DBSA

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

INTEGRATED ANNUAL REPORT 2022

RESILIENCE • RECOVERY

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

The DBSA's primary purpose is to promote inclusive and sustainable economic development and growth, human resource and institutional capacity development, support development projects and programmes in the region and generally promote regional integration through infrastructure finance and development that improves the quality of life for people in Africa.

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Our reporting suite for the year ended 31 March 2022 consists of three reports.

- **IAR** The 2022 Integrated Annual Report
- **AFS** The 2022 Annual Financial Statements
- **SR** The 2022 Sustainability Review

Throughout our 2022 Integrated Annual Report, we use the following icons to connect information:

- *Links to the web for more information.*
- *Links to other parts of the report.*

Our strategic themes

(Refer to pages 32 to 33 for our strategy)

- **ST1** Inclusive economic recovery in South Africa
- **ST2** Strategic Rest of Africa lens
- **ST3** Doing things differently

Our capitals

(Refer to pages 26 to 27 for further details of the capitals and how we use them to create value for our stakeholders)

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

Our stakeholders

(Refer to pages 56 to 61 for further details of how we engage our key stakeholders)

- **Internal stakeholders:** the Shareholder, Employees, the Board of Directors, and Management
- **Government:** Regulators and other organs of state
- **Financial sector:** JSE, ratings agencies, commercial banks and other DFIs
- **Clients:** both in South Africa and across the continent
- **Investors**: as well as partners and other providers of funding
- **Communities**: civil society, ratings agencies, the media and academic institutions

PERFORMANCE HIGHLIGHTS

Operational performance

R33.4 billion
in total infrastructure delivered

R15.1 billion
funds catalysed

R12.9 billion
total loan disbursements

R3.3 billion
in infrastructure implementation support delivered

R2.1 billion
infrastructure unlocked for under-resourced municipalities

Development impact

931
learners benefitted from 1 newly built school

56 958
learners benefitted from 104 refurbished schools

1 543
local SMMEs and subcontractors employed in the construction of projects

R2.95 billion
value of infrastructure delivered by black-owned entities of which R1.3 billion delivered by black women-owned entities

R0.9 billion
benefit accrued to local SMMEs and subcontractors employed in the construction of projects

237
DBE SAFE VIP toilets constructed

28 610
temporary and permanent jobs created

Fund managers' contribution

3 829 506
tonnes of food and food-related products delivered to date

99 667
total smallholder farmers and micro-entrepreneurs impacted

9 362
permanent jobs sustained in the agricultural sector

7 669
student beds delivered

19 425
housing units built

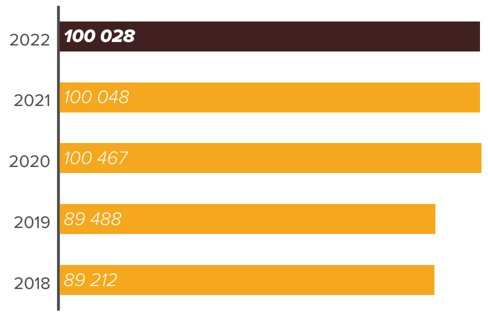
2 000
home loans approved

78 400
home improvement loans granted

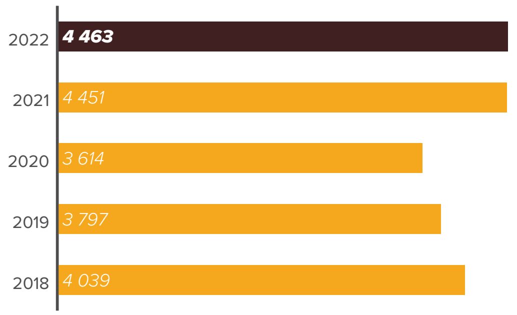
14
kilometre of road network built

Financial performance

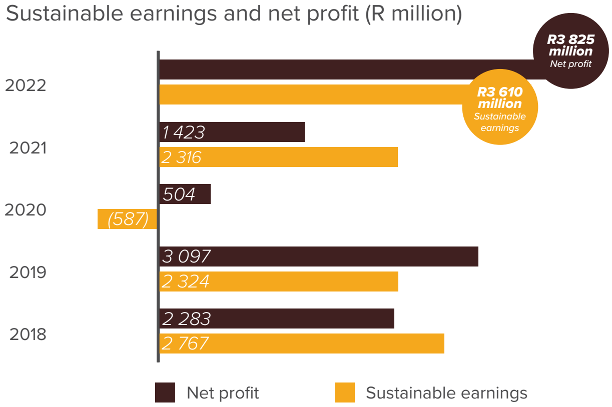
Total assets (R million)



Cash generated from operating activities (R million)



Sustainable earnings and net profit (R million)



RATINGS AND ACCREDITATIONS

- Ba3 foreign currency rating by Moody's
- AA rating by AADFI PSGRS
- Global Environmental Facility accreditation since August 2014
- Green Climate Fund EU 6-pillar accreditation

ACCOLADES AND AWARDS

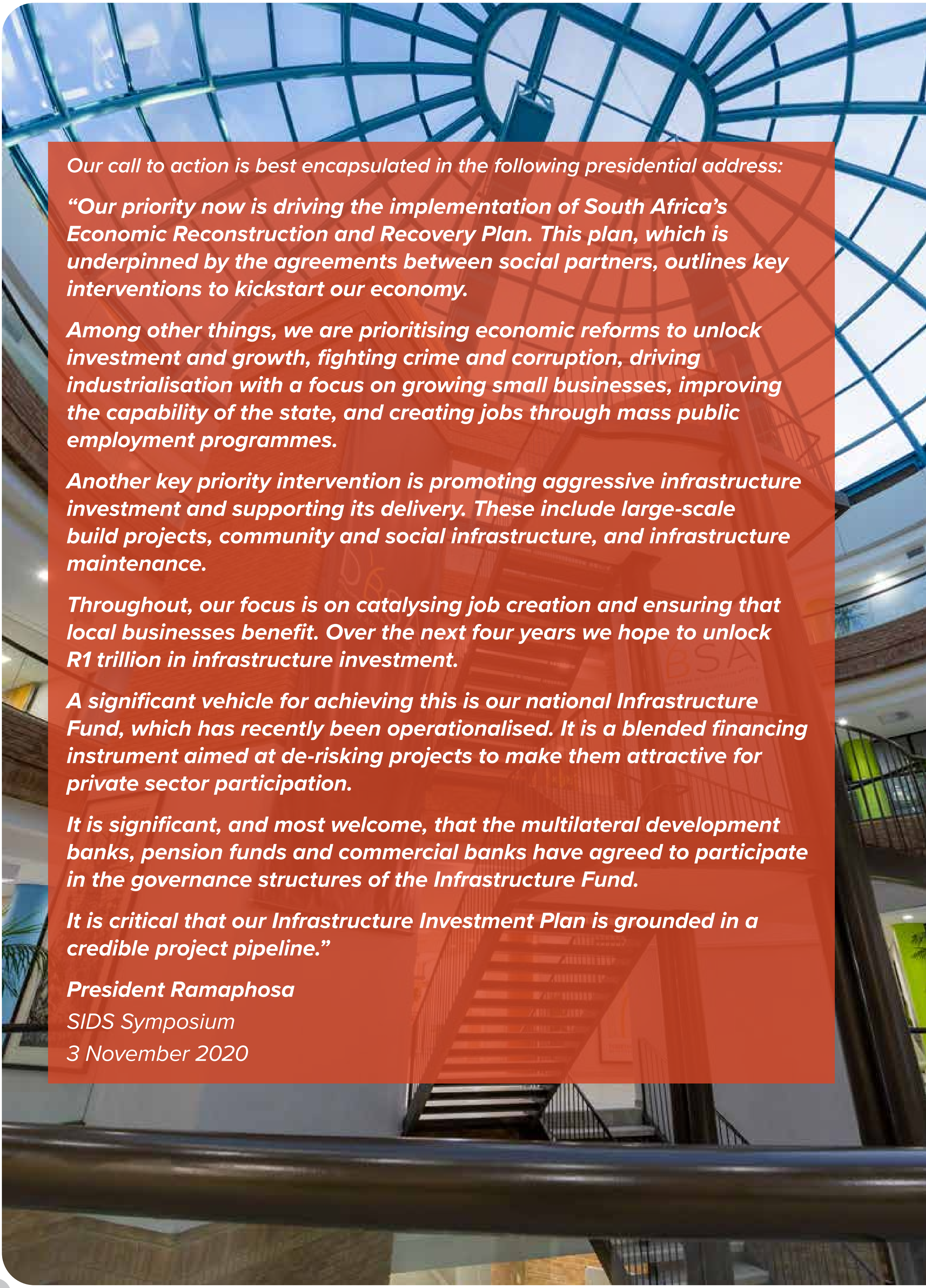
The following DBSA deals won IJ Global Awards in the year to 31 March 2022:

Deal	Category
Area 1 LNG Project	IJ Global Oil and Gas Deal of the Year
Redstone CSP Project	IJ Global Renewables Deal of the Year
Green Bond Issuance by the DBSA	Water Deal of the Year

GOVERNANCE

DBSA:

- Received unqualified audits since its inception
- Boasts a robust, ethical and diverse leadership
- Reported R Nil in irregular fruitless and wasteful expenditure during the financial year under review (FY2021: R Nil)



Our call to action is best encapsulated in the following presidential address:

"Our priority now is driving the implementation of South Africa's Economic Reconstruction and Recovery Plan. This plan, which is underpinned by the agreements between social partners, outlines key interventions to kickstart our economy.

Among other things, we are prioritising economic reforms to unlock investment and growth, fighting crime and corruption, driving industrialisation with a focus on growing small businesses, improving the capability of the state, and creating jobs through mass public employment programmes.

Another key priority intervention is promoting aggressive infrastructure investment and supporting its delivery. These include large-scale build projects, community and social infrastructure, and infrastructure maintenance.

Throughout, our focus is on catalysing job creation and ensuring that local businesses benefit. Over the next four years we hope to unlock R1 trillion in infrastructure investment.

A significant vehicle for achieving this is our national Infrastructure Fund, which has recently been operationalised. It is a blended financing instrument aimed at de-risking projects to make them attractive for private sector participation.

It is significant, and most welcome, that the multilateral development banks, pension funds and commercial banks have agreed to participate in the governance structures of the Infrastructure Fund.

It is critical that our Infrastructure Investment Plan is grounded in a credible project pipeline."

President Ramaphosa

SIDS Symposium

3 November 2020

INTRODUCING OUR INTEGRATED REPORT

ABOUT THE DBSA

The Development Bank of Southern Africa ('DBSA' or 'the Bank') is a development finance institution (DFI) governed by the DBSA Act, No. 13 of 1997 (Amended Act No. 41 of 2014) and is wholly owned by the government of the Republic of South Africa.

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

Our mandate, as well as the constitution and conduct of our Board of Directors, is prescribed by the DBSA Act. Our leadership is also guided by the King IV™ Report on Corporate Governance for South Africa* (King IV) and the protocol on Corporate Governance in the Public Sector. The financial management of the Bank is regulated by the Public Finance Management Act No. 1 of 1999 (PFMA).

ABOUT THIS REPORT

This Integrated Annual Report outlines the performance of the Bank for the financial year ended 31 March 2022, within the context of our operating environment with its risks and opportunities, our key stakeholders, the Bank's overall strategy, and our internal operations and governance.

The report aligns to the Value Reporting Foundation's International Integrated Reporting <IR> Framework. The disclosures included in the report are guided by the principle of materiality – we disclose information about all aspects that have an impact on our ability to create sustainable value in the short-, medium- and long-term.

Financial performance information included in the Integrated Annual Report is drawn from the Bank's Annual Financial Statements, which are prepared in accordance with:

» The International Financial Reporting Standards (IFRS)
» PFMA requirements
» The Companies Act of South Africa, No. 71 of 2008 (Companies Act) where appropriate
» The JSE Limited Debt Listings Requirements

For the full Annual Financial Statements, visit https://www.dbsa.org/investor-relations.

ASSURANCE

The DBSA applies a combined assurance model – we draw on the expertise of our Risk Management, Compliance and Internal Audit units, as complemented by external assurance providers.

The Auditor-General of South Africa provides external assurance on the fair presentation of the Annual Financial Statements, as required by the Public Audit Act that is applicable to the DBSA as a state-owned entity (SOE). In the year under review, the Auditor-General of South Africa once again extended an unqualified audit status to the DBSA.

APPROVAL BY THE BOARD

While the reporting process was delegated to a sufficiently skilled and experienced reporting team, the Board takes ultimate responsibility for the integrity of the Integrated Annual Report, assisted by the Audit and Risk Committee as well as the DBSA Executive Management. The DBSA's leadership oversees the reporting process and significant thought is dedicated to articulating the DBSA's value creation story. In the Board's opinion, this report represents all material matters accurately and complies with the <IR> Framework. The Board of Directors approved this report on 30 June 2022.

Prof Mark Swilling
Chairman

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

Mr Patrick Khulekani Dlamini
Chief Executive Officer

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

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INTRODUCTION BY THE MINISTER OF FINANCE

"The DBSA's renewed Green Climate Fund accreditation is testament to the excellent work the Bank has done in this regard. It will open more doors for projects that are environmentally sustainable, in line with South Africa's Nationally Determined Contributions. The DBSA is particularly well-positioned to support South Africa's Just Energy Transition Partnership with France, Germany, the United Kingdom, the United States of America, and the European Union, to decarbonise the South African economy in the long term."

South Africa and nations across the globe are beginning to look beyond the COVID-19 pandemic and refocusing on economic growth and sustainability. While the pace and shape of the economic recovery in 2021 varied from country to country, businesses in general anticipated a gradual return to levels of pre-pandemic activity, albeit cautiously and with a keen eye on emerging variants of the coronavirus.

During my tenure as Chairman of the Board of the Development Bank of Southern Africa (DBSA), until August 2021, the Bank deepened its focus on infrastructure development. The Bank's investment in and implementation of infrastructure projects is driven by the tangible difference that they make in the lives of southern Africa's most vulnerable communities.

Importantly, these investments in infrastructure by the DBSA are backed by support for project planning and project management, helping to nurture bankable projects and mobilise private-sector funding. The newly-established Infrastructure Fund under DBSA's auspices is also gaining speed. Furthermore, by capacitating under-resourced municipalities and other organs of state, through projects such as the District Development Model, the DBSA plays an active role in building the foundation needed for faster, integrated and resource-efficient growth in the region.

Notwithstanding these efforts, South Africa's economic recovery faces severe headwinds. The political unrest and rioting in July 2021 negatively affected business confidence locally and internationally. Continuing electricity supply shortages have also dented the growth outlook. Climate-related risks are also materialising. In 2022, devastating floods in KwaZulu-Natal claimed over 450 lives and caused billions of rands worth of damage to homes and communities, and the basic infrastructure they rely on to sustain their livelihoods. In the Eastern Cape, severe drought has lashed farmlands and raised the risk of water shortages.

Globally, continuing supply-chain disruptions and the conflict between Russia and Ukraine have substantially dampened the outlook for global economic growth, and also raised searching questions about the world's food and energy security. As a consequence, the International Monetary Fund revised its global economic growth projections for 2022 and 2023 downward. The consequences of these events will be harshly felt by emerging markets.

On the other hand, commodity-based economies in Africa, particularly those trading in oil, gas and raw materials are likely to benefit from growing global demand for these commodities.

As South Africa develops its green economy in terms of the Just Transition, our significant platinum resources could give us a head start in producing green hydrogen for domestic and export markets. We must capitalise on these opportunities while carefully managing the risks.

Against this turbulent and uncertain backdrop, short-term initiatives must be complemented by the development of infrastructure, here at home and on the African continent. Building and delivering infrastructure is a vital element of the policy response to both the short and long term impacts of the pandemic.

The DBSA's renewed Green Climate Fund accreditation is testament to the excellent work the Bank has done in this regard. It will open more doors for projects that are environmentally sustainable, in line with South Africa's Nationally Determined Contributions. The DBSA is particularly well-positioned to support South Africa's Just Energy Transition Partnership with France, Germany, the United Kingdom, the United States of America, and the European Union, to decarbonise the South African economy in the long term.

Given South Africa's precarious energy status, the DBSA-supported Independent Power Producers (IPP) Office is procuring renewable energy from independent providers to address the country's current energy shortfall, as well as addressing the longer term challenges of climate change and the urgent need to diversify our energy sources.

The DBSA's performance and resilience is due in no small part to the example set by a competent Board of Directors and the CEO, Mr Patrick Dlamini, over the past ten years.

As his term comes to an end in August, we celebrate the solid foundation that he has laid at the DBSA. Mr Dlamini's successor has big boots to fill. The task of steering one of South Africa's better-performing public entities, and keeping it on that path, is not an easy one. I am confident, however, that the momentum the DBSA built-up under Mr Dlamini's stewardship will continue, and I look forward to the DBSA's journey ahead.

Over the next years, we will expect and mandate the DBSA to do more to support government's infrastructure programme, focusing on the maintenance of existing and new infrastructure.

I would also like to commend the management team and the board of directors of the DBSA. Thank you for your dedicated and honest service. You and the organisation as whole provide a sorely-needed example of a well-run State Owned Entity that delivers on its mandate to serve and uplift the people of this beautiful country.

Enoch Godongwana

Minister of Finance

LETTER FROM OUR CHAIRMAN

At the end of another challenging year, I am proud that the DBSA has achieved, and in some cases even surpassed, its targets. It has proven once again that the organisation is ready, willing and sufficiently capacitated to tackle the mammoth challenges facing Africa.

The need to overcome South Africa's developmental challenges is inextricably linked to Africa's economic recovery from the 2008 financial crisis fallout, the COVID-19 pandemic and most recently the consequences of the Russia-Ukraine conflict. Furthermore, our recovery must be equitable and inclusive. The DBSA's experienced leadership and robust governance places it in a strong position to deliver developmental impact and solidify its reputation as a world-class DFI.

IMPACTS ON OUR STRATEGY OBJECTIVES

During the year under review, the protracted effects of the COVID-19 pandemic continued to restrict the DBSA's work. In particular, the strategic organisational imperative of developing a culture of creative collaboration and innovation was more difficult to maintain with staff working from home. Performing due diligence on projects was delayed and obstructed by ongoing international travel restrictions, affecting our ability to prepare and start projects with clients. In certain instances, some clients had to cut their infrastructure project budget allocations to redirect funds to COVID-19 interventions, thereby contributing to the reduction in our construction and maintenance projects portfolio.

Nevertheless, DBSA's leadership supported the organisation in navigating the pandemic landscape and the larger challenges that arose as a result of economies in the region, such as Zambia, struggling to meet their obligations. Fortunately, the Rest of Africa business is geographically diversified and forms a relatively small proportion of the DBSA's book and this helped to limit its impact.

This year South Africa also faced unexpected economic pressure caused by social unrest, mainly in KwaZulu-Natal and parts of Gauteng, that damaged property, businesses and disrupted supply chains during 2021/22. During the same period, some of the construction projects managed by the DBSA were stopped by members of local community business forums who forcefully wanted to be contracted to implement the projects.

The DBSA's operations were also impacted by the Land Bank financial crisis, which limited our access to South African capital markets and affected our cost of funding and competitiveness. Those exposed to the Land Bank were hesitant to increase their exposure to any other sub-sovereign of South Africa until the default was cured, making it difficult to raise funding.

Many countries are emerging sluggishly from the worst of the pandemic, but countries in Africa are particularly affected by high indebtedness, social inequality and, in some cases, instability. The pace of recovery is largely dictated by access to and uptake of vaccines, the latter of which has been lamentably poor in South Africa and the continent. Nevertheless, we are seeing a downward trajectory in daily COVID-19 cases and deaths, leading to a relaxation of restrictions that bodes well for the year ahead.

Against this background we have a new and strong headwind in the form of the conflict between Russia and Ukraine. The effect of this is yet to become fully apparent but is certain to disrupt the upward trajectory we had all anticipated, given the extent of trade between that region and the rest of the world. Inflation is certain to increase as a result, but hopefully can be balanced to some extent by the easing of supply chain disruptions.

OUR ROLE AND OUTLOOK

The DBSA's vision is to build a prosperous and integrated resource-efficient region progressively free of poverty and dependency. We do this by expanding access to development finance and implementing sustainable development solutions. In furtherance of this mandate, the Board strategy session emerged with key strategic focus areas around the Just Transition, the need to scale up and fast-track infrastructure delivery, giving added support to municipalities and the district development model, accelerating black economic empowerment funding for equity and access, giving added impetus on our liquidity and capital management as well as pursuing measures to strengthen our balance sheet. Internally, the focus on digitalisation and human capital interventions are the core pillars of developing a future-fit DBSA that is efficient and client-centric.

We intend to continue our current steady trajectory of increasing our book, increasing investments in BEE and overachieving on our targets, refining our focus on the Just Transition and diversifying our portfolio. The Bank will continue nurturing and supporting the Infrastructure Fund as a way of leveraging private sector investment into infrastructure, while driving our grassroots developmental impacts through the DLabs initiatives and the High Impact Investment Portfolio.

