measure development impact and facilitate ICT and space infrastructure projects for mutual benefit. Through the partnership an integrated, accessible platform to access spatial tools, models, GIS and satellite data will be developed for the DBSA.
- Managing and Implementing the Green Fund, on behalf of the South African government, to support green initiatives with project finance, research and capacity building grants to assist a transition to a more resource-efficient and sustainable development society.
- DBSA was accredited as a GEF Implementing Agent in 2014. The DBSA management team has held discussions with the GEF to consider possible pipeline opportunities under the GEF 7, particularly where they align with the DBSA's focal areas and sectors.
- DBSA was accredited to the Green Climate Fund (GCF) in March 2016, to implement micro to large projects nationally and within sub-Saharan Africa. GCF has approved a pipeline of projects prepared by the DBSA for financing. These include:
    - Municipal Solid Waste Management Programme -the project aims to support the implementation of organic waste treatment solutions in 6 pilot municipalities in South Africa and upscale it to another 24 municipalities. A programmatic approach will be adopted to allow subsequent sub-projects to learn from the first 6 fore-runners and replicate the solutions in a cost-efficient manner. Organic waste treatment will result in significant methane reductions.

- Public Private Sector Energy Efficiency Programme (PPSEEP) - a detailed feasibility is being conducted to evaluate the optimal financial and institutional model for a PPSEEP in South Africa. Additionally, Project Preparation funding will be used to prepare and full concept feasibility study and application to the GCF, and to conduct gender impact, and Environmental and social safeguard studies.
- The DBSA Climate Finance Facility Programme ("the Programme" or "CFF") is a lending facility that aims to address market constraints, play a catalytic role with a blended finance approach, to increase climate related investments in Southern Africa. The lending facility consists of credit enhancements focused on first loss or subordinated debt and tenor extensions to catalyse private sector climate investments. The CFF is a first-of-its-kind application based on the Green Bank model, adapted for emerging market conditions. The CFF will use its capital to fill market gaps and crowd in private investment, targeting projects that are potentially viable, but cannot currently attract market-rate capital at scale without "credit enhancement". It will focus on infrastructure projects that mitigate or adapt to climate change. The CFF will invest responsibly as a self-sustaining financial institution that is break-even and structured to complete repayment of debt funding and the initial capitalisation, as provided by the GCF, the PIC, the DBSA and any participating DFIs.
- Embedded Generation Investment Programme (EGIP) - The programme will utilise GCF funding to develop a first loss/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. This will include RE Projects implemented by private sector entities (acting as both off-takers and IPPs); and Local government entities (acting as off-takers) and private sector entities (acting as IPPs).

7.9.5. Environmentally sustainable operations

In line with the environmental rights in the Constitution of South Africa, the Bank is committed to providing an environmentally safe workplace for its employees and to minimising its negative environmental impact on the biophysical environment, namely: air, land and water from all its operations and activities.

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

- Focusing on energy demand management and promoting renewable energy use on site
- Business travel management to reduce its carbon footprint
- Office paper use and recycling
- Solid waste management and recycling
- Water consumption reduction
- Sustainable campus management (maintenance of the natural vegetation on the campus)
- Grassland and wetland biodiversity conservation

These initiatives combine to reduce the Bank’s carbon emissions, water use, waste generation and maintain a sustainable campus. The Bank recognises that there is much room for improvement in the above and the CEO has established a team to help green the campus.

COVID 19 has resulted in fast tracking policies and IT technologies to allow practices of minimizing travel which has resulted in significant carbon savings.