In the medium- to long-term, however, I foresee the Bank's growth taking a significant leap upward. Compared to DFIs in other parts of the world, our R100 billion book as a percentage of South Africa's GDP is far too small. Tripling our book while becoming smarter and more agile will enable a much greater developmental impact. Given the DBSA's need to expand its scale of operation while remaining safely regulated, the Board is exploring ways to have the Prudential Authority exercise oversight over the Bank to align with the rest of the world – other major DFIs are primarily regulated by their respective central banks.

Another key step towards increasing our development impact was the agreement reached in 2021 between the DBSA, National Treasury and the Department of Public Works to set up the Infrastructure Fund, which will become the single biggest blended finance institution in South Africa. In principle, almost R100 billion will be allocated over ten years to enable the fund to leverage R900 billion – a major boost for infrastructure development in the region.

As we have shown already, investing in renewable energy is the quickest path to stable, affordable energy – it also aligns to the global need to decarbonise and mitigate climate change.

All of this mainly speaks to our activities in providing development finance. However, although this is rightly seen as our primary function as a bank, the DBSA also plays an important but often-overlooked role in the collective national effort to rebuild our public sector institutions. This critical work aims to address the collapse and weakness of public sector institutions that hampers their capacity to deliver, and it is an aspect of the Bank that I have come to appreciate even more as a commissioner on the National Planning Commission. The 'poster-child' for our capacity-building role is the IPP Office we set up in 2010/11. That office, which is still supported by the DBSA but located in the Department of Mineral Resources and Energy, has managed the procurement of over R200 billion of investment in renewables, based on the DBSA's efficient and ethical procurement system. The IPP Office provides a model for setting up similar DBSA project management units in other contexts, such as water, health facilities and human settlements. As the discussion turned time-and-again to the need to capacitate underperforming municipalities and other arms of state, it is evident that the DBSA has already been creating these solutions for at least a decade.

ETHICS AND CORPORATE GOVERNANCE

The DBSA maintains an exceptionally high standard of governance and it is widely known that we have a zero-tolerance policy on fraud and corruption. We maintain a strong and effective internal control environment to protect the Bank against this scourge, supported by focused decision-making committees, decisive consequence management and a clear delegation of authority.

There are two key aspects to governance: compliance and ethics. For many organisations, governance stops at compliance, i.e., being aware of the rules and regulations that govern them and their clients, understanding these and ensuring the organisation complies to the letter of the law. In this regard, the Audit and Risk Committee, alongside our risk management team, has done a sterling job of ensuring that the DBSA continues to receive clean audits – at the 2020/21 financial year end, we were the only SOE to lay claim to this achievement.

Ethics takes this one step further and requires an organisation to shape the attitude and behaviour of its people, creating a culture where there are no conflicts of interest or corruption. In my opinion, the DBSA stands head and shoulders above many other organisations in the country in terms of ethics, which is a reflection of robust internal control systems in combination with a strong, sound-minded, and skilled Board and leadership team.

Given the challenging environment in terms of the changes in our access to the capital markets and the impact of weak economic growth on municipalities, I have noticed the Board has become more sensitive to risk, asking deeper and more penetrating questions to keep the risk management team on its toes. This will serve the DBSA well, as we must never become complacent about our governance.

LEADERSHIP AND SUCCESSION PLANNING

During the year under review, succession planning at Board and Executive Management level received a significant amount of attention, given the past and upcoming changes to the leadership teams.

My predecessor, Mr Enoch Godongwana, took on the role of Minister of Finance, and I am privileged to have assumed the role of Chair of the DBSA Board for a second time. However, my tenure and that of some of my colleagues will come to an end around 2023. In preparation, we welcomed a new crop of highly qualified, experienced and diverse members to the Board that significantly enhances the quality of debate and engagement.

We are also preparing for the exit in 2022 of our current Chief Executive after 10 years of exemplary service in this role. We are managing this significant change carefully to avoid any loss of trust or status in the broader financial markets or in the broader political and social context.

I am confident that the upcoming leadership changes will be well-managed in consultation with the Minister of Finance. It is important that we keep sharpening our skillset, and our succession planning strategy for critical roles will minimise risk and serve the Bank well.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Governance (ESG) issues featured prominently in Board discussions during the year. Our Social and Ethics Committee champions a sophisticated ESG framework. In the year under review, we set up a watch list to monitor projects that may not be fulfilling their ESG commitments and covenants with us, in much the same way as the Credit and Investment Committee has a watch list for investments that are at risk of default. We are also enhancing our monitoring systems for environmental impacts.

A key achievement during the year was our reaccreditation by the Green Climate Fund (GCF), following a statement to COP26 outlining our position on the Just Transition. The world is moving away from fossil fuel-based energy towards renewables, and the biggest investors in the world are withdrawing funding from fossil fuels. However, South Africa and other parts of Africa remain dependent on fossil fuels and/or the income from exporting these products. After much introspection and debate, the DBSA settled on a transition finance approach, which will enable those with a large stake in fossil fuels to adjust to green energy over time. However, the qualification criteria for these investments are strict and we will monitor compliance closely to ensure change. Our re-accreditation by GCF opens up green finance avenues as we continue on this journey.

We are also looking to the Just Transition to stabilise the energy grid in South Africa. We are investing heavily in renewable energy, with the IPP Office and NERSA progressing in the vetting of suitable bidders.

A lowlight during 2021 was our low B-BBEE score, which hampered our work in certain sectors. We are working with government to resolve technical issues that contributed to this rating. I am pleased, however, to have exceeded our annual targets for investing in black-owned businesses, especially black women-owned businesses.

While there are always ways to improve our governance and to be more socially and environmentally responsible, we are proud that as an organisation we contribute to almost all the SDGs, as well as the various parts of the NDP Vision 2030 and the AU Agenda 2063.

We are investing heavily in renewable energy, with the IPP Office and NERSA progressing in the vetting of suitable bidders.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express a deep vote of thanks to the DBSA Chief Executive, Patrick Dlamini, for his ten years of service through some very difficult times – probably the longest-serving chief executive of any SOE in South Africa. He skilfully piloted the DBSA through the state capture years, steering us clear of the looting and corruption that remains rampant in so many areas of society until today – the DBSA and the country owes him a great deal of gratitude for his commitment and for his ethical leadership.

I also thank the executive management team for the way in which they supported the DBSA through the pandemic and other major challenges so effectively that many of the strategic targets on the balanced scorecard were not only achieved but exceeded – a remarkable achievement.

I also acknowledge the Board and the committee chairs for their guidance and for their collaborative, collegial and robust approach to working with the executive. Your team cohesion is unique and special, and it is why the DBSA stands out as an organisation. The term of office of Ms Malijeng Ngqaleni as director and shareholder representative has come to an end with effect from 1 April 2022. Ms Maseapo Kganedi also tendered her resignation effective 30 April 2022. We are grateful for their contribution to the Board.

It would be remiss of me to forget the Ministers of Finance, both previous and current, for their support of and understanding of the DBSA during a challenging two years. I also thank the National Treasury for being available to engage with us on issues such as the Infrastructure Fund and the District Development Model – collaborating with you makes for much greater development impact.

Last, but not at all least, I thank all our client institutions and businesses. You understand our role as a developmental institution, not just another bank, and you support our commitment to a wider set of metrics than just financial returns. Together, we move towards shared prosperity on the continent.

Prof Mark Swilling
Chairman

ABOUT THE DBSA

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18 ALIGNING TO GLOBAL, REGIONAL AND NATIONAL DEVELOPMENT PLANS

WHO WE ARE

OUR PURPOSE
To build Africa's prosperity.

OUR MANDATE AT A GLANCE
The Bank's mandate is outlined in the DBSA Act and Shareholder Compact and requires that we:

» Promote economic development and growth, human resource development and institutional capacity building.

» Enhance and protect the financial sustainability of the Bank.

» Embed and monitor a robust governance framework and systems of control.

» Mobilise financial and other private and public sector resources for sustainable development projects and programmes.

» Appraise, plan and monitor the implementation of development projects and programmes.

» Provide technical assistance in the identification, preparation, evaluation, financing, implementation and management of development projects and programmes.

» Mobilise funding for initiatives that minimise or mitigate the environmental impact of development projects or programmes.

» Encourage regional integration and achieve an integrated developmental financing system.

» Address the developmental requirements of the SADC region and the rest of Africa.

» Promote regional integration to support South Africa's commitments to trade agreements with countries across the continent.

OUR DEVELOPMENT POSITION
To bend the arc of history toward shared prosperity.

OUR SHAREHOLDER
The Development Bank of Southern Africa (DBSA) as a development finance institution (DFI) is wholly owned by the government of South Africa.

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

OUR MISSION
The 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 Africa's people.

OUR VALUES

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

» **Service orientation:** We deliver responsive and quality service that speaks to the needs of our clients and continuously build relationships that result in mutually beneficial outcomes.

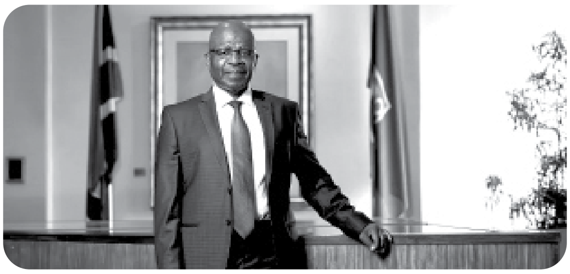
» **Integrity:** Our deals, interactions and actions are proof of transparent and ethical behaviour that show respect and care for all our stakeholders (employees, clients, shareholders, and communities).

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

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

OUR HISTORY

1983 – 1994



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

1994 – 2000

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

2001 – 2006

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

2007 – 2010

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

2010 – 2016

Recognising the socio-economic imperative of regional integration, the DBSA expanded its investment mandate to include regional infrastructure development. Development loans grew to R76 billion with the Rest of Africa (ROA) portfolio accelerating to R17 billion exposure, representing healthy diversification. The DBSA continued expanding its energy sector exposure.

2016 ONWARD

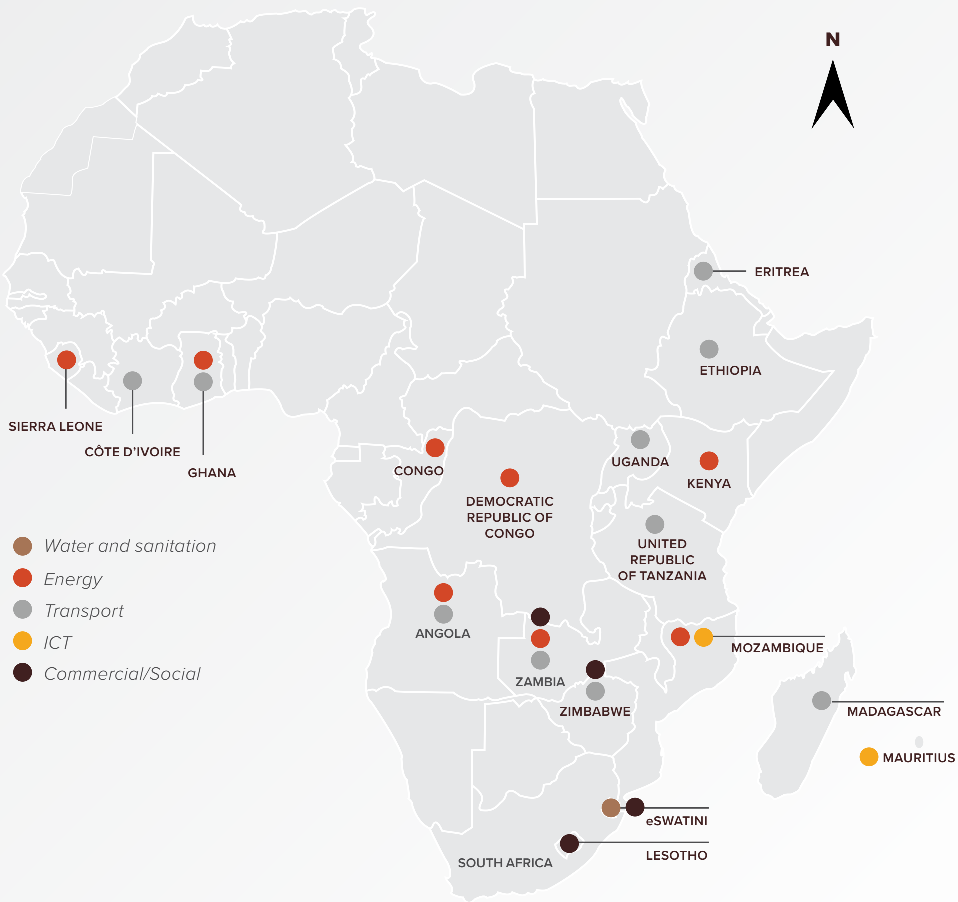
To enhance its developmental impact in the context of a challenging operating environment by catalysing investments by the private sector into public infrastructure, the Bank evolved from a traditional financing DFI to a DFI involved in the entire project life cycle from planning and preparation to financing, building and maintaining. In 2020, the DBSA's total assets exceeded the R100 billion mark.

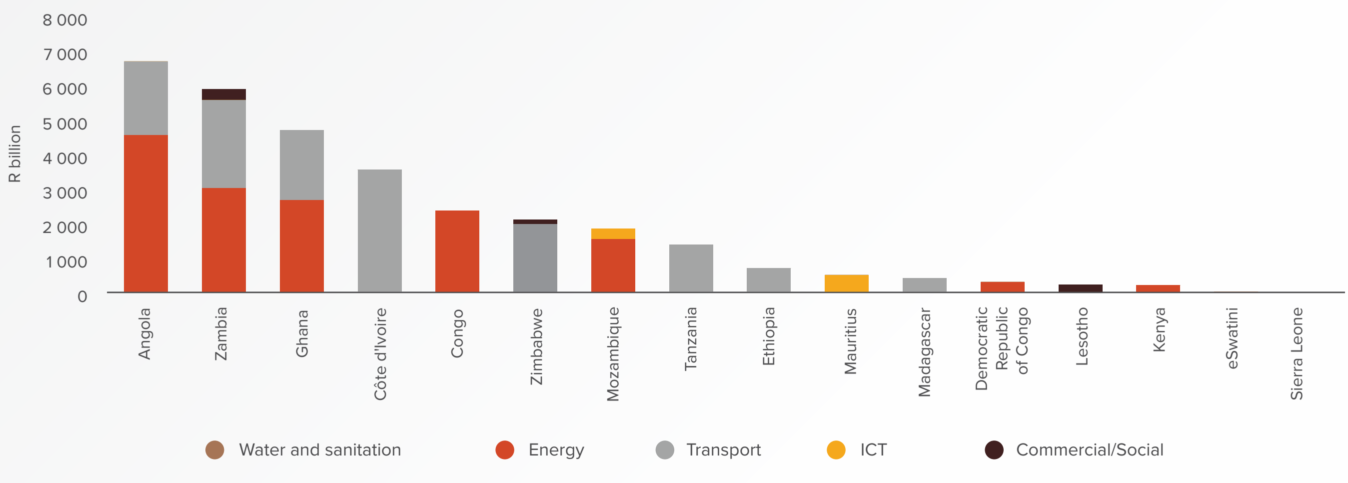
WHERE WE OPERATE

GEOGRAPHIES

The DBSA's balance sheet is mainly South Africa-focused (70%), while the remaining investments are directed towards our Rest of Africa (ROA) clients. South Africa maintains various bi-national 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. Our ROA investments are predominantly aimed at the SADC and include countries outside of SADC for selected Regional Economic Communities, including the tripartite free trade area linking SADC, the Common Market for Eastern and Southern Africa (COMESA) and the UN Economic Commission for Africa (UNECA).

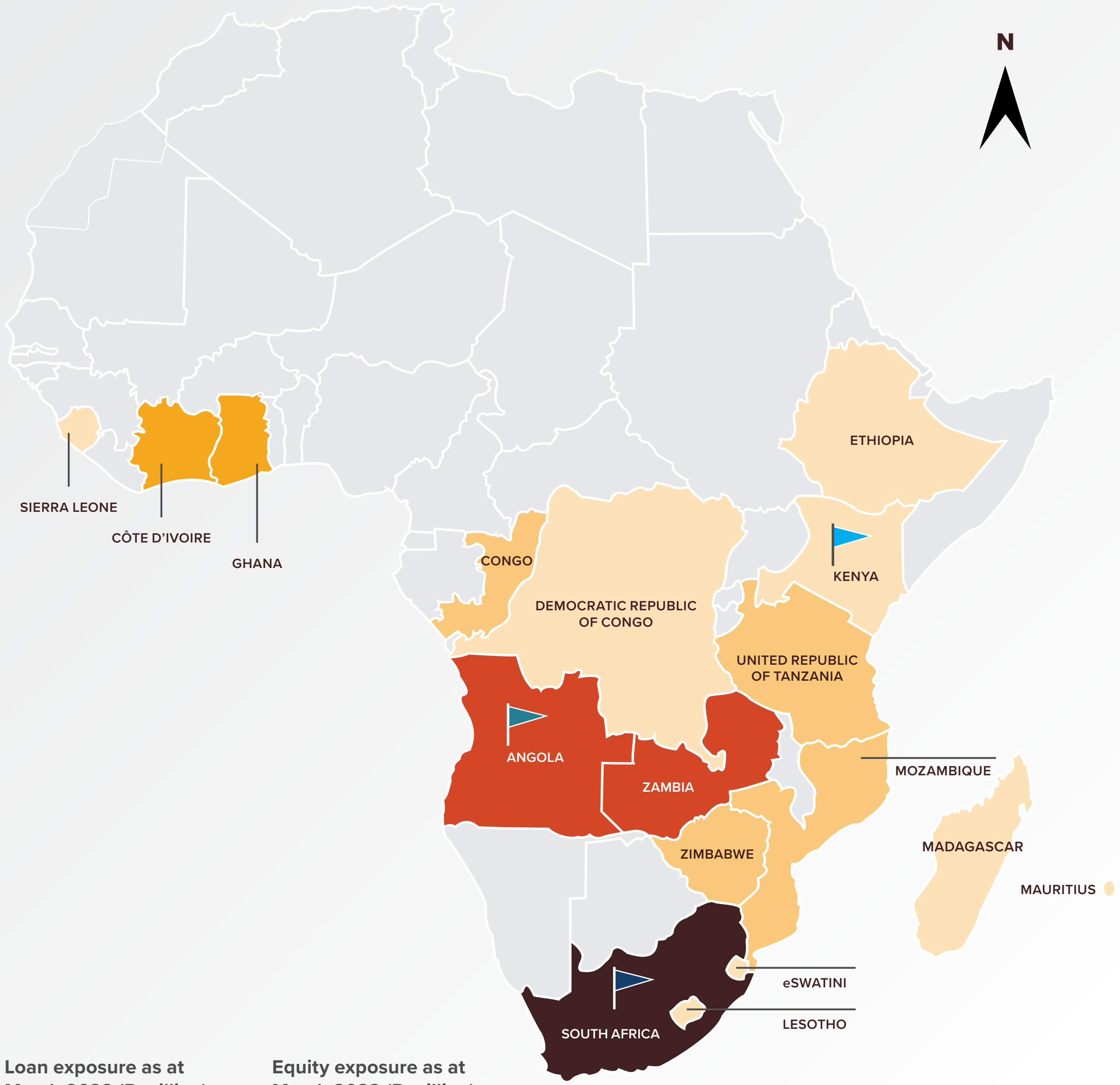
Loan exposure of key sectors excluding South Africa as at 31 March 2022





WHERE WE OPERATE (continued)

DBSA total loan and equity exposure as at 31 March 2022



Loan exposure as at March 2022 (R million)

- 1–698
- 699–2 366
- 2 367–4 695
- 4 696–6 679
- 6 680–78 955

Equity exposure as at March 2022 (R million)

- 0–66
- 67–147
- 148–5 381

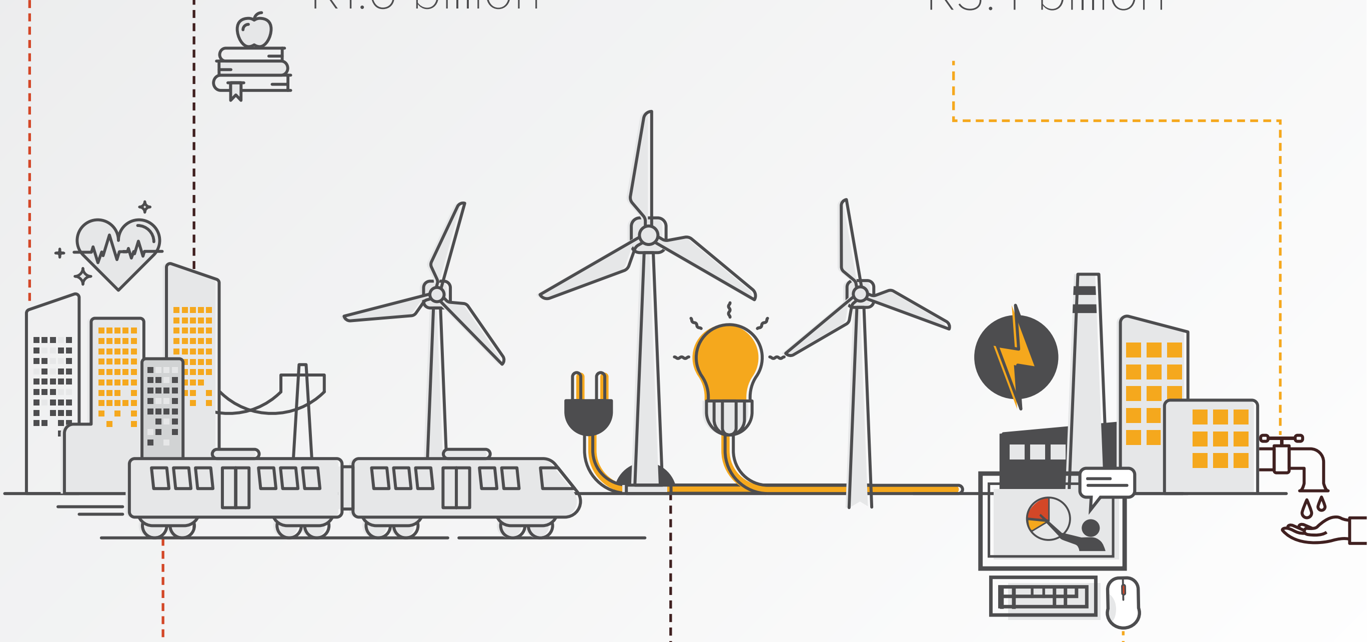
SECTORS

The DBSA's infrastructure development initiatives focus on long-term value creation, including primary sectors as at 31 March 2022:

Social Infrastructure
R5.6 billion

Education
R1.6 billion

Water and sanitation
R3.4 billion



Transport and logistics
R13.9 billion

Energy and environment
R45.5 billion

ICT
R2.7 billion

WHAT WE DO

OUR DEVELOPMENT POSITION

The DBSA's development position outlines our ethos and is the departure point from which the DBSA delivers on its mandate. It informs the long-term trajectory of the DBSA by defining the boundaries of its direction on development and development impact.

To bend the arc of history towards shared prosperity

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

As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated and resource-efficient continent.

This stance progressively advances the common goals for sustainable and equitable well-being. The DBSA will work in partnerships to co-produce impactful development solutions and the sustained platforms of an enabling environment for participation, a sense of purpose, empowerment and deep connections.

The DBSA will bend the arc of history through our continued multifaceted investments in sustainable infrastructure and human capacity development.

OUR INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

The DBSA works across the entire infrastructure value chain, focusing on key long-term strategic interventions.

Plan and prepare	**Plan** » Infrastructure needs assessments » Bulk infrastructure plans » Infrastructure planning advice **Prepare** » Project identification » Feasibility assessments » Technical assistance » Programme development » Project preparation functions	The DBSA Coverage Division identifies investible opportunities by engaging with clients and other key stakeholders, with our Project Preparation Division bolstering project bankability. This is especially important in South Africa, where properly-planned projects are more likely to attract capital, and DBSA's capital often covers the initial high-risk planning and preparation stages.
Finance	**Finance** » Long-term senior and subordinate debt » Corporate and project finance » Mezzanine finance » Structured finance solutions	Most of the DBSA's revenues take the form of interest springing from loans provided to clients, and we strive to attract quality clients to our loan book for the Bank's long-term sustainability. At the same time, we understand that our development mandate requires investment in projects with high social impact alongside financial gain.
Build and maintain	**Build** » Managing the design and construction of projects in social and economic sectors » Project management support **Maintain** » Supporting maintenance/improvement of social and economic infrastructure projects including Total Facilities Management	Our Infrastructure Delivery Division acts as an implementing agent for government entities, to assist government with the procurement, construction and maintenance of infrastructure.

SPECIAL MANDATES

The Infrastructure Fund

The Infrastructure Fund announced by South Africa's President Ramaphosa in 2018 addresses the need for blended finance to enable the effective execution of socio-economic infrastructure programmes and projects in South Africa. Currently housed within the DBSA, the Fund aims to be the centre of excellence in blended finance solutions and a sustainable vehicle for infrastructure implementation in South Africa. It was formally established with the signing of the tripartite MoA in August 2020 by National Treasury, the Department of Public Works and Infrastructure: Infrastructure South Africa (ISA) and the DBSA.

The objectives of the Fund are to:

» Contribute to fixed capital formation in line with the requirements of the NDP.

» Create a sustainable infrastructure development ecosystem.

» Accelerate and scale up catalytic infrastructure development and implementation by supporting project owners.

» Address market failures to improve bankability through innovative structured solutions.

» Maximise participation by the private sector, institutional investors, DFIs and multilateral development banks.

» Alleviate pressure on the fiscus by attracting private capital towards the implementation of infrastructure.

» Unlock additional developmental impact such as job creation, reduction of inequality and poverty.

The District Development Model (DDM)

The DBSA was appointed by the Department of Cooperative Governance and Traditional Affairs in March 2020 as the implementing agent for the DDM for three pilot municipalities: Waterberg, OR Tambo and eThekwini Metro. The DBSA is mandated to assist government with the development of the One Plans and the related Information Management System (IMS) which will host all the metro and district profiles, have dashboard capabilities and provide the development and roll-out of the Shared Services Model, including the Integrated Urban Development Framework.

Objectives:

» Implementing a district-based approach to **speed up delivery** by ensuring that municipalities are properly supported and adequately resourced.

» Improving **integrated planning across government** by formulating and implementing One Plans for each of the 44 Districts and eight Metropolitan geographic spaces, or 52 Impact Zones.

» Ensuring that all municipalities are **enabled to perform their functions and duties** effectively and efficiently by mobilising and making available expertise, key skilled personnel and systems that can be shared between district and local municipalities as needed.

» **Monitoring** the effectiveness of government and the special and development impact on communities in the 52 inter-governmental relations (IGR) impact zones.

What we have achieved:

» One Plans were developed for the three pilot District Municipalities. The catalytic programmes identified for the three regions total R210 billion:

	Value of projects	Jobs to be created
OR Tambo	R14 billion	29 368
eThekwini	R132 billion	612 880
Waterberg	R64 billion	20 400

» The Information Management System hosting environment was procured and is ready for use.

» The Project Management Units (PMUs) are fully established in seven provinces: Limpopo, Eastern Cape, Western Cape, Northern Cape, North West, Free State and Mpumalanga.

Next steps:

» Project implementation

» Roll-out of the DDM to cover all other districts in the country

The Independent Power Producers (IPP) Office

South Africa's National Development Plan (NDP) recognises the need for South Africa to invest in a strong network of economic infrastructure to support the country's short-, medium- and long-term economic, social and environmental goals. Energy infrastructure is a critical component that underpins economic activity and growth across the country, and it needs to be robust, extensive and affordable enough to meet industrial, commercial and household needs.

The IPP Office was established on or about 2011, with the primary mandate to secure electrical energy from the private sector in the form of renewable and non-renewable electricity. It serves this purpose through three interrelated focus areas:

» Being a key procurement vehicle for delivering on the national renewable energy capacity building objectives;

» Taking responsibility for securing electricity capacity from IPPs for non-renewable energy sources as determined by the Minister of Energy; and

» Providing advisory services, related to programme/project planning, development, implementation and financing focused on creating an enabling and stable market environment for IPPs.

The DBSA continues providing operational support to the IPP Office despite its transfer to the Department of Mineral Resources and Energy. The IPP Office mandate of procuring renewable energy providers as part of the Independent Power Producers Procurement Programme (IPPPP) remains intact.

ALIGNING TO GLOBAL, REGIONAL AND NATIONAL DEVELOPMENT PLANS

UN'S SDGS

The United Nations developed 17 SDGs to support its 2030 Agenda, aiming to end poverty and inequality, protect the planet, and ensure peace and prosperity. As a DFI with a domestic and continental footprint, SDGs 6, 7, 9, 11, 13 and 17 are our main priorities, while SDGs 1, 3, 4 and 5 are indirectly supported by our core activities.

Refer to pages 28 to 29 for details on how we support the SDGs.

SADC'S VISION 2027

Regionally, SADC's Infrastructure Vision 2027 establishes a strategic framework to guide the development of a seamless, cost-effective and transboundary infrastructure within southern Africa. This vision is anchored on six pillars: energy, transport, information and communication technologies (ICT), meteorology, transboundary water resources and tourism. The vision is brought to action by the SADC Regional Infrastructure Development Master Plan. The objectives of both Agenda 2063 and Vision 2027 inform the Bank's investment decisions.

AU'S AGENDA 2063

Agenda 2063 is the AU's master plan to transform Africa into the global powerhouse of the future. Signed in 2015 by various African heads of state, Agenda 2063 is a strategic framework to realise the socio-economic transformation of the African continent over the next five decades. While Agenda 2063 focuses on Africa's aspirations for the future, it also identifies critical flagship programmes to boost Africa's economic growth and development, ultimately leading to the rapid transformation of the continent. The DBSA supports the Africa Continental Free Trade Agreement and the North-South Corridor, among others.

SOUTH AFRICA'S NDP 2030

The South African NDP Vision 2030 sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality in South Africa. Accelerated economic growth, a key objective of the NDP, will enable the country's social and economic transformation. The DBSA contributes to the NDP through large-scale infrastructure projects in the energy, transport, water and ICT sectors, as well as by resolving social infrastructure bottlenecks and expanding regional integration.

Refer to pages 28 to 29 for details on how we support the NDP.

HOW WE CREATE VALUE

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"As expected, the year under review was a difficult one. The African continent has been disproportionately affected by the pandemic, where vaccination uptake has been lower than is ideal, and many economies' central fiscus cannot backstop projects. Travelling has not been easy, and we saw our competitiveness decline due to our relatively high cost of funds. We are also working with government on some technical issues affecting our B-BBEE rating."

Despite these challenges, I am pleased with our performance, particularly in terms of financial sustainability. We found sustainable solutions during hard times for clients in countries dependent on commodities and hydrocarbons, such as Angola, Congo-Brazzaville and Zambia, so that they can honour their commitments when the prices of commodities and hydrocarbons improve. We exceeded our return on equity based on sustainable earnings targets and saw our development loans grow. Improved performance will come from expediting disbursements and conditions precedent in future. The restoration of the capital markets will also be critical in improving our ability to raise funds.

We delivered these solid results even though we have been working from home for the past two years, which speaks volumes about the Bank's agility and degree of preparedness to adapt to changes and challenges. We are fortunate not to have lost any of our people to the pandemic, but we have tested our working culture to the limit. Human beings are social by nature, so it is difficult for the culture to be a binding glue between the organisation and its staff when people have to work in solitude. Some people have enjoyed spending more time with their families, although they also experience the disturbances of home life while many were being emotionally affected by the isolation. We engage on technological platforms regularly to keep in touch and stay relevant. I am constantly and increasingly amazed at how our people are continually considering how things can be done differently and how they can step up. This often resulted in unforeseen savings and gains for the DBSA.

Times like these also necessitate partnerships and deep levels of trust. We reached out to our SMART international partners and issued green bonds to reputable organisations such as AFD of France and PIMCO, enabling us to meet our commitments to our clients and remain competitive. This was critical to maintaining and accelerating our development impact and helped us compensate for South Africa's economic fault lines.

We all heaved a collective sigh of relief when the Green Climate Fund (GCF) renewed our accreditation for the next five years for the whole of sub-Saharan Africa, which puts the DBSA in a competitive position to leverage green funding for far greater development impact. This re-accreditation follows a statement outlining our position on the Just Transition, demonstrating our commitment to future relevance and support for an inclusive future economy.

We are continually tracking global trends and imperatives and considering how to align the DBSA and remain relevant as those trends influence our region. DFIs and multilateral development banks will need to work in tandem with governments.

Climate change and biodiversity remain priority on the global agenda, with the developed nations having committed themselves after COP26 in 2021. ESGs will define and provide competitive edges to those who embrace them as soon as possible. Countries that do not minimise investment risk by paying attention to their environment will become unattractive to investors. The DBSA continues to support green investment over carbon-intensive projects, while remaining aligned with the adoption of the government's greenhouse gas emission target. We are also committed to net zero emissions by 2050.

The carbon credit market presents a massive opportunity to South Africa, provided the proper regulatory framework is put in place by government. It need not take long for us to minimise our carbon footprint. Of the 54 countries on the continent, South Africa is particularly well placed to take hold of these opportunities, with much of its enormous land mass readily available without the need of deforestation and its natural abundance of sun and wind providing a ready source of renewable energy.

Green hydrogen will undoubtedly be a key driver of future economies. In many cases, the green technology to solve existing infrastructure challenges already exists – it simply requires robust engagement between the public and private sector. As a DFI we have a duty to help our clients and governments across the continent to exploit the opportunities associated with this change. In addition, South Africa has over 70% of the global platinum reserves – platinum being a key component in electrolysers for green hydrogen. We anticipate growing demand from local industry and from international operators using greener fuels, particularly those docking at South Africa's ports of entry. However, the exploitation of these opportunities requires investment in infrastructure.

We delivered these solid results even though we have been working from home for the past two years, which speaks volumes about the Bank's agility and degree of preparedness to adapt to changes and challenges.

With rampant unemployment in South Africa, particularly among the youth, the pandemic has exacerbated the country's already high inequality and reinforced the need for countercyclical investment on the continent. DFIs such as the DBSA are expected to provide a beacon of hope amid the weak economic environment. Infrastructure is a prominent driver of economic growth, with a strong infrastructure landscape the bedrock of socio-economic development.

If the DBSA is to step up as a DFI, we need to take more risk and leverage our equity far more. Our gearing ratio is currently limited to 2.5 times, but private sector banks are allowed a substantially higher ratio. If the DBSA could implement a similar ratio, based on existing equity our investment capacity could expand to at least R400 billion. We would, however, require oversight that is sufficiently capacitated to ensure that the Bank doesn't inadvertently create unnecessary risk for the country's economy. Moving to be regulated by our central bank, as is the norm with many other leading DFIs, would make this possible. We have embarked on the exploratory phase of our project to improve the liquidity of our paper (reliant on the capital market) and have received support from the Ministry of Finance to engage with the South African Reserve Bank (SARB).

As we look ahead, we are excited to see SARS reporting that it is exceeding its revenue collection targets, which augurs well for the central fiscus and the government's ability to offer social services. We will continue working with our stakeholders to improve the governance, environment and capacity of SOEs, municipalities and government departments, because the economy can only work well if these entities are strong.

As the DBSA, we can also only be what we are and what we aspire to be in the future through our most precious asset: our people. It is therefore critical that we remain cognisant of the evolving nature of succession planning to minimise risk. This means maintaining a sharp skillset and looking after our people, rejuvenating the energy in the Bank to ensure they continue to take pride and interest in their jobs. Of no less importance, we must also maintain the highest ethical standards in our organisation's culture through our robust internal control systems and zero tolerance for breaches of governance.

As my term at the DBSA's helm draws to a close in 2022, I reflect on the highlights from my ten years in office with deep gratitude to those who were part of this journey. The Bank has achieved so much financial sustainability and development impact and the future that awaits, if we step up as an institution, is dazzling. We received global recognition from our fellow DFIs in the International Development Finance Club (IDFC), the Association of African Development Finance Institutions (AADFI) and the Southern African Development Community – Development Finance Resource Centre (SADC-DFRC). We have been honoured by being placed into leadership positions in these structures. The World Economic Forum (WEF) also recognised us in ways we could not have anticipated. We have achieved this because of the dedication, drive and commitment our team was able to demonstrate to the continent and the world.

It has been a privilege to lead an institution such as the DBSA, where we work towards shared prosperity by bending the arc of history. I came in as a complete outsider with little banking experience, and I am deeply humbled by the faith the Board placed in me to lead this great organisation. I am indebted to the team that allowed themselves to be led by me, and for my colleagues at executive and senior management level.

Furthermore, I thank the Board of Directors for their leadership and oversight, especially the Chairman for his sterling stewardship. Individual Board members led us with incredible strength, and we are lucky to have individuals who show such passion for development.

I am grateful for the strong support and robust engagement with the South African government, especially the Minister of Finance and our National Treasury colleagues. I hope they will continue to support the Bank over the next ten years as they have supported us during my tenure.

Our international and strategic partners deserve applause, particularly those that buy our paper and extend the lines of credit that make it possible for the Bank to deliver. We will continue to be a relevant partner for you and continue challenging ourselves to be the best possible DFI. I extend a special thanks to AFD in France for always being ready to offer support.

The role played by every individual makes the DBSA what it is. You are the pride of many South Africans, as well as the National Treasury, the Minister of Finance and the rest of government.

Team DBSA, thank you for your outstanding work. I also acknowledge Paul Currie for his contribution to the DBSA before retiring. The role played by every individual makes the DBSA what it is. You are the pride of many South Africans, as well as the National Treasury, the Minister of Finance and the rest of government. I hope you will continue to show that commitment and drive, ensuring we play a meaningful role in building a country that is inclusive, giving youth a sense of pride and ensuring that no man or woman feels left out of the economy; and that we continue to work across many parts of the continent. We contend with much poverty, unemployment and inequality but, if we continue to play our part, I am positive we will be able to take advantage of all these opportunities in the near future.

Having helped lay a solid foundation that sets this Bank apart, I have no doubt in my mind that we have the leadership, the team and the skillset to take this institution to an even brighter future. I wish the Bank everything of the best. You really have made an indelible mark in my heart and my mind. I thank you very much for that.

Mr Patrick Khulekani Dlamini

Chief Executive Officer and Managing Director

OUR VALUE-CREATION MODEL

THE CONTEXT FOR OUR BUSINESS MODEL

The DBSA does not operate in a vacuum. Who we are, how we act and what we do is influenced by several factors:

Our external environment

The macroeconomy (local, regional and global) as well as international trends such as technological change and environmental awareness, inform the Bank's approach to addressing socio-economic development needs.

Refer to pages 39 to 42

Our stakeholders

We exist to create a prosperous, integrated and resource-efficient continent. Our key stakeholders, including clients, employees, and communities, both contribute to our value creation efforts and benefit from them.

Refer to pages 56 to 61

Our top risks and opportunities

There are factors, both internal and external, that can endanger the Bank's value creation activities if not mitigated properly, or bolster our performance substantially if the Bank can take advantage of them.

Our top risks include:

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

The opportunities available to us include:

» Leveraging opportunities presented by the green economy
» Crowding in private sector investment in collaboration with the Infrastructure Fund
» Growing black industrialists in the infrastructure sector

Refer to pages 45 to 55

Our material matters

Material matters are issues that impact on our ability to create value in the short-, medium- and long-term and are classed according to the following impacts:

» Economic impact
» Environmental impact
» Social impact

Refer to pages 43 to 44

OUR APPROACH TO RESOURCE MANAGEMENT

Purpose-driven

Our ability to create value depends on our management of the six capitals as outlined in the <IR> Framework, which is the value we create for our stakeholders. We allocate resources based on our mandate as a development bank, our development position and our alignment with national and regional sustainable development strategies. The outcomes of our value creation process therefore contribute to the NDP at a national level, the AU Agenda 2063 and Vision 2027 on a regional level, and the SDGs at a global level.

Refer to pages 28 to 29

Supported by strong governance, ethics and leadership

Our ability to create value and deliver sustainable development impact is contingent on our financial sustainability and the pervasiveness of robust governance, ethics and integrity. Solid leadership is the foundation of our value creation process.

Refer to pages 116 to 129

Trade-offs

Strategic trade-offs, hard as they oftentimes are, are key to ensuring we remain relevant and are well positioned for the future. A critical part of the Board's role is to balance the short-, medium- and long-term and make tough decisions to create long-term value. In the process of doing so, certain key trade-offs need to be made. Some of the significant trade-offs we have had to make are listed below together with the strategic rationale for doing so.

Trade off	Details	Capitals impacted
1. The trade-off between profitability and development impact	Delivering sustainable financial outcomes is intrinsically linked to the extent to which we make significant progress in strategy execution, risk management and operational excellence. Financial outcomes are not the end goal of a DFI and need to be complemented by tangible development outcomes that transform society and the environment we operate in.	FC SRC
2. Portfolio realignment in response to climate change	This is the imperative of refocussing our lending and financing activities for sustainability to align with our ESG imperatives that purposefully leads us to making tangible differences to society and the environment. Meeting net zero by 2050 is a key objective with key milestones built in to be achieved by 2030. As an organisation, we took the pragmatic route where we will provide transition finance to existing fuel structures where necessary, with the clear understanding that they must achieve certain ESG goals and targets in the move to green energy. This is a fundamental business model shift we are making.	FC SRC NC
3. Employee value proposition and the workforce of the future	In the ever-changing world of work, we are constantly looking at ways to enhance our employee value proposition while maintaining a high performance culture. This has become an imperative in the COVID-19 induced work-from-home environment. Maintaining high productivity levels, ensuring employee engagement and overall mental health remain key. As we digitise, it will require us to reskill employees in the traditional administrative roles to increasing their employability within and outside the DBSA.	FC SRC HC
4. Capital allocation and prudent risk management	Our ability to attract the capital we need to invest in the growth of quality assets is inextricably linked to providing a commensurate rate of return to our debt funders and other capital providers. This requires a delicate balancing of our revenue generating ability with the associated costs. Furthermore, the prudent allocation of capital to various markets will sustain our financial performance, balance the risk-return pendulum and ensure that we build balance sheet resilience for the future. Having a strong balance sheet not only supports growth but underpins key development outcomes and shields the Bank from sudden and unexpected downside risks.	FC
5. Executive remuneration	The Board considered the need to align our pay practices with shareholder expectations and the importance of retaining management-level employees. Accordingly, there is ongoing engagement between the shareholder and the Board on appropriate schemes to mitigate emerging retention risks. Against the background of strong operating performance under the leadership of the executive team in FY2021, following subdued performance in FY2020 driven by the impact of COVID-19 provisions, the Human Resource and Remuneration Committee approved a profit pool pay-out to all DBSA staff. Our remuneration policy is evolving to incorporate the critical link between remuneration, value creation, and key performance indicators within the social, economic and environmental context.	FC SRC HC IC

OUR VALUE-CREATION MODEL (continued)

TURNING CAPITALS INTO VALUE

Our capital inputs

SOCIAL AND RELATIONSHIP CAPITAL

Our relationships with clients, funders, partners and government

» **16 countries** in which we have active exposures

» **87 municipal clients**

See pages 97 to 102 for more information

SRC

HUMAN CAPITAL

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

» **604** permanent employees and long-term contractors

» **129** employees supported in the agencies we manage

See pages 103 to 111 for more information

HC

INTELLECTUAL CAPITAL

Our brand, innovation capacity and experience

» Almost **40 years' experience** in infrastructure development

» Knowledge derived from due diligence, project conceptualisation and development, credit granting and post-investment processes

» Risk identification and management

» Development of enabling financial products

See pages 93 to 96 for more information

IC

MANUFACTURED CAPITAL

Our business structure and operational processes

» Physical and digital infrastructure

» The DBSA campus

See pages 112 to 114 for more information

MC

FINANCIAL CAPITAL

Our equity and debt funding from investors and clients

» **R42.9 billion** capital and reserves

» **R4.5 billion** cash generated from operations

» **R55.5 billion** financial market liabilities

See pages 75 to 92 for more information

FC

NATURAL CAPITAL

Our natural resources

» **0.4 megawatts** of electricity consumed

» **2 573 kilolitres** of water consumed

See pages 112 to 114 for more information

NC

Our core business activities

» Plan

» Prepare

» Finance

» Build

» Maintain

Key sectors

» Transport and logistics

» Energy and environment

» Water and sanitation

» Information and communications technology

» Education

» Health

» Human settlements

Our outputs

Safeguarding the Bank's sustainability

- **R100 billion** total assets (2021: R100 billion)
- **R3.8 billion** net profit (2021: R1.4 billion)
- **R4.5 billion** cash generated from operating activities (2021: R4.5 billion)
- **R22 million** training and development spend (2021: R15 million)

Local government

- **R4.5 billion** total disbursements to five metros, small metros and intermediate cities (2021: R4.8 billion)
- **R2.1 billion** infrastructure unlocked for under-resourced municipalities (2021: R1.4 billion)

Social sector

- **R696 million** disbursed for social infrastructure (2021: R155 million)
- **R3.3 billion** infrastructure delivered (2021: R2.6 billion)
- Cumulative **R122 million** to COVID-19 response programmes in South Africa and the SADC region

Economic sector

- **R3.4 billion** disbursed for economic infrastructure (2021: R4 billion)
- **R10.0 billion** of third-party funds catalysed in South Africa

SADC and non-SADC

- **R4.3 billion** total disbursements for the rest of Africa (excluding South Africa) (2021: R4.5 billion)
- **R5.1 billion** of third-party funds catalysed in the Rest of Africa (2021: R7.5 billion)

See pages 62 to 74 for more information

Our outcomes

- Facilitating the **Just Transition** through increased investment in renewable energy
- Safeguarding the Bank's financial **sustainability**
- Promoting **energy security, tackling water scarcity, facilitating economic activity, and quality of life** on the continent
- Facilitating **regional integration** to stimulate economic growth in Africa
- Augmenting service delivery through financial support and capacity building for **municipalities and government departments**
- Creating **jobs** and supporting black businesses

Our trade offs

Trade off	Capitals impacted
1. Portfolio realignment in response to climate change	FC SRC NC
2. Employee value proposition and the workforce of the future	FC SRC HC
3. Capital allocation and prudent risk management	FC
4. The trade-off between profitability and development impact	FC SRC
5. Executive remuneration	FC SRC HC IC

See pages 24 to 25 for more information on trade offs

HOW WE SUPPORT THE NDP AND SDGS

Globally, there is a growing drive for environmentally and socially sustainable development. The goals that the DBSA contributes to, including the SDGs, Africa Agenda 2063 and the NDP, are broadly aligned in their focus on people, prosperity, planet, peace and partnerships.

DIRECT

The DBSA supports six of the 17 SDGs directly, and by implication, the South African government's efforts towards our revised Nationally Determined Contributions (NDCs) in terms of the Paris Agreement.

SDGs	NDP outcomes	The DBSA's contribution
6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all	**NDP outcome 8** Sustainable human settlements and improved quality of household life	» Funding bulk water reticulation and sanitation infrastructure » Conducting post-implementation reviews » Providing implementation capabilities for water and infrastructure development in municipalities, such as raising the Tzaneen Dam » Managing the delivery of appropriate sanitation infrastructure in public schools in South Africa » Water research
7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	**NDP outcome 6** An efficient, competitive and responsive economic infrastructure network	» Managing the IPP office » Preparing and funding IPPs » Preparing and funding renewable energy programmes » Providing planning and implementation support to under-resourced municipalities » EGIP project » Gauteng rooftop solar programme » Energy research
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	**NDP outcome 6** An efficient, competitive and responsive economy	» Funding various water and sanitation, renewable energy, mass transit and ICT projects » Manage the revitalisation of industrial parks, including economic zones in Eastern Cape, Limpopo and Free State
11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	**NDP outcome 8** Sustainable human settlements and improved quality of household life	» Implementing the Housing Impact Fund » Supporting urban development programmes » Financing municipal infrastructure » Implementing Ekurhuleni infrastructure programme
13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	**NDP outcome 10** Protecting and enhancing our environmental assets and natural resources	» Funding IPPs » Resourcing regional hydroelectric projects » Promoting embedded power generation » Making the Climate Finance Facility available to clients across the continent
17 PARTNERSHIPS FOR THE GOALS Strengthen the means of implementation and revitalise the global partnership for sustainable development	**NDP outcome 11** Create a better South Africa, contribute to a better and safer Africa in a better world	» Partnering with global and regional DFIs » Participating in the Association of African Development Finance Institutions (AADFI) leadership structures » Participating in the International Development Finance Club (IDFC) leadership structures

INDIRECT

SDGs	NDP outcomes	The DBSA's contribution
End poverty in all its forms everywhere		» Support emerging contractors (SMMEs) in the delivery of infrastructure » Provide programme implementation agency services to government departments and municipalities in South Africa to enhance delivery of social and economic infrastructure
Ensure healthy lives and promote well-being for all across all ages	**NDP outcome 2** A long and healthy life for all South Africans	» Funding one private healthcare group » Implementing infrastructure projects on behalf of the Department of Health: health projects including hospitals, clinics and nursing facilities under construction
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	**NDP outcome 1** Quality basic education NDP Outcome 5 A skilled and capable workforce to support an inclusive growth path	» Implementing infrastructure projects on behalf of the National Department of Basic Education and Provincial Education Departments: education projects including schools under construction » Funding student accommodation: three student accommodation projects » The DBSA Development Laboratories (DLabs)
Achieve gender equality and empower all women and girls		» 36% of procurement spend in projects where the DBSA serves as an implementing agent was on black women-owned suppliers
Promote inclusive and sustainable economic growth, employment and decent work for all	**NDP outcome 4** Decent employment through inclusive economic growth	» Implement our development impact mandate » A total of 9 230 employment opportunities were created in projects implemented by the DBSA

Secondary

SDGs	NDP outcomes	The DBSA's contribution
Reduce inequality within and among countries		Funding of projects across Africa, including: » Koira public schools in Côte d'Ivoire » Vocational training centres in Ghana » The Kinguele Aval Hydro Power Project in Gabon » The Sambangalou Hydro Power in Senegal » TransNamib's ISBP Project

OUR ESG CONSIDERATIONS

The DBSA is highly committed to creating shared value as this is integral to our mandate as a DFI and contributes to the sustainability of our business, our markets and our communities. This resonates with our vision and affirms our commitment to Africa's growth and to forging a sustainable growth path for the continent that benefits both current and future generations.

Our Environmental, Social and Governance (ESG) approach has multiple pillars that respond to the challenges facing our nation and continent and find translation in our overall strategic focus areas.

We have taken a step change in our approach to ESG matters by accentuating climate change and biodiversity with a specific focus on net zero and financial inclusion through prioritising black-owned business across gender lines. The Board continues to engage in discussions about ESG, ESG trends, and best practices, with the primary objective of assisting management in better connecting with global ESG challenges and opportunities that are relevant to the Bank's day-to-day operations, strategy and risk profile. ESG is measured using a subset of non-financial performance indicators, which include ethical conduct, corporate governance issues and measuring sustainability including the DBSA's own carbon footprint.

ESG is an ever-evolving area, and the Board will continue to improve the depth and breadth of ESG and digitalisation and innovation skills available to us.

CLIMATE CHANGE AND NET ZERO

A critical element of working towards net zero is establishing a baseline built on robust and accurate data from which to measure our GHG emission-reduction pathway across our credit extension portfolio and our internal operations. During the year under review, we re-assessed our development loans portfolio and updated our baseline. It is against this baseline that progress will be measured and tracked.

The Social and Ethics Committee has further developed a watchlist of potentially environmentally unfriendly transactions and those projects that are at risk of not fulfilling their ESG commitments and covenants, and then monitor these projects closely on a quarterly basis.

Our Integrated Sustainable Finance Approach was also instrumental in securing our re-accreditation by the Green Climate Fund (GCF) in the year under review, which will create numerous additional green finance opportunities for the Bank in the coming years.

The Bank has further issued a statement that commits to net zero target by 2050. Our glidepath towards 2050 will be informed by a science-based approach. An Exco-led Steering Committee has been established for these purposes. This process will complement our Integrated Just Transition Framework and assign medium- to long-term targets for priority sectors.

DBSA'S JUST TRANSITION POSITION STATEMENT

The DBSA is committed to playing an active role in a Just Transition that achieves net zero emissions by 2050. This commitment extends to adopting activities and initiatives that contribute towards the global target to drive greenhouse gas emissions to Net Zero whilst building a fairer and more inclusive economy for women and marginal communities, and managing the impact on those workers negatively affected by the move away from affected sectors. We are developing an integrated sustainability approach. As part of the DBSA's approved Integrated Just Transition Investment Framework, we will incorporate the Bank's net zero pathway, which will include details of the DBSA's net zero GHG emissions targets across our total investment and loan portfolios. This is in alignment with the South African government's net zero targets as detailed in the Nationally Determined Contribution.

Our strategy and operations are guided by international sustainability policy positions (including global commitments made by the South African government), national economic and sustainability policy positions, the DBSA's mandate and sector focus, the DBSA's climate policy frameworks, our Green Bond framework, as well as the infrastructure development needs in the region. As a leading DFI in the region, the DBSA is well placed to ensure that a transition to a net zero target is a Just Transition. This means that the DBSA will provide transition finance and will not support new fossil fuel investments which are not part of a clear and unambiguous Just Transition plan to a decarbonised future.

Over the years, the DBSA has made a concerted effort to address climate change and contribute to the broader low-carbon aspirations of South Africa and the rest of Africa by supporting and investing in initiatives aimed at climate change mitigation and adaptation. The DBSA was instrumental in the development of the Renewable Energy Independent Power Producers Programme (REIPPP) by funding the establishment and administration of the Independent Power Producer Office, resulting in investments of over R200 billion and the creation of 50 000 jobs in the REIPPP. The DBSA, through its accreditation to the Global Environment Facility (GEF), and the Green Climate Fund (GCF) has implemented innovative programmes which support the transition to a low carbon economy. The Climate Finance Facility is a lending facility established to encourage private sector investment in climate-related projects in Southern Africa and the Embedded Generation Investment Programme, a facility that supports embedded generation renewable energy projects in South Africa.

REPUTATIONAL MATTERS

In July 2021 the Board and Executive Management engaged with the Standing Committee on Public Accounts (SCOPA) following much-publicised allegations of corruption and state capture at the DBSA. This engagement gave public representatives great comfort that the DBSA acted lawfully. The Board and Executive Management engaged with our providers of capital following the SCOPA engagement to further reassured them of the premium attached to good governance in the DBSA.

In time, we will assess whether residual reputational risk remains.

The Board also responded to queries from providers of capital and bondholders, domestic and abroad on the DBSA's approach and response to climate change. This culminated in the DBSA issuing an unequivocal positioning statement on net zero that was delivered at COP26 in Glasgow. The detailed statement is available on page 31.

SUCCESSION PLANNING AND BOARD AND LEADERSHIP PROFILE

The Board discussed the robustness of succession planning both at board and executive level. Board diversity and depth of skills were reflected in our 2022 Integrated Report and are further reflected on pages 118 to 120 of this report. Through the Nominations Committee, we continue engaging the shareholder on Board succession matters to ensure that there is continuously smooth transitions as terms expire. Succession has also been directed at the executive management level with the recent retirement of our CIO, the imminent departure of our Chief Executive and other imminent changes on the horizon. The Board has a responsibility and is committed to ensuring that seamless transition is achieved.

TRANSFORMATION AND FINANCIAL INCLUSION

The Board continues to drive for ongoing progress on measurable support for black-owned businesses in the infrastructure space. Attention is further being given to tangible interventions in the small, medium and micro businesses area. This remains a key focus of the Board, with ongoing positive trends reported to date.

PANDEMIC MANAGEMENT

Since the advent of COVID-19, the Bank elevated this into a strategic risk and a dedicated task team under the leadership of our Chief Risk Officer was established. The proactive and vigilant stance adopted, characterised in the main by a work from home strategy, has ensured that the DBSA has not lost any staff member to the pandemic. Our human capital team has also played a pivotal role in ensuring that the mental health issues of our staff received attention. Regular health pods were arranged and our employee wellness programme stood ready at all times to assist affected staff. Our culture, the glue that binds us together, has been tested and will continue to receive attention in the year ahead.

ESG OUTCOMES

We are reasonably satisfied with the commitments and progress being made in terms of ESG and the various focus areas. These are at the core of our mandate. The DBSA's exemplary record of achievement in these areas is testament to our commitment to promoting inclusive and sustainable economic development, growth and regional integration through infrastructure finance and development that improves the quality of life for people in Africa.

OUR STRATEGY

The DBSA's mandate requires the Bank to maximise development impact through infrastructure development, financing and capacity development, both in South Africa and across the African continent. Infrastructure development serves as a catalyst for structural change within the South African economy and the rest of Africa, while advancing inclusive transformation.

In October 2021, the DBSA refreshed its strategy in response to the countercyclical role that DFIs are expected to play during the difficult economic circumstances created by the pandemic and other global ructions. As a DFI, our stakeholders enable, extend and inform our reason for being. Our updated strategy was crafted with them front-of-mind.

Our strategy leverages the Bank's ability to conceptualise infrastructure projects through a programmatic approach, which is a powerful means of solving pressing socio-economic challenges at scale and driving the implementation of government's policy priorities.

OUR STRATEGIC INTENT

We accelerate infrastructure development, thereby advancing equitable socio-economic growth by acting as:

Conceptualiser

The DBSA identifies and formulates development programmes that align all the parties involved for better outcomes. The programmatic approach taken by the DBSA ensures that individual projects work together to solve Africa's challenges.

Catalyser

The DBSA attracts private sector infrastructure investment to accelerate infrastructure development and service delivery. Third-party funds amplify the impact of new and existing projects.

Implementer

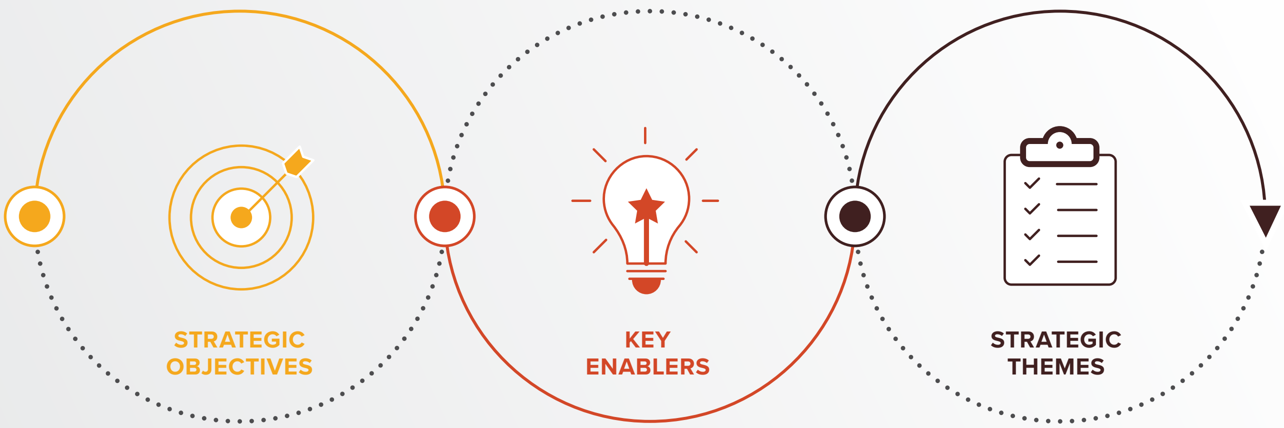
The DBSA prioritises projects that deliver tangible solutions in line with our development position.

The Bank also augments the state's capacity to execute large-scale infrastructure development initiatives.

Response to dynamic environment

The DBSA's projects range from large-scale multi-national projects that build regional relations, to smaller projects for local municipalities. By being agile in our work and strategy, we ensure the long-term sustainability of the Bank.

OUR STRATEGY IN ACTION



STRATEGIC OBJECTIVES

- Financial sustainability
- Accelerate development impact
- Build a future-fit DBSA
- Smart partnerships

KEY ENABLERS

- To raise funding at an optimal cost
- Operational excellence
- Boost and develop key partnerships
- Good governance
- Influence regulatory and policy environment

STRATEGIC THEMES

- Inclusive economic recovery in South Africa
- Strategic Rest of Africa lens
- Doing things differently

STRATEGIC ACTIONS

The following focus areas support our strategy within the current economic and business environment:

<table>
<tr><th>Strategic themes</th><th colspan="2">Inclusive economic recovery in South Africa</th><th>Strategic Rest of Africa lens</th><th>Doing things differently</th></tr>
<tr><td>Growth areas</td><td>Pursuing green growth for sustainability and resilience</td><td>Strengthening infrastructure to support economic expansion and an equitable society</td><td>Pursuing sound Rest of Africa strategy</td><td>Enhancing operational excellence</td></tr>
<tr><td rowspan="7">Strategic actions</td><td colspan="3">Navigating the Just Transition</td><td></td></tr>
<tr><td colspan="4">Scaling-up and fast-tracking infrastructure development</td></tr>
<tr><td colspan="2">Intensify and accelerate equity funding for transformation</td><td colspan="2"></td></tr>
<tr><td colspan="4">Liquidity and capital management</td></tr>
<tr><td colspan="2">Municipal and DDM</td><td colspan="2"></td></tr>
<tr><td colspan="4">Improving balance sheet</td></tr>
<tr><td colspan="3"></td><td>Building a fit-for-purpose DBSA</td></tr>
</table>

Navigating Just Transition towards net zero target

In line with the Paris Agreement, the DBSA is committed to playing a role in the South African and African transition to a net zero carbon emission target. Currently the DBSA's energy portfolio is comprised of a combination of coal exposure through the state utility, oil and gas and renewables (wind, solar, hydro, biogas). Other climate impacting exposures predominantly reside in our transport and water and sanitation portfolios.

The Integrated Just Transition Investment Framework adopted by the Bank in 2021 is aimed at ensuring that the energy transition is just, equitable and underpinned by a purposeful shift from an extractive economy to a regenerative economy as well as to ensure that the negative impact of the transition on communities that depend on these energy producing assets is minimised. At its optimum, this transition should achieve a diversified economy and lead to green industrialisation.

Ongoing activities will be coordinated through a cross-functional Just Transition Exco Steering Committee, which will guide the development of the most appropriate climate-related goals, the adequate execution thereon and timeous measurement of these goals.

A 'Green Deep Dive' to review the Bank's existing portfolio of projects and determine what portion of the portfolio maybe defined as 'Green Finance', was completed during the year. Additionally, the green deep dive provided information on the tenor of the fossil fuel projects in order to indicate the carbon intensity of the Bank's portfolio over the next few years and support the development of targets for transitioning the DBSA book to the adopted position by 2050 in a responsible manner with transition planning set to include 2030 milestones. The DBSA issued a position statement for the Just Transition and net zero pathway that is aligned to national policy positions.

Scaling up and fast-tracking infrastructure development

South Africa's investment towards gross fixed capital formation has been in decline for several years falling far below the 30% Ambition set by the National Development Plan 2030 (NDP). Various government policies (including the NDP and the Economic Reconstruction and Recovery Plan) place infrastructure firmly at the centre of South Africa's economic recovery, particularly the post-COVID-19 recovery plan.

The DBSA currently supports government in leveraging skills and capabilities to accelerate the implementation of a number of infrastructure programmes, through the provision of project management and implementation agent support in key priority sectors of education, health, and human settlements, as well as various municipal infrastructure programmes.

The Infrastructure Fund (IF), as a blended finance platform, seeks to create a high degree of transparency and predictability and build trust between government and the private sector. There is also an urgent need to institutionalise the Infrastructure Fund to create more policy certainty for blended-finance projects and gain market confidence. The District Development Model seeks to enhance government's service delivery efforts across South Africa to build thriving communities. To this end, the DBSA will strengthen its leading role as a market signaller, as an integrator and as a frontrunner and leader in best practice. The DBSA also adopted an integrated approach to municipal development that will see us initially partner with select municipalities to offer a holistic suite of products and services. We see this as part of the transformation required to turn around municipal fortunes. This approach needs to be complemented by an increase in the pace and quantity of our disbursements and enhance the non-lending support we provide to municipalities.

OUR STRATEGY (continued)

Three-year objectives:

- Supporting the National Infrastructure Plan 2050.
- Pursuing IF institutionalisation engagements with National Treasury in order to stimulate private sector interest to co-invest in infrastructure projects.
- Placing the DBSA's value proposition for project preparation, funding and implementation of government programmes and projects at scale.
- Providing efficient and effective planning and procurement to enable accelerated programme/project initiation and execution.
- Functional municipalities.
- Pursuing the front-loading of municipal infrastructure grants.
- Making full use of the opportunity presented by the roll-out of the DDM to the remaining district and metro municipalities to support government with spatial restructuring and intergovernmental long-term planning, which will inform infrastructure investment requirements and infrastructure adequacy to support integrated human settlements, local economic activity and provisioning of basic services in the various localities.

Project preparation

The demand for infrastructure development in Africa is extensive, with Bloomberg estimating the infrastructure gap at over USD170 billion. The need for the DBSA to continue investing in building a highly skilled, scaled-up, end-to-end project development and preparation business, that de-risks projects and delivers project concepts to bankability, is therefore critical to scaling up infrastructure delivery. Through project preparation, the Bank aims to grow the DBSA project pipeline to deliver projects with significant economic and developmental impact. Project preparation activities include:

- Supporting under-resourced municipalities in unlocking key infrastructure programmes and projects to raise blended funding from government grants and other donor funding.
- Consulting with government entities across all spheres to review national/sector plans to identify projects that fit the DBSA mandate for preparation.
- Supporting public and private sector project sponsors to prepare projects from inception to bankability.
- Advancing catalysation by facilitating the crowding in of private sector funders through syndication arrangements for financing projects and programmes that will make blended financing possible.
- Aligning project preparation activities to key policy frameworks such as the NDP and B-BBEE.

As part of its project preparation activities, the DBSA manages a number of programmes and funds on behalf of agencies or entities, such as the European Union, National Treasury and SADC. These programmes which make it possible for the DBSA to improve developmental impact include IIPSA, SADC PPDF, Green Fund, and the SADC Water Fund.

Three-year objectives:

- Leverage strategic partnerships in local, regional and international partners, to increase programmes that can provide access to concessionary capital, using programme and fund management. The DBSA currently manages the following third-party funds:
  - **Infrastructure Investment Programme for South Africa (IIPSA):** This is a EUR60 million 'fund' with a mandate to promote essential infrastructure investments in South Africa and the SADC region within energy, transport, water and environment, ICT and social services.
  - **National Treasury Project Preparation Fund:** The goal is to develop programmes and projects for the Infrastructure Fund pipeline.
  - **SADC Project Preparation Development Fund (PPDF):** The mandate is to provide Project Preparation grants for SADC Infrastructure Master Plan projects within the Energy, Transport, Water and Environment and ICT sectors.
- Increase focus on economic transformation by preparing projects for entities that are majority owned by black people, as well as those owned by majority black women as committed in our targets.
- Accelerate social infrastructure. This will apply to different subsectors of social infrastructure including education, human settlements and health care.
- Continue to develop and inform the green hydrogen economy to enable the transition to greener energy.
- Deliver specific key programs, including SHIPMO, National Water Programmes and SA Connect.

Infrastructure Delivery Division

The Bank will deepen its execution capabilities and development impact, ensuring that the beneficiaries are provided with quality assets on time and within budget. Increasing labour-intensive technologies in the construction projects will be emphasised to promote employment creation for the people in the sphere of influence of the projects. At least 30% of expenditure will go towards SMMEs and subcontractors, in line with government's B-BBEE codes of good practice. During the year under review, we created 9 230 employment opportunities, including for 1 906 women and 5 560 youth. Our contribution to transformation has seen 90% of procurement in IDD being solely B-BBEE companies, including 36% being women-owned B-BBEE companies. Of the 369 projects that achieved practical completion, 75% are schools' sanitation projects and 18% involve school construction and refurbishment.

Three-year objectives:

- Mainstream and strengthen the infrastructure delivery role of the DBSA.
- Escalate engagements on PFMA exemptions to fast-track infrastructure development.
- Roll-out of the Contractors' Working Capital Facility to ensure that service providers have the necessary capital to execute on projects.
- Manage the design and construction of government infrastructure projects using innovative, turnkey solutions to drive greater value for money, asset sustainability and full functionality.

Accelerate and intensify B-BBEE funding for transformation and economic access

The DBSA, as a fully government-owned DFI, is cognisant of and aligned with the national government's economic development strategy, with the Bank's primary purpose to promote inclusive and sustainable economic development. In support of the country's national objectives, and in fulfilment of our ESG commitments, the Bank has initiated programmes to support government initiatives including broad-based black economic empowerment, gender equality and the development of SMMEs. To stimulate economic access and empowerment the DBSA has the following frameworks and guidelines in place:

B-BBEE:

1. B-BBEE equity financing facility

   This is a R450 million equity facility approved in the financial year 2021/22 to support viable transactions where equity contribution is lacking and optimise the capital structure. The market demonstrated significant interest in this facility.

2. Social housing participation framework

   The purpose of this framework is to perform a market sounding and landscaping exercise of the pertinent stakeholders with the purpose of identifying market failure (if evident) and more importantly the role the DBSA can play to support stakeholders in the sector. This framework seeks to drive inclusivity in the Social Housing Sector given the >65% grant funding received from Social Housing Regulatory Authority (SHRA). Engagements have been completed with key property fund and property development managers and a healthy pipeline has been identified for the upcoming financial years.

Overall, the DBSA has exceeded its B-BBEE lending targets with 10 transactions committed in the financial year as compared to the target of five transactions.

Gender mainstreaming:

The gender mainstreaming programme focuses on four pillars:

1. Investments

   We are prioritising inclusive investments with a bias towards deals with women ownership, shareholding and empowerment. The DBSA trained frontline teams on the incorporation of gender mainstreaming into the investment value chain and organisational culture as well created a Sustainability Team which incorporates gender mainstreaming into the DBSA loan approval process. Gender considerations have been incorporated into the GEF and GCF project cycle. Additionally, internationally benchmarked tools have been adopted within the investment value chain process with gender indicators being integrated into the Development Results Template for development impact monitoring.

2. Strategy, policies and processes

   We focused on policy review, development and harmonisation. The DBSA participated in a gender readiness assessment study conducted by the International Development Finance Club (IDFC) and Agence Française de Développement (AFD) in July 2021 which assessed the Bank's readiness to promote gender mainstreaming and the risks and opportunities available. The DBSA's association with the Global Climate Fund and the Global Environmental Facility and the Bank's Environmental and Social Safeguard Standards ensure that Gender Action Plans are included in applications for projects.

3. Capacity building and knowledge sharing

   This entails using a gender lens to influence practice in infrastructure financing and delivery. The Bank participated in bilateral and multi-stakeholder gender mainstreaming thought leaderships and knowledge sharing platforms which include the Inaugural Women in Infrastructure Webinar with CNBC Africa themed 'Breaching the Gender Equality Gap in Infrastructure' and gender mainstreaming knowledge sharing platforms (i.e., the Gender Responsive Budgeting Colloquium/Round Table Discussion with Gauteng Premier's Office). The Bank strengthened its relationship with the Department of Women, Youth and Persons with Disability (DWYPD) and used strategic partnerships with institutions such as BizPreneur to present gendered programmes for staff.

4. Strategic partnerships

   Creating a platform for debate and sharing experiences and information with stakeholders. The main partners in gender mainstreaming have been the African Development Bank, Government Departments, AFD of France, KfW, JICA, UN Women, United Nation Global Impact, Organisation for Economic Cooperation and Development and Frankfurt School of Business and women-focused investment companies. An additional partnership with the International Development Finance Club, a consortium of 26 development banks from around the world cross cuts all SDGs including SDG 5 (gender equality).

The gender mainstreaming team is currently developing approaches to address issues of aggressive masculinity and unconscious biases among men and women.

SMME support

SMME support encompasses support provided to Emerging Contractors through the Contractors' Working Capital Facility. Transactions totalling R58.9 million have been approved and to date R9.1 million has been disbursed.

In future along with other scaling up activities, the facility will serve as a financing solution to address the liquidity and cash flow problem facing the emerging contractors that are appointed by the Infrastructure Delivery Division (IDD) that are unable to commence the execution of construction projects on appointment. A minimum of 30% of the value of programme expenditure will be directed to SMMEs by the IDD team.

High impact investment portfolio

This portfolio provides support for the commercialisation of new technologies and catalysation of private sector participation to increase investments in climate-related infrastructure. It includes support for youth- and women-owned tech businesses. The Climate Finance Facility was established in collaboration with the Green Climate Fund to catalyse low carbon and climate resilient infrastructure. Two transactions have been approved: a fintech and a social housing development company.

Liquidity and capital management

This strategic action is discussed in the Treasury section of this report (page 88)

Municipal and DDM

The DBSA recognises that having functional municipalities is at the centre of our development mandate as they are the primary interface delivering critical services to ordinary citizens. The challenges facing municipalities are many and varied and the DBSA remains committed to partnering with key stakeholders to work towards restoring municipalities to functionality. The DBSA has adopted a strategic position of delivering integrated solutions to selected districts across the country as part of accelerating and scaling up infrastructure delivery. That includes providing a suite of services including planning, revenue management, asset care, municipal energy demand management, project preparation, financing and implementation through IDD, amongst others. Through these interventions, the Bank will further achieve greater utilisation of development subsidies within local government.

Three-year objectives:

» Adopt and support specific districts to implement the integrated municipal approach
» Implement frontloading of municipal grants
» Pursue project finance type opportunities (municipal level or targeting industrial base within the municipal locality), e.g., EGIP
» Pursue opportunities in municipal water sector
» Assess implementation of municipal guarantees and leveraging SALGA
» Utilisation of development subsidy to enable IDD to unlock municipal projects

Improving balance sheet

Currently lending activities are centred around large municipalities, the energy sector and the transport sector. The book is characterised by high single obligor concentration. The mitigation of the associated concentration risks requires ongoing balance sheet management and risk tilting activities. In order to maintain a healthy balance sheet, book diversification will be pursued which considers clients and sectors.

The geographic reach of the DBSA will be broadened within acceptable risk parameters and syndication and distribution approaches will be applied to reduce book concentration. Over and above these, scaling up of innovative financing activities such as that seen in the High Impact Investment Portfolio will see a diversification of lending activities which impacts the nature of the balance sheet. Several short-term strategic initiatives are currently underway focused primarily on balance sheet management with ongoing monitoring and risk management as part of the day-to-day functions of the organisation.

Three-year objectives:

» Proactive risk management
» Diversification across sectors and geographies
» Explore new business areas like trade finance
» Growing equity portfolio to diversify income streams

Building a fit-for-purpose DBSA

The Fourth Industrial Revolution (4IR) calls for resilient and agile organisations. With radical disruption impacting value chains significantly, traditional operating models must adapt and reflect on their strategic relevance. The DBSA requires introspection to determine where we are in terms of our digital strategy and how we have adapted to existing technologies and implemented new technologies to enhance our efficiencies. The impact of the global COVID-19 pandemic has further compounded the requirement to build a DBSA of the future. Human capital plays a key enabling role for the DBSA's approach towards a hybrid organisation. As an organisation we are reviewing/looking at potential risk implications to the DBSA with the hybrid Work From Home (WFH) model, leadership traits required as well as structuring the organisation to be agile in supporting business through procurement, legal, human capital and capacity allocation. As an organisation we will determine how we organise ourselves and develop our capabilities to respond and continue to offer the requisite line business support.

Building a digital DBSA

A digital roadmap and cloud migration plan were developed and approved by the ICT Steering Committee along with key projects which were identified to drive the digital DBSA objectives.

These projects include:

» Digital lending platform: the business case was approved and the procurement process has commenced to source an implementation partner.
» eProcurement platform: the pilot is underway along with the IDD panel for Supplier Management Module. Development of the Requisition Module is underway.
» Human Capital Success Factors: the procurement process to select an implementation partner is being finalised.
» Microsoft Office 365 (Modern Workplace): MS Teams and its productivity suite (i.e., Word, Excel in the Cloud) is implemented, while SharePoint migration and Security and Mobility implementation is underway. The procurement process to contract a service provider to enable telephony capability on MS Teams is also underway.
» Building Information Modelling platform: The procurement selection of an implementation partner is underway.
» DDM Information Management System: the procurement selection of an implementation partner is underway.
» Automation of business processes: Online Digital signatures have been implemented, and invoice process automation is underway.
» IDD projects (cost data mining and infrastructure projects database): the scoping of requirements is underway.

Opportunities include increasing the implementation capacity within the organisation to execute on the digital transformation objectives of the Bank as well as the alignment of the digital transformation activities with other strategic initiatives to further drive the building of a future-fit Bank.

Three-year objectives:

- Elevate the focus of the digital transformation objectives of the Bank through the establishment of a digital centre of excellence that will optimise the Bank's approach towards achieving digital transformation and driving execution by:
  - Reviewing the current roadmap, plans and actions to date and implementing a coordinated approach to accelerate execution of the consolidated digital strategy.
  - Designing and facilitating project implementation by implementing agile and adaptive practices, assisting with implementation partner and digital tool selection.
  - Assisting with the design of the future capabilities strategy and building internal digital capabilities.
  - Driving the adaptation of new ways of work and culture changes aligned to the digital strategy.
- Enhancing the maturity of the data governance capability of the Bank.

Human capital and the hybrid working model

For the past two years, 90% of the DBSA employees work from home since the commencement of the COVID-19 pandemic.

An employee survey conducted in October 2021 showed that 99% of employees prefer a hybrid working model. Remote work is on the rise due to many factors, including the COVID-19 pandemic, globalisation of the workforce, technological capability, the reduction in emissions and waste, cost effectiveness, and an increased focus on work-life balance. The DBSA must remain adaptable without changing so fast as to destabilise the organisation.

Three-year objectives:

- Establish and implement a hybrid working model for the DBSA.
- Align our systems, policies and process to facilitate hybrid working.
- Provide training and workshops for management and employees to adapt to hybrid working and how to drive performance and maintain a healthy work-life balance while engaging in remote work.
- Adjust work culture to better accommodate both remote and onsite employees.
- Identify and work towards acquiring those skills required for the future of the organisation.

COMPETITIVE ADVANTAGE

As a DFI, the DBSA necessarily sees other funders, commercial banks and other providers of financial capital as partners rather than as competitors. Nevertheless, our potential development impact is bolstered when we have a strong pipeline of projects – when our project preparation, deal origination and finance teams are able to engage more potential clients by offering attractive deals.

Competitive strengths

One of the DBSA's greatest strengths is its risk appetite – early stage risk and to take on higher risk in, for example, under-resourced municipalities through balanced funding and non-funding support. Our ability to invest in long tenor instruments also sets us apart from partner organisations in the development journey. This combination helps attract private sector involvement, particularly on projects anchored on good project preparation.

We typically offer longer credit tenors than commercial banks, with flexible financing structures such as front-loading, longer grace periods and assuming subordinated positions in deals. We have extensive experience and a strong track record in the markets where we operate.

We also bring advisory services, speedy execution, and advantageous regional partnerships to the table. South Africa's bilateral relations with other target countries play in our favour.

Competitive weaknesses

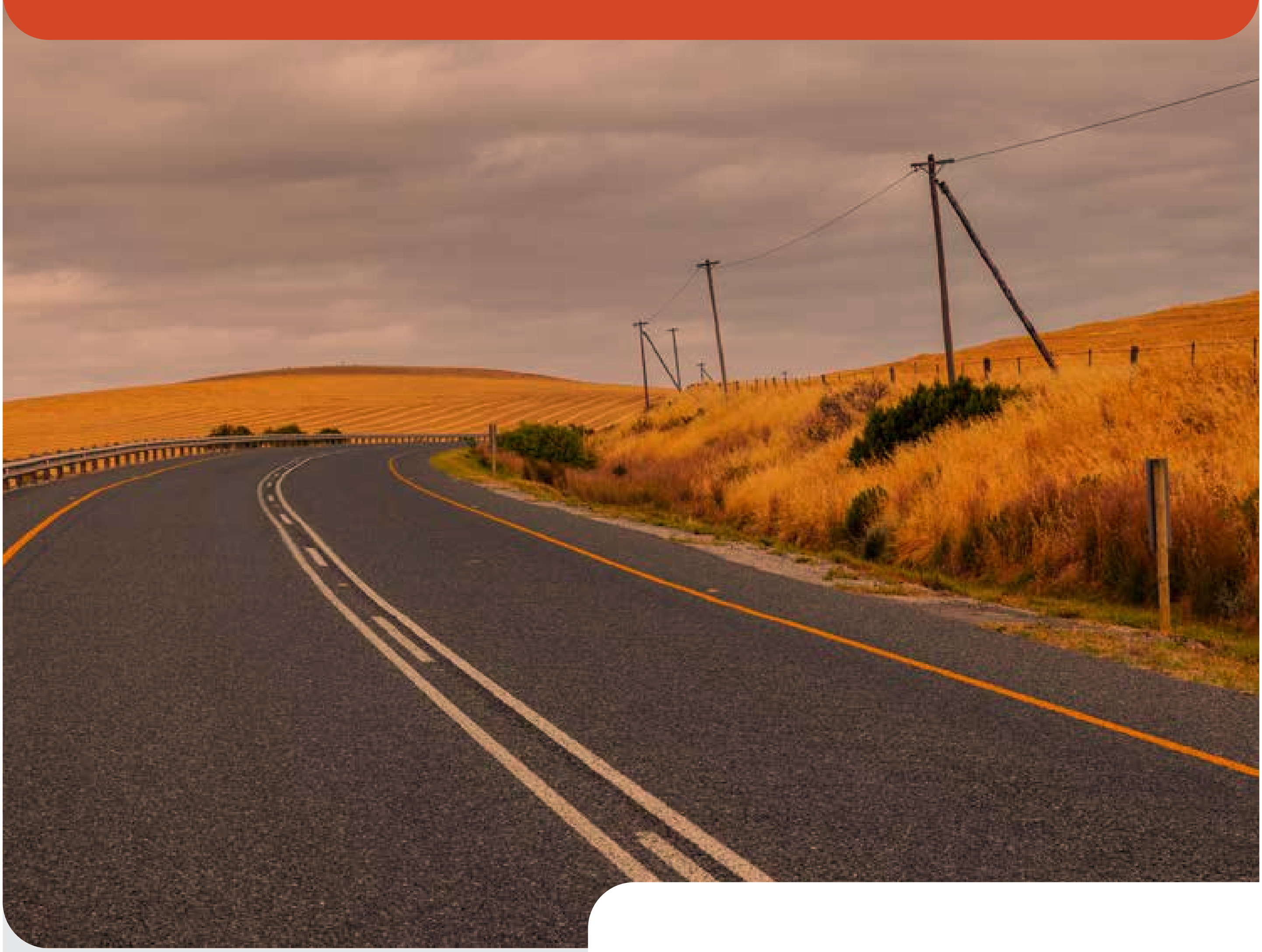
In the 2021/22 financial year, the default of the Land Bank compounded the contagion risk for the DBSA with the Land Bank's creditors unable or unwilling to extend inexpensive credit to the Bank as an SOE. This outcome resulted in the rising cost of capital for the DBSA and amplified the effect of COVID-19 on our cost of capital.

Our credit lines severely hampered the competitiveness of our offering, especially in the under-resourced municipality arena. Our ROA business was also affected, with some clients scaling down our involvement in projects such as the Kinguélé Aval hydropower plant in Gabon.

We are hopeful that the resolution of the Land Bank matter will reverse the contagion risk to some extent soon. In the meantime, we are supporting under-resourced municipalities through non-financial initiatives such as project planning, and exploring new, less competitive markets as well as seeking bilateral opportunities.

Our municipal tender business is also impacted by the decline in the DBSA B-BBEE rating from Level 1 to Level 5. The deterioration in the BEE rating is caused by the technical definition of supplier development. DFIs like ourselves seldom procure directly from empowered entities, therefore not satisfying the strictest interpretation of the Act. We are working with government to resolve these technical challenges that led to the drop.

OUR OPERATING CONTEXT AND HOW WE RESPOND



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OUR EXTERNAL ENVIRONMENT

THE SOUTH AFRICAN DFI LANDSCAPE

Development Finance Institutions (DFIs) are important actors in the impact investing landscape, providing large amounts of direct and indirect capital. Impact investment represents an innovative and efficient answer to the development challenges of the African continent. At the point the government is not utilising this avenue fully.

South Africa is unique in the African DFI landscape in that much of its investment comes from its domestic DFIs, including the DBSA, the Industrial Development Corporation (IDC), the National Empowerment Fund (NEF) and others, whereas the rest of the region is primarily funded by international DFIs. South Africa's DFIs, some of the most prominent being listed below, are largely government-funded or -supported corporations that combine the broad development objectives of traditional multilateral aid agencies with the commercial approach taken by private sector banks and investors.

Entity	Key market intervention	Geographic coverage	Shareholder representative	Total assets*
Industrial Development Corporation	Industrial capacity development	Continental	Department of Trade, Industry and Competition	**R143.7bn**
Development Bank of Southern Africa	Infrastructure development	Continental	National Treasury	**R100.1bn**
Land and Agricultural Bank	Agricultural development and land reform	Domestic	National Treasury	**R46.2bn**
Export Credit Insurance Company	Export promotion	Global	Department of Trade, Industry and Competition	**R10.2bn**
National Housing Finance Corporation	Human settlements development	Domestic	Department of Human Settlements	**R6.9bn**
Small Enterprise Finance Agency	Small and medium enterprise development	Domestic	Department of Small Business Development	**R4.7bn**
National Empowerment Fund	Promoting and growing an inclusive economy	Domestic	Department of Trade, Industry and Competition	**R3.9bn**

** Total assets sourced from latest available AFS*

Major international DFIs investing in Africa include the World Bank's International Finance Corporation (IFC), the European Investment Bank (EIB) and Agence Française de Développement (AFD) of France. There are also several African DFIs, the largest of which is the African Development Bank and AfrExim Bank. The New Development Bank (NDB), also known as the BRICS Development Bank, is another prominent player created in 2014 by the BRICS member states (Brazil, Russia, India, China and South Africa). China, the United States and France are the three largest investors in Africa over the past ten years, followed by the UK, Japan and the United Arab Emirates.

South African DFIs tend to invest smaller amounts than their international counterparts, while supporting small and growing businesses directly through their investment activity. Across the region over 60% of capital disbursed by international DFIs has been in deals worth over USD50 million. These mostly comprise large energy projects that can easily exceed USD100 million, aimed at addressing the region's acute energy shortage.

While energy has received more international DFI capital than any other sector, the financial services sector has attracted by far the largest number of deals, representing nearly 30% of all deals made. Despite their potential for impact, education, healthcare and housing together only account for around 2% of capital disbursed and less than 3% of deals. Many DFIs are funded in large part, and often entirely, by their respective governments. In many cases they are directly subordinate to national ministries of finance or to development agencies. As a result, national development agendas feature prominently in their investment strategies.

The DBSA's book, at approximately R100 billion, represents a relatively small percentage of South Africa's GDP compared to DFIs in other parts of the world. Being regulated by the Public Finance Management Act (PFMA) under National Treasury is also unusual – many of the major international DFIs are regulated by their central banks. Should the DBSA move to be regulated by the South African Reserve Bank, the DBSA would be able to expand its gearing ratio from the current 250% and achieve a substantially larger loan book and greater reach.

MACROECONOMY

Global

The global economy is still reeling from the aftershocks of COVID-19, leaving many countries with a sluggish economy, high indebtedness, social inequality and, in some cases, instability. Global markets are recovering at different paces. Developed countries that made significant strides in national vaccination programmes have been able to relax lockdown restrictions and focus on economic recovery and stimulus while developing countries lag primarily due to low vaccination rates and continued lockdowns.

During the year under review, new variants of the virus and successive infection waves were the key concerns globally. Even though cases continue to increase, the number of daily cases and deaths have declined, but evidence suggests that booster vaccine shots are necessary to ensure ongoing protection. Concerns remain around access and equitable distribution of vaccines, especially on the African continent. According to the Africa Centres for Disease Control and Prevention (Africa CDC), the continent had 20.6% of the population being partially vaccinated and 15.9% fully vaccinated. In the meantime, China has taken a hard line with its zero-COVID strategy.

The travel restrictions that persisted throughout the pandemic initially had a minimal effect on the DBSA's deals, considering its strong pipeline. However, as the pandemic wore on, the effect on our ability to generate new deals was significant. Travel restrictions also impacted the DBSA's ability to conduct due diligence for project preparation. Although we implemented satellite-based due diligence IT systems in countries such as Madagascar, these solutions could not replace on-the-ground data gathering processes such as soil texture testing.

Although fiscal policy will likely remain supportive of the economic growth recovery, central banks are expected to normalise interest rates in 2022, and gradually unwind COVID-19-related support. This is expected to result in changes in the global financial conditions, capital flows and exchange rates.

The recent acceleration in global inflation was sparked by imbalances in demand and supply following the reopening of many economies, rising commodity prices and consumption stimulus, especially in developed countries. Demand was mostly fuelled by quantitative easing, large transfers to households, favourable interest rates and high savings. Supply experienced severe bottlenecks as demand for goods outweighed services. Global trade is expected to benefit from the envisaged easing of supply chain disruptions, as well as the rebalancing of goods and services consumption. Tighter monetary policy will squeeze households and corporate investments, while increasing the cost of fiscal borrowing, and in so doing, close much needed fiscal space, especially in emerging and developed economies.

The IMF projects global GDP to be about 3.2% in 2022, moderating from 6.1% in 2021.

The increase in commodity prices, especially that of Brent crude, has been positive for resource-exporting countries as higher prices support stronger export earnings.

The trajectory of recovery will depend on factors such as the extent and intensity of the war between Russia and Ukraine, which affects trade relations with Europe and will result in inflation caused by disruption to imports of oil and food from the affected region.

Africa

Economic recovery in the African continent has been hampered by high debt-to-GDP levels in some key markets, creating challenges for the DBSA's Rest of Africa business. Affected countries were encouraged to enter the International Monetary Fund's Debt Service Suspension Initiative, which enabled governments to negotiate the suspension of debt repayments that had become untenable as a result of pandemic-related stress. International support in the form of loans from the BRICS bank, the IMF and the World Bank aimed at supporting economic recovery rates in the continent also acted as an enabler for development.

The slow recovery has led to a high level of NPLs in our Rest of Africa business, with one in five loans outside South Africa, by value, being behind with payments. The exposure has been particularly high in countries whose economies are dependent on commodities.

Zambia in particular faced extremely difficult economic and financial challenges that forced us to adjust our existing solutions. As copper prices lost ground, Zambia became highly indebted to the extent of defaulting on payments to some clients and has been struggling with foreign currency.

Both the pandemic and the seemingly accelerating pace of climate change underscore the need for increased global cooperation and dialogue. Sub-Saharan Africa, with its promising renewable energy potential and important ecosystems, is a critical part of the global solution and requires bold transformative reforms to capitalise on this potential.

The region's economy is set to expand by 3.8% in 2022, bolstered by the continued rise in oil prices which is positive for oil exporting countries such as Nigeria and Angola. However, economic recovery for tourism-dependent economies has been slower in line with the only recently relaxed global travel restrictions, while escalating social and political instability (especially in the Sahel region) and adverse weather conditions in east and southern Africa hampers growth prospects. Although inflation is expected to moderate from 2022 onwards, the region's central banks is likely to raise interest rates to normalise their policies.

While the fiscal balance is expected to narrow over the medium-term, government debt will likely remain high. The Debt Service Suspension Initiative came to an end in December 2021. In cases where debt remains unsustainable or where financing requirements are significant, countries may have to look at debt restructuring.

South Africa

The pandemic was not the only challenge for the country in 2021. South Africa's real GDP growth contracted in the third quarter of 2021, following social unrest and ongoing electricity interruptions. Despite economic growth of 4.9% over the year, the official unemployment rate reached a new all-time high of 35.3% in the fourth quarter of 2021. The expanded definition of unemployment (which includes discouraged work-seekers) increased to 46.6% and youth unemployment ran at 65.5%.

South Africa's sovereign rating remained below investment grade, in line with elevated government debt and weak economic growth. Bond yields will come under pressure as an increasing number of central banks raise interest rates and curtail their bond-buying programmes.

In response to the social unrest that erupted in parts of KwaZulu-Natal and Gauteng in 2021, the national government announced a budget-neutral support package amounting to R38.9 billion to repair significant damage to property, businesses and supply chains.

Our operations were also impacted by the Land Bank's financial crisis, which limited our access to the South African capital markets – those who were exposed to Land Bank were unable to increase their exposure to any other sub-sovereign of South Africa (including DBSA) until the default was cured.

Since 2018, the inflation rate remained contained inside the target range of 3% to 6%, averaging 4.5% in 2021. Prices are expected to breach the target range in 2022, while SARB is expected to continue raising interest rates in line with global central bank rate normalisation.

The exchange value of the rand has remained resilient since mid-2020. Since May 2021, the rand has depreciated against major currencies and is likely to remain range-bound, with a risk of depreciating further in the medium term. However, by the end of March 2022, the rand was trading around pre-COVID-19 levels, at R14.85 to the US dollar. The higher terms of trade were largely supported by higher commodity prices, in particular, rhodium, palladium and iron ore.

The repo rate moved from 3.50% on 31 March 2021 to 4.25% on 31 March 2022. Six-month JIBAR increased to 4.44% during the same period. This increase in interest rates could negatively impact the DBSA's borrowing costs while positively impacting interest income. The Bank continues to closely monitor the risks emanating from the volatility in these market parameters and will take action to reduce downside risks where necessary.

The South African Revenue Service announced record collections for FY2021/22 amounting to R1.55 trillion, R181.9 billion higher than projected in the 2021 Budget and emanating from the mining sector's contribution to corporate tax, which benefitted from high commodity prices. In addition, National Treasury expects the stabilisation of debt at 75.1% of GDP in 2024/25, one year earlier than previously estimated. The better fiscal outlook prompted ratings agency, Moody's, to upgrade South Africa's credit outlook to stable from negative, though reaffirming its Ba2 rating (junk status).

Climate change resolutions

The DBSA finds itself at a critical point – key sovereign markets are under threat due to unsustainable debt levels; the municipal market is shrinking due to inherent weaknesses and funders are increasingly demanding decisiveness around climate-related policies.

Climate change remains a priority on the global agenda, and the DBSA continues to support green investment, while also remaining aligned with the adoption of the greenhouse gas emission target by South Africa's government. The Bank has invested heavily in renewable energy to help South Africa deal with its energy crisis, which threatens economic growth, as part of its Integrated Just Transition framework.

There will be substantial opportunities in the carbon credit market and the production of green hydrogen, for which South Africa is well-suited with its dominance of the platinum market (a key material in the production of green hydrogen) as well as its natural sun, wind and large tracts of open land that can support renewable energy production.

The pandemic, although socially tragic and economically devastating, has reinforced the need for countercyclical investment on the continent with DFIs such as the DBSA expected to provide a beacon of hope amidst the weak economic environment and to support infrastructure as a prominent driver of economic growth.

INFRASTRUCTURE DEVELOPMENT IN SOUTH AFRICA

In late 2019 it was clear that South Africa's growth was stagnating and consensus between government, business and labour was that the focus of 2020 and 2021 should be on SMME support and empowerment, investment in productive sectors and investment in infrastructure. The pandemic saw a postponement of projects and slow uptake and renegotiation of terms, particularly in the construction sector. However, while SMMEs comprised less than 40% of the construction sector as recently as 2010, by 2019 they represented 58% of the sector. Small businesses replaced large players, demonstrating that SMME development and empowerment was already taking place.

The South African government has continued to place infrastructure at the centre of the economic recovery agenda. The government's Economic Reconstruction and Recovery Plan in October 2020 aimed to shift the focus to accelerated implementation while committing financial resources.

In 2021, the DBSA, National Treasury and the Department of Public Works reached an agreement to set up the Infrastructure Fund (IF). Capital of R24 billion is allocated to the fund over the medium term to improve the scale, speed, quality and efficiency of infrastructure spending. Total allocations to fiscal year 2028/29 amount to almost R100 billion.

A reform to Regulation 28, issued under the Pension Fund Act, which contemplates pension funds investing more rigorously in infrastructure is also set to create significant change. The changes to Regulation 28 will result in more infrastructure investment by the private sector, dovetailing with the initiative to set up the IF with public sector funding to leverage private sector funding.

The economic effect of the pandemic has had a deleterious effect on investment in general and, by extension, has resulted in delays or cancellations to projects involving renewable energy and climate action. This presents the DBSA with an opportunity to provide solutions to clients faced with changed financial circumstances who are still committed to reaching their ESGs.

ENERGY

One of the key stumbling blocks in economic recovery is power generation capacity, the foundation of almost all industry. Eskom, South Africa's power utility, has been conducting maintenance on and expanding the national power grid, but not quickly enough to eradicate intermittent loadshedding.

The South African government is implementing sectoral reforms aimed at boosting investment in infrastructure and business activity, specifically in electricity generation capacity. This includes budget reprioritisation to improve access to public infrastructure and services. The Department of Mineral Resources and Energy announced a dispensation allowing independent power producers to produce up to 100MW of power without being required to sell into the Eskom grid. This is a critical reform to create greater energy security, empowering the private sector to overcome many of its challenges, reduce demand and retain jobs. Renewable energy will likely provide most of this extra capacity, considering the timelines involved in building traditional coal-fired or nuclear power stations.

LOCAL GOVERNMENT

Local economic development and better municipal service delivery are vital for South Africa to broaden its economic participation and reverse its unemployment trend. While no two municipalities are the same, there are cross-cutting problems inhibiting service delivery. The eight most common issues are lack of skills, migration between rural and urban areas, low capital spending, poor supply chain management, poorly managed municipal audits, poor revenue management, irregular, fruitless and unauthorised expenditure and insufficient repairs and maintenance. Existing problems have been magnified by the pandemic.

WATER

Water security has been an increasing concern in recent years as climate change worsens the country's natural drought periods. Several municipalities are showing signs of the collapse of water services, failing infrastructure, non-payment for water services, mismanagement and corruption all compromise the operation and maintenance of water systems and have resulted in 37% of drinking water lost to due to leaking pipes and other infrastructure failures. In 2018, the National Water and Sanitation Master Plan identified a water supply deficit of 17% by 2030 and showed that only 64% of households had safe, reliable access to water. At least 9% of the population draws water from polluted rivers and springs, which account for nearly half of the country's water bodies.

SANITATION

South Africa's vision for 2030 is to provide universal access to piped water and access to hygienic toilets for everyone, thereby contributing to a healthy population and environment, which will ultimately lead to a stronger economy. Progress, however, has been slower than the improvement in access to clean water. This is a reflection of a global problem with growing water scarcity and rapid urbanisation. Millions of South Africans still live with unsafe sanitation facilities and COVID-19 exposed new fault lines, presenting the country with a significant challenge to public health and the economy.

ICT SECTOR

Information and Communication Technology (ICT) enables improved efficiencies in performing tasks, allows for decentralised work and gives firms in remote locations opportunities to involve themselves in global value chains. Of special relevance to Africa, ICT also compensates to a degree for the lack of other infrastructure. The COVID-19 pandemic has furthermore underlined the necessity of ICT-enabled activities by reducing face-to-face business interactions.

Africa lags behind the rest of the world in the reach and quality of its ICT penetration and this deficit is a major dampener on its development prospects. Investment in the order of USD3 billion a year will be required to address this. Prospects for growth and development in 21st century Africa depend on how the continent positions itself for value-adding activities. The modern world economy is creating opportunities previously unimaginable, but to take advantage of this, an effective enabling environment is essential. ICT is a particularly important contributor.

In a digital society, universal access to communications services is not just a tool to address inequality across society, but also a precondition for equality. The digital divide persists. There is unequal access to ICT services, especially access to the internet. There are deep structural ramifications to South Africa's failure to extend the framework and definitions for universal service and access to include access to high quality broadband. However, one of the objectives set out in the National Infrastructure Plan (NIP) 2050, which was gazetted on 11 March 2022, is to ensure that every South African has access to affordable broadband at home by 2030. This will be achieved through partnership between the public and private sector. The recent conclusion of the much-anticipated high-demand radio frequency auction by The Independent Communications Authority of South Africa (ICASA) holds great prospects for the ICT sector and will improve internet penetration across the country.

The DBSA invests in ICT as part of fulfilling its purpose to build Africa's prosperity.

ENVIRONMENTAL SUSTAINABILITY

The 26th Conference of the Parties (COP26) united member countries of the United Nations Convention on Climate Change (UNFCCC) in their commitment to battle the climate crisis. The Paris Agreement, a landmark declaration made between 196 international parties in 2015, incorporated an agreement to reduce greenhouse gas emissions to net zero by 2050. Part of COP26's goal is to protect 30% of land and 30% of the oceans by 2030. With its vast stretches of coastline, verdant forests and grasslands, and unique species of plants and animals, there is no plan to battle climate change that can succeed without involving Africa.

The Political Declaration on the Just Energy Transition in South Africa means that a total of USD8.5 billion will be contributed by COP26 member states to facilitate South Africa's move to renewable energy and reduce fossil fuel emissions. This will include decommissioning and repurposing Eskom's coal-fired power stations, creating more jobs in the renewable energy sector and investing in renewable energy infrastructure to combat climate change.

The COP26 Just Energy Transition partnership declaration will play a crucial role in facilitating and financing the rollout of renewable energy sources such as solar in most African communities and afford a better quality of life to African citizens while also fighting climate change.

The net zero position is set for 2050, with interim targets for the intervening years. The DBSA is working with many stakeholders including Climate Policy Initiative, a global entity that has an interest in climate change and biodiversity issues, to help define how to assess, adopt and accept a Just Transition plan to ensure compliance and credit extension.

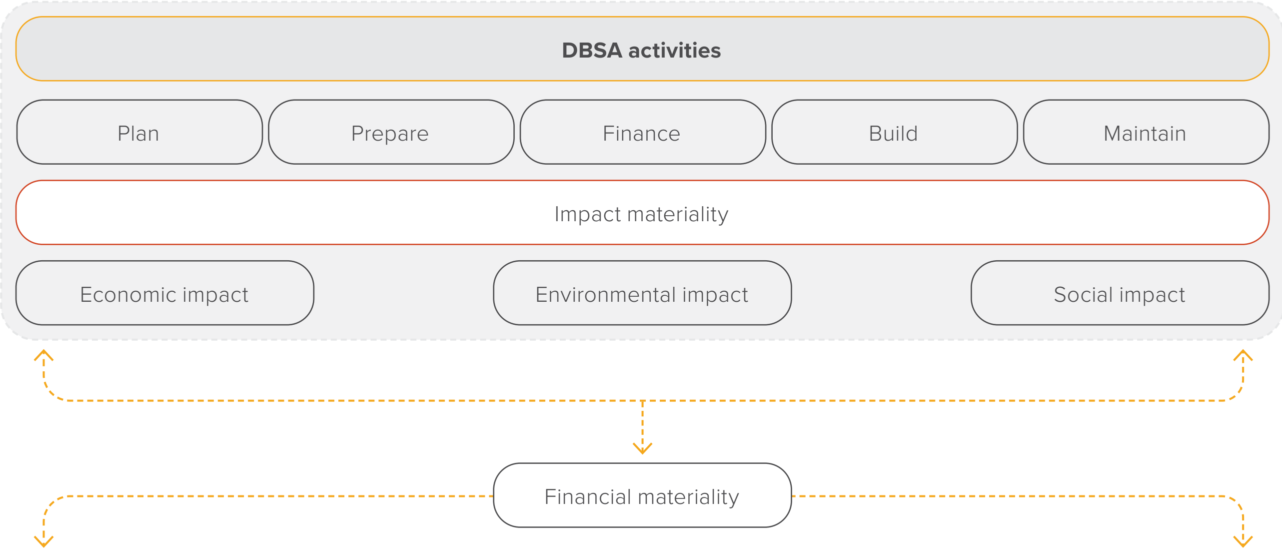
While COP26 outcomes are to be welcomed, there is a risk of the actions creating stranded assets for some organisations. For this reason, the DBSA offers transition finance along with providing advice to clients on how to compile their own Just Transition plans.

MATERIAL ISSUES

HOW WE DETERMINE MATERIALITY

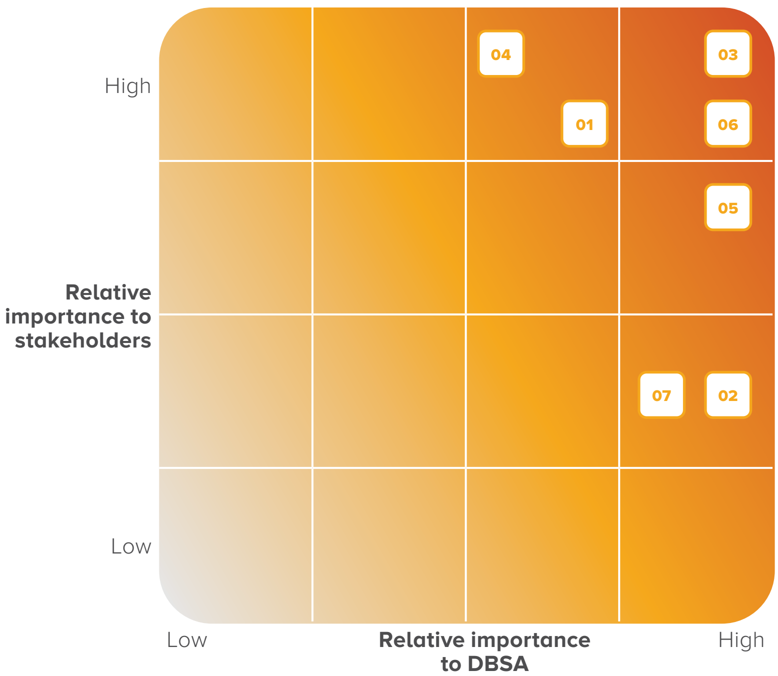
Our material matters refer to critical issues that are top-of-mind for the DBSA and our stakeholders. Both internal and external risks and opportunities are considered when determining the most material matters to report.

OUR MATERIAL ISSUES



- Scaling-up and fast-tracking infrastructure development
- Long-term business cycle
- Equity funding for transformation and economic access
- Low B-BBEE rating
- High cost of funding
- Liquidity and capital management
- Navigating the Just Transition

Navigating the Just Transition	01
Liquidity and capital management	02
Scaling-up and fast-tracking infrastructure development	03
Equity funding for transformation and economic access	04
High cost of funding	05
Long-term business cycle	06
Low B-BBEE rating	07



MATERIAL ISSUES (continued)

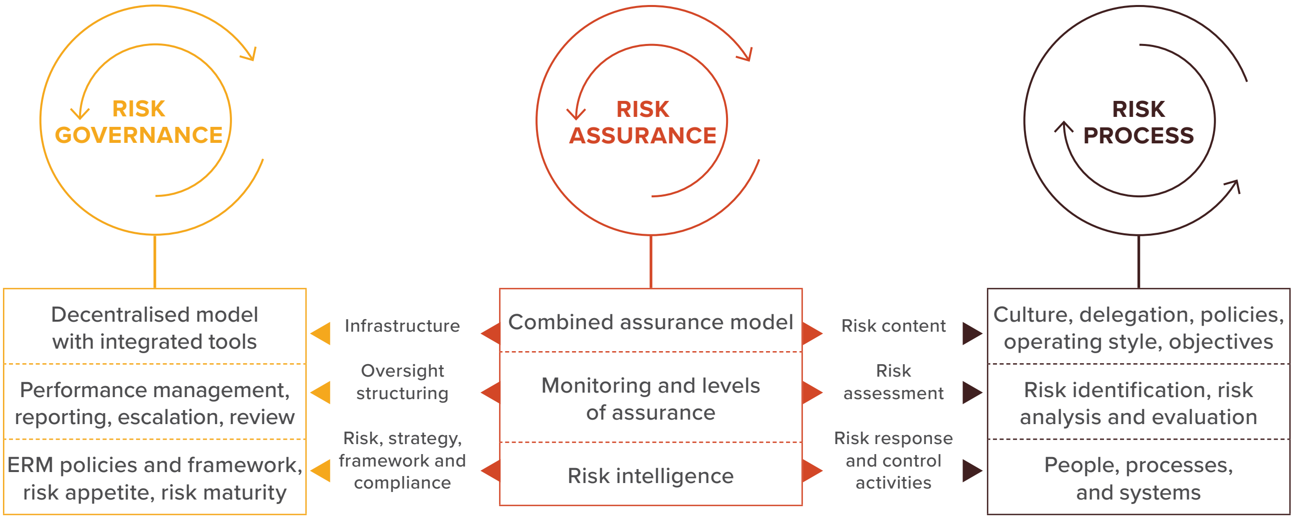
Issue	Relevance	Associated risks	Associated opportunity	Associated stakeholders
Navigating the Just Transition	» Increasing need to move away from fossil fuel-based energy intensive activities and investments from key stakeholders. » This may improve our access to capital markets.	» Reputation risk » Business environment and operations risk	Identify and pursue further growth opportunities, particularly those emanating from the Just Transition – carbon markets and green hydrogen.	» Communities » Civil society » Clients » Government » Investors
Liquidity and capital management	» Optimising our liquidity allows us to continue providing solutions to our clients to enable infrastructure development.	» Liquidity risk » Business environment and operations risk	Diversify our funding sources with a key focus on green pools of capital to reduce our overall weighted cost of capital.	» Clients » Investors » Providers of funding
Scaling-up and fast-tracking infrastructure development	» Allows us to continue to achieve our mandate and aids economic and social development in our active markets.	» Successive waves of COVID-19 risk » Liquidity risk » Business environment and operations risk	Focus on innovation and improving our products, pricing and services to attract and retain clients in low-growth environments.	» Clients » Investors » Providers of funding » Communities » Civil society » Government
Equity funding for transformation and economic access	» Increasing our development impact.	» Business environment and operations risk	–	» Clients » Investors » Providers of funding
High cost of funding	» This reduces our competitiveness in the market by pricing us out of deals.	» Business environment and operations risk	Diversify our funding sources with a key focus on green pools of capital to reduce our overall weighted cost of capital.	» Clients » Investors » Providers of funding
Long-term business cycle	» This may reduce the number of opportunities in the market or slow the growth and performance of our loan book in the short- to medium-term but increase in the long-term.	» Credit risk » Business environment and operations risk	Integrate our approach to growth, liquidity, solvency management and value creation through a clearly defined growth model. Explore organic or acquisitive growth opportunities in the trade finance area.	» Clients » Investors » Providers of funding » Rating agencies
Low B-BBEE rating	» This reduces our competitiveness in the market through failing to meet minimum bidding criteria of municipalities.	» Business environment and operations risk	Development of a DFI-centric B-BBEE scorecard in collaboration with DTI.	» Clients » Government

MANAGING OUR RISKS AND OPPORTUNITIES

In order for the DBSA to ensure the long-term success of the organisation, the Bank must actively manage both risks and opportunities.

The Board of Directors is ultimately accountable for managing risk and monitoring opportunities. The Board's Enterprise Risk Management (ERM) framework ensures that the DBSA takes a holistic view of the risks inherent to the Bank's strategy, business and operations. Risk and opportunity management is entrenched in all facets of the Bank's planning and decision-making processes. Ethical behaviour, legislative compliance and sound accounting practices ensure the effective governance of risk.

ENTERPRISE RISK MANAGEMENT



Risk governance

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

Risk assurance

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

Risk process

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

COMBINED ASSURANCE

The DBSA's combined assurance model delineates the roles and responsibilities for risk management within the Bank, emphasising every employee's collective responsibility for monitoring and mitigating risk.

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

RISK APPETITE

Our risk appetite statement outlines the amount of risk the DBSA would take in achieving its objectives. The statement contains specific metrics with thresholds in the following areas:

Risk appetite pillars

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

In general, the risks of the Bank were managed within this framework throughout the financial year, responding with mitigation plans if the thresholds were exceeded.

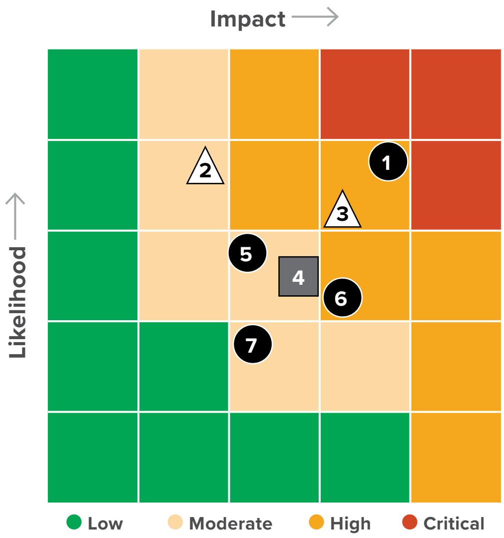
MANAGING OUR RISKS AND OPPORTUNITIES (continued)

OVERVIEW OF OUR PRINCIPAL RISKS

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

The DBSA's principal risks are monitored throughout the year – the various risk teams make adjustments to our approach as issues emerge. The DBSA Board and management team continuously reviews the principal risks to ensure an appropriate response.

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



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

Velocity	△	■	●
	EXTREMELY RAPID impact evident within a month	**RAPID** impact evident within a quarter	**SLOW** impact evident within a year

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

Principal risk description	Strategic themes	Risk response
1. Credit risk The inability of clients to honour repayment obligations. **Key impacts** » Increasing ratio of non-performing loans. » Increase in impairments leading to a negative impact on sustainable profit. **External drivers** » There have been increasing requests for payment deferrals and grace periods from clients. » Possible material loss arising from the possible non-performance of a single large credit exposure or multiple exposures that are closely correlated. » There have been some migrations in the loan book as risk ratings deteriorated marginally for Angola MoF and Ghana projects. » The deterioration is driven by the impact of COVID-19 and further deterioration is expected due to successive waves of infections. » There is an increasing trend of prepayments by clients which lessens this risk but may present a financial sustainability issue down the line.	Inclusive economic recovery in South Africa Strategic ROA lens	We: » conducted proactive due diligence assessments to incorporate the analyses of economic and global market conditions; » conducted routine monitoring of loans to ensure that the Bank remains within the risk appetite; » actively managed portfolios and conducted risk tilting; » diversified clients and products and pursued off-balance sheet structures; » ensured that all disbursement requests are accompanied by high-level credit confirmation of no material change to the credit profile of the client; » ensured that all financing documents that are still being negotiated include appropriate clauses for market disruption and economic failure, including repricing; » routinely monitored loans through day-to-day monitoring and annual credit reviews, conducted rapid risk reviews when indicators showed rapid deterioration of loans or when material adverse changes are experienced or foreseen; » placed Stage 1 loans showing early signs of distress on our operational watch list through the Watch List Committee, which feeds into IC and BCIC, to assess the risk of default (RoD). We took relevant actions to cure the loans at all three stages. Where required DBSA executives engaged with their counterparts; » placed loans showing a Significant Increase in Credit Risk (SICR – Stage 2) on the SICR watch list. Depending on their RoD, some may be handed over sooner to the Business Support and Recovery Unit (BSRU) at Stage 2; and » handed over non-performing loans (Stage 3) to BSRU.

	Residual risk rating		
Tactical opportunities	**2020**	**2021**	**2022**
» Optimise capital by allocating capital in line with our new Capital Management Framework. » Integrate our approach to growth, liquidity, solvency management and value creation through developing a clearly defined growth model. » Explore organic or acquisitive growth opportunities in the trade finance area.	Moderate	High	High

Principal risk description	Strategic themes	Risk response
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). **Key impacts** » Increase in the lockdown level in South Africa and across the world. » Consequential impacts on liquidity and credit risk as well as business operations. » Stalling of construction projects in IDD. » Projects in M2/3 sector are constrained by the cost of capital increases due to COVID-19. **External drivers** » Easing of lockdowns across the world and gradual return to work. » South Africa declared an end to the National State of Disaster related to the COVID-19 pandemic. » Vaccine hesitation may lead to an increase in new infections. » Global vaccination rollout is progressing faster in developed countries compared to developing countries. » New variants continue to emerge and may be more transmissible than the initial virus. » Ineffective efforts at or enforcement of social distancing and use of PPE. » Inadequate availability of PPE.	Inclusive economic recovery in South Africa Strategic ROA lens Doing things differently	The COVID-19 task team has monitored the pandemic throughout the last two years and will continue to do so. With the lifting of the National State of Disaster on the 4 April 2022, all screening protocols have since been lifted to access the DBSA offices. Onsite COVID-19 protocols remain in place in line with the code of practice. Travel restrictions for all business travel has been lifted, however, pre-screening protocols remain in place. 90% of the DBSA Employees worked remotely during the year under review. The resumption plan will continue to guide the phasing-in of the workforce, however, a hybrid model has been developed to be tabled at the Executive Committee for piloting. Our work-from-home principle remains the primary control in ensuring our workforce limits the spread of transmission of the virus. The DBSA has adopted a voluntary vaccination strategy in line with the risk assessment conducted. All DBSA Employees that travel for business or are client-facing are required to be vaccinated. 50% of the workforce are fully vaccinated and there is regular communication and interventions to encourage DBSA employees to get vaccinated.
3. Cyber risk Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security. **Key impacts** » Non-compliance to POPIA if data security is breached and personal information is compromised. » Business disruption. » Adverse impact on reputation. » Increased costs to insure against cyber incidents. **External drivers** » A spike in phishing attacks, malicious spam and ransomware attacks. » COVID-19 pandemic has forced organisations and individuals to embrace new practices such as remote working. Cyber criminals around the world may be capitalising on the use of less secure 'at home' networks. » Recent notable cyber-incidents at PPS (a local insurer), Transnet, Department of Justice, Telkom, etc.	Doing things differently	We foster a culture of cyber resilience through ongoing training and awareness using the DBSA brief and virtual training. We focus on protecting critical capabilities and services by: » Implementing the Information Security Management System (ISMS) and Cyber Security Strategy. Cyber security risk simulation is in progress and remedial actions are underway following management feedback. » A third-party service provider was appointed to conduct ongoing threat monitoring. Implemented a managed portfolio process (business case evaluation and project prioritisation) Implemented the ICT governance framework. We balanced risk-informed decisions during the crisis and beyond by: » Making ICT an active part of the COVID-19 task team. » Providing virtual ICT assistance to staff. » Promptly allowing access to DBSA systems and tools to all staff via the VPN and 3G facilities. We updated and implemented business continuity plans by: » Testing the backup and restore functions. » Continually revising resilience planning processes and testing them and equipping crisis management teams with skill sets and experience to manage under intense pressure.

Tactical opportunities	Residual risk rating 2020	2021	2022
	N/A	High	Moderate
» Protect the integrity of client data by implementing appropriate measures and processes, including building robust cyber-defence capabilities. » Invest extensively towards improving and enhancing our business continuity and systems performance to minimise downtime. » Safeguard the data we collect in line with our fiduciary duty and comply with relevant data protection and privacy legislation. » Maintain the stability of our systems to secure the trust of our clients and broader stakeholder groups. » Protect the personal information of stakeholders by adhering to all legislative prescripts. » Perform regular penetration testing in controlled environments to identify potential vulnerabilities. » Host regular, mandatory employee awareness and training programmes. » Implement appropriate levels of cyber insurance cover.	Moderate	High	High

Principal risk description	Strategic themes	Risk response
4. Liquidity risk Inability of the Bank to have sufficient funds to meet its maturing obligations and disbursement target. **Key impacts** » A temporary downward cycle in core lending performance. » Adverse impact on financial sustainability. » Reduced ability to raise affordable funding. » Being unable to achieve our mandate and development impact targets. **External drivers** » Currency volatility. » Increase in the cost of funding. » Contagion impact of other SOEs (e.g., Land Bank).	Inclusive economic recovery in South Africa Strategic ROA lens	We: » engaged with key investors for them to understand our funding requirements and funding strategy; » regularly monitored prudential limits to ensure they remain within the risk appetite; » pursued additional facilities with other lenders, e.g., DFIs/multi-laterals for access to green finance pools; » scheduled quarterly meetings with internal clients to understand their disbursement needs or requirements. We developed a full-year schedule of disbursements by currency, split into committed versus uncommitted transactions; » rolled over maturing liabilities although terms, e.g., amounts and pricing, may change as a result of market conditions; » used existing operational hedging instruments against interest rate and currency risk swaps; » raised long-term funding through bond issuances and long-term bilateral loans; » secured an increase in the foreign currency borrowing limit for FY2022 and FY2023; » regularly forecast cash flow and keep unused facilities in place; and » maintained access to the repo market.
5. Reputation risk Arising from any facet of the Bank's actual or perceived conduct and performance. **Key impacts** » Loss of stakeholder goodwill. » Increasing oversight by the shareholder. » Ongoing negative mainstream and social media coverage. » Municipalities may change or delay their plans on infrastructure spending. » Uptake of green economy projects may be deprioritised in the market. **External drivers** » Insufficient deal flow may negatively affect overall development impact. » Allegations of inappropriate governance in the media. » Any perception of greenwashing or inadequate progress with regard to Environmental & Social Governance objectives. » SCOPA inquiry into governance at the DBSA. » Perceived misalignment to the global standards and sustainable development goals. **Internal drivers** » Any significant delays or disruptions in the implementation of the District Delivery Model and/or the Infrastructure Fund. » Inability of the DBSA to honour all disbursements.	Inclusive economic recovery in South Africa Strategic ROA lens	We: » managed public relations and stakeholders to communicate our mandate and performance outcomes; » used the Development Position and related Development Index to align stakeholder expectations regarding the DBSA's contribution and performance; » drove the climate change initiative through an Exco Steerco; » outlined transition periods for gas and oil; » developed business cases for new growth opportunities from green hydrogen, biodiversity assets and carbon markets; » pursued PFMA exemption using the DBSA as an implementing agent; » used the development subsidy to enable IDD to unlock municipal projects; » will undertake a 10-year review of benefits unlocked from the DBSA's support to municipalities (lending and non-lending); » used the High Impact Investment Fund, the Infrastructure Fund, the District Delivery Model and non-financial means to support under-resourced municipalities; » adopted a climate-aligned integrated energy investment framework that will enable the Bank to support the Just Transition; » are adopting recommendations from the taskforce on climate-related financial disclosures; and » developed a net zero emissions strategy.

Tactical opportunities	Residual risk rating 2020	2021	2022
» Diversify our funding sources with a key focus on green funding to reduce our overall weighted cost of capital.	Moderate	Moderate	Moderate
Opportunity to highlight the work of the organisation and market the organisation through mainstream media and social media campaigns. Opportunity to partner with reputable organisations on infrastructure projects and/or public relations initiatives.	Moderate	Moderate	Moderate

Principal risk description	Strategic themes	Risk response
6. Business environment and operations Failure to maintain adequate responsiveness and agility to respond to the changing environment. **Key impacts** » Adverse impact on support functions as they have not yet increased to match increasing demand from frontline divisions. » Adverse impact on financial performance of the Bank. » Inability to achieve social-economic growth goals. **External drivers** » High debt-to-GDP ratios in key markets. » Increasing inflation and increasing interest rates globally. » Potential shifts in priorities of governments in the region. » Depressed deal pipelines in South Africa and the region (changes in governmental budgeting). » Ability to attract, train and retain strategic job groups may be hampered in the current environment. » War between Russia and Ukraine poses significant risk to growth and inflation globally. » Insurers are increasingly concerned with the ESG performance of their clients with a likely impact on insurance premiums or extent of cover. » Global and domestic inflation continues to accelerate above target levels, exacerbated by rising energy and food prices. **Internal drivers** » Increasing need for digitalisation. » Optimisation of resources. » The business is growing rapidly in the frontline divisions in order to implement the DBSA's strategic initiatives such as the Infrastructure Fund and District Delivery Model without similar growth in the middle- and back-office functions. » Increasing pressure on the workforce in a volatile 'new normal' where work and personal life are integrated.	Inclusive economic recovery in South Africa Strategic ROA lens Doing things differently	We: » will investigate a business case to develop advisory capabilities for the Bank; » will investigate a business case for trade finance; » will scale up new products e.g., High Impact Investment Portfolio; » increased focus on the non-core lending aspects of the business such as breakthrough agenda initiatives, Infrastructure Delivery Division and District Development Model; » investigated options to reshape the loan book from fewer larger deals to increased volumes of smaller deals; » strengthened partnerships and increase collaboration with other DFIs; » increased digitalisation in operations; » improved the effectiveness of learning and development initiatives to build adequate skills; and » improved strategy alignment and execution through an enhanced Balanced Scorecard process.

Tactical opportunities	Residual risk rating 2020	2021	2022
» Pursue sector and geographic diversification of our local and Africa businesses to reduce concentration risk. » Focus on innovation and improving our products, pricing and services to attract and retain clients in low-growth environments. » Identify and pursue further growth opportunities, particularly those emanating from the Just Transition – carbon markets and green hydrogen. » Gender mainstreaming, looking at transforming the infrastructure sector through the support of women-owned businesses. » Contractors working capital financial instruments. » Scaling up digitisation as means to harness changing economic environment.	High	Moderate	High

MANAGING OUR RISKS AND OPPORTUNITIES (continued)

Principal risk description	Strategic themes	Risk response
7. People and culture risk Potential decrease in staff morale, adverse impact on work productivity, employee development and wellness. **Key impacts** » Adverse impact on the organisation's performance operationally and financially. **Internal drivers** » Increasing pressure on the workforce in a volatile 'new normal' where work and personal life are integrated. » Ability to attract, train and retain strategic job groups. » Improving the effectiveness of learning and development initiatives to build adequate skills. » Disruption in work practices and routines as a result of COVID-19 lockdown creating instant pressure to manage a dispersed workforce. » Social and mental issues may arise as a result of isolation caused by the pandemic. » Longer working hours to accommodate home schooling and baby-sitting activities. » Employee burnout. » Risks around 'key person' dependencies and unclear succession planning.	Doing things differently	We: » activated the business resumption plan strategy to activate our work from home policy; » created platforms where employees can engage on COVID-19-related queries; » made the Employee Wellness Programme available to employees for any type of support and counselling; » adopted a flexible hybrid working model (time-based/ purpose-based); » are conducting an organisational review; » assess capability across all units and the feasibility of moving staff; » assess our corporate culture; » are developing a senior succession plan; » are developing succession plans for critical skills; » held bi-monthly COVID-19 task team meetings; » disseminated the CEO's periodic communications via DBSA Briefs; and » have a DBSA check-in pod, which is an open platform for staff to discuss the impacts on them of COVID-19, driven by voluntary staff under guidance of the pandemic task team.

Tactical opportunities	Residual risk rating 2020	2021	2022
» Attract and retain the best available person in every role and drive recruitment initiatives that attract and retain the best talent in critical segments. » Unleash the best in our people through challenging work, digital enablement, transparent performance management systems and learning experiences. » Build highly motivated teams that embody the DBSA culture. » Create a work experience that positions the DBSA as an employer of choice. » Prioritise the absorption of our graduate employees, and employment of people living with disabilities. » Offer competitive total rewards. » Monitor the wellbeing of our employees through dedicated programmes such as ICAS and regularly have check-in engagement sessions. These should be complemented by annual employee engagement surveys.	Moderate	Moderate	Moderate

OUR STAKEHOLDERS

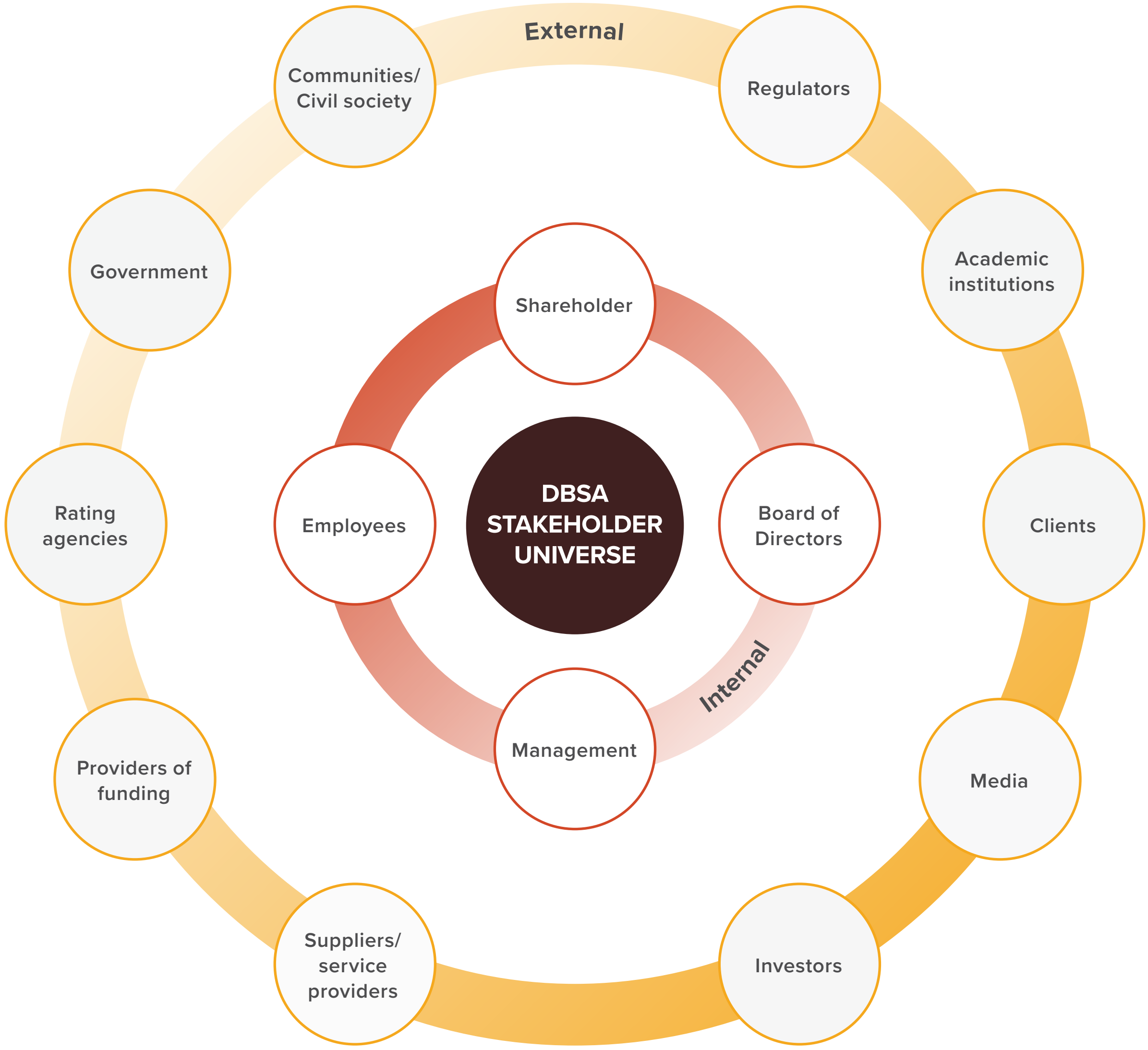
OUR STAKEHOLDER UNIVERSE

The DBSA business environment involves multiple internal and external stakeholders, with varied needs, interests and levels of influence. The DBSA is therefore committed to an inclusive stakeholder approach that embeds engagement with stakeholders into our value creation process. Our stakeholder universe comprises of 14 stakeholder categories that impact our business directly or indirectly.

HOW WE IDENTIFY AND ANALYSE OUR STAKEHOLDERS

We operate our business in wide-ranging contexts in which stakeholders have varied interests and levels of influence. We identify and rank our stakeholders into groupings and sub-groupings according to our strategic intent, prevailing risk factors and the current business environment. Identifying who our stakeholders are, undertaking in-depth analysis, and mapping their influences and interests is pivotal to our stakeholder relationship management framework. We are mindful that stakeholders may not have uniform concerns, opinions and priorities, despite being in the same stakeholder group.

The interests and influence of our stakeholders are dynamic and require continuous monitoring in line with our stakeholder matrix illustrated below:



OUR KEY STAKEHOLDER GROUPS AND HOW WE ENGAGE

To ensure strategic alignment and congruence to our vision, the DBSA engages with parties that have vested interest in the organisation's planning and deliberations to foster involvement, understanding, internalisation, a common mission, strategic goals and business continuation in our programmes, deals and business practices. Our relationship with stakeholders has evolved from traditional interactions with employees, clients/customers, investors and regulators to broad engagements with communities, civil society organisations and various interest groups. We engage stakeholders on issues that include corruption, socio-economic impacts, environmental impacts, health risks, human rights and supply chain conditions.

Actively engaging with stakeholders informs our decision-making and improves the Bank's performance. The DBSA uses various engagement platforms to get perspectives, opinions, insights and ideas from parties that have a vested interest in the success of the organisation. Our strategic stakeholders include employees, clients/customers, shareholder, government/s, media, civil society organisations, industry bodies and rating agencies.

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted
Government (shareholder representative)	» Provides the link to ensure alignment of the DBSA with national priorities	» The DBSA's developmental role and social responsibility » Long-term sustainability » Financial performance » Shareholder Compact » Policy implementation and regulation	» Regular and proactive engagement with the Minister of Finance and National Treasury » Quarterly meetings and presentations » Quarterly reports in compliance with the PFMA » Informative sessions on strategy progress update » Integrated Annual Report presentation	SRC NC IC
Government departments	» Their business provides the basis for our continued growth » To understand our clients' and partners' needs and enhance our development impact	» Engagement on issues of water, energy, transport, health and education » Demonstrate will and capacity to act to address service delivery issues	» Regular one-on-one meetings	SRC NC IC
Clients and partners	» Mutual cooperation to provide capacity building and innovative financing solutions to enhance service delivery to municipalities	» Client needs (funding and non-funding support) » Implementation support (non-funding support) » Perceptions and expectations » Job creation » Environmental impact	» Quarterly engagement sessions and interaction, including regular meetings scheduled according to our individual programme/project governance agreement with clients » Client and partner surveys	SRC NC IC
Investors	» Provide concessional and grant capital	» These entities provide for lines of credit and they must therefore be kept informed about significant changes, particularly those with financial impact	» Quarterly feedback sessions » One-on-one interaction with the DBSA Treasury Division on regular basis	FC
Providers of finance	» Provide investment opportunities	» Financial performance » Market trends and issues » Future prospects and organisational sustainability	» Meetings with analysts and rating agencies » Investor roadshows » Announcement of results » DBSA website	FC

OUR STAKEHOLDERS (continued)

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted
International partners	» Funding » Technical skills » Advisory	» Return on investments and development impact, increase level of trust	» Engagement through one-on-one meetings » Annual partnership workshops » Bilateral meetings at relevant conferences and symposia » DBSA newsletter/website	NC IC
African partners	» Deal flow » Investment » Exchange of skills	» Mutual cooperation in respect of regional integration, economic development within the region, as well as local point of project identification and financing	» Engagement through one-on-one meetings » Periodic partnership workshops » Bilateral meetings at relevant conferences and symposia » DBSA newsletter/website	SRC IC
Community	» Communities are ultimately a key beneficiary of our services and they provide a deeper understanding of our social responsibility expectations, including job creation and environmental impact » Social facilitation of community participation in infrastructure delivery » Assist in maximising development impact	» Strengthened cooperation with civil society to enhance the Bank's work and achieve greater impact investment in socio-economic development » Access to basic services » Local labour opportunities	» Engagement through community projects and forums » Social facilitation and steering committees » Project implementation » Community surveys » Marketing campaigns » Website	SRC NC
Regulators	» Provides the enabling regulatory framework within which we operate	» Compliance requirements » Needs and expectations » Feedback on performance and human capital matters, governance, financial control and risk	» Regular communication and report-back meetings with: › Standing Committee on Finance › Select Committee on Finance › National Treasury › Financial Intelligence Centre › Department of Labour › Johannesburg Stock Exchange	SRC IC
Media	» Raise public awareness of our strategy, products and services as well as our operational results	» Key strategic initiatives » Project information » Operational and financial performances	» Media briefings and interviews » Press conferences, releases » DBSA website and social media platforms	SRC

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted
Management and employees	» To enhance employees' engagement and commitment as their efforts contribute to our success	» Strategy » Financial performance » People development and training » Transformation and employment equity » Code of conduct	» Staff engagements at numerous levels » Training and development needs analysis » Results presentations » Performance reviews » Internal newsletter and emails » Whistle blowers hotline » Staff surveys	HC SRC FC
Suppliers	» Our objectives can only be achieved if we enjoy the loyal support of our suppliers » Suppliers provide the valued expertise, products and services required to maintain our business and facilitate growth	» Contract and service agreements and performance	» One-on-one meetings and presentations	SRC

OUR STAKEHOLDERS (continued)

STAKEHOLDER RELATIONSHIP QUALITY

To guide our interactions with key stakeholders, we regularly assess the quality of our relationship with them to identify areas of concern and respond with corrective action. This is done as part of our Brand Health Survey.

Advocacy

The advocacy component of our bi-annual survey, computed by using the net promoter score (NPS) methodology, indicated that the majority of respondents are advocates of the brand.

24.86	79.3%
NPS	Weighted Average Score

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

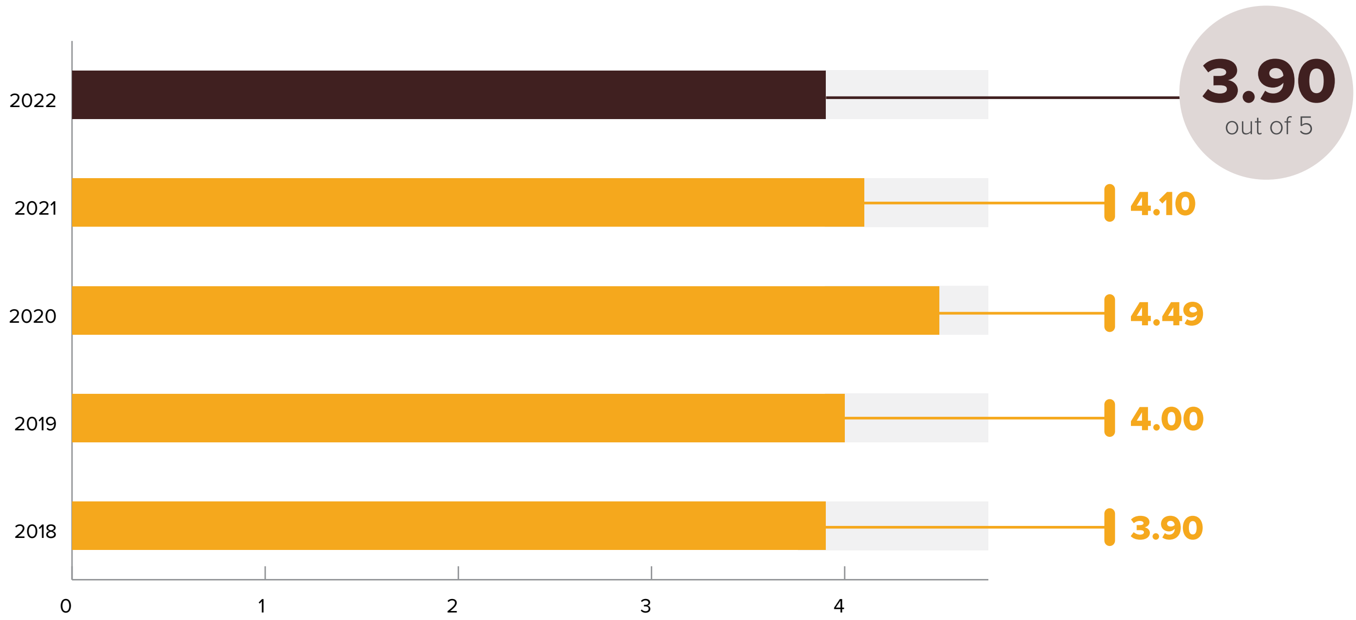
	Total score
Employees	42
Investor/Lenders	4
Strategic Partners	26
Vendors/Service Providers	(21)
Civil Society	(50)
Fund Managers	(9)
Project Owners	11
Prospective Clients	0
Media	(67)
CSI Beneficiary	60
Shareholder	(25)
Regulator	100
Other	11

A positive NPS suggests high customer satisfaction and a great customer experience. Of concern are the shareholder, media and civil society segments for which detractors constituted a majority.

The scale indicator is out of 100 for each of the stakeholder categories.

Client satisfaction

To measure and monitor how well the Bank is fulfilling the needs and expectations of our clients, and inform remedial steps to address potential gaps, the DBSA conducts an annual client satisfaction survey.



The results show that DBSA clients are largely satisfied with the Bank's products and services. However, the score declined from 2021, largely due to the high cost of funding and the perception of longer turnaround times. We will continue engaging clients on pricing, reviewing our internal processes for operational efficiencies and other important matters that contribute to an enhanced client experience.

FUTURE FOCUS AREAS

As aligned to the King IV Governance guidelines on stakeholder relationships, the Bank pursues a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders on a continual basis to better align them with the interests and needs of the Bank.

The Bank held clients' focus groups in order to unpack more on its findings following the 2020/21 financial year's client satisfaction survey results in order to be able to determine key areas in need of intervention to enable the Bank to better respond to clients' needs. Recommendations were made by the Social Ethics Committee regarding the findings coming out of the Brand Health Perception study of 2020/21 financial year and the client satisfaction survey results to review the current stakeholder engagement plan and coordination processes in order to incorporate the findings coming out of both studies. The current stakeholder engagement plan and coordination processes are under review in order to enhance the Bank's proactive stakeholder engagements capabilities and to also ensure that the Bank's strategic stakeholder engagements enhance the Bank's objectives, vision and mission whilst encompassing the needs, interests and expectations of material stakeholders in the Bank's coordination of stakeholders and coordination processes.

OUR PERFORMANCE

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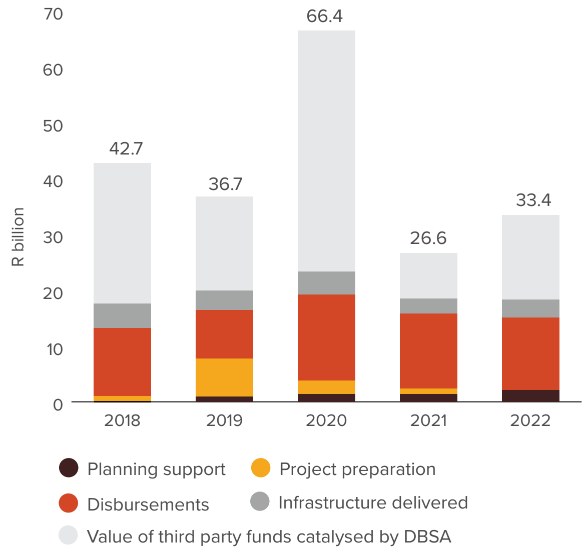
OUR DEVELOPMENT IMPACT

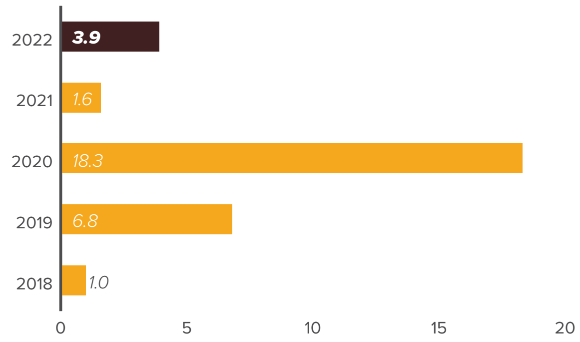
TOTAL INFRASTRUCTURE SUPPORT

For the year ended 31 March 2022, the DBSA delivered total infrastructure support to the value of R33.4 billion across the entire infrastructure value chain, as shown in the following graph:



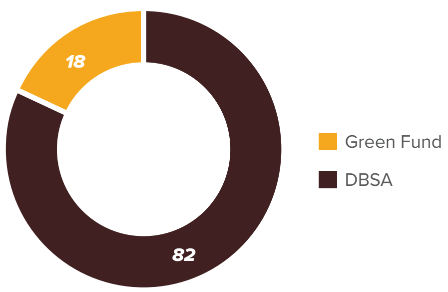
PROJECT PREPARATION

Value of funds catalysed for infrastructure delivery (R billion)

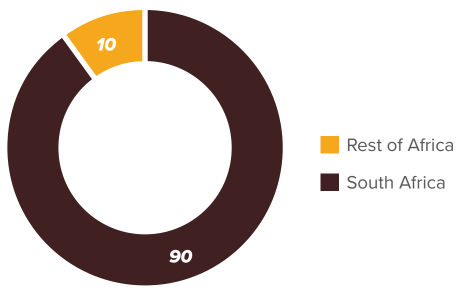


Value of projects for black-owned entities approved for project preparation funding (R billion)

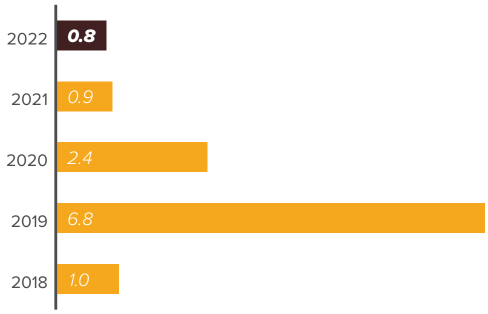
Project preparation pipeline (Commitments) – by funder (%)



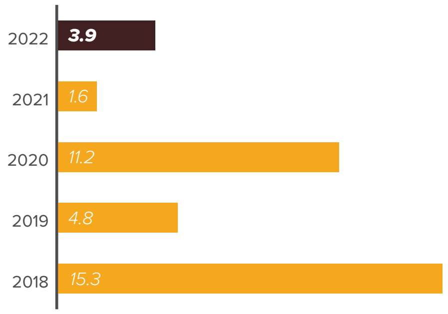
Project preparation pipeline – by geography (%)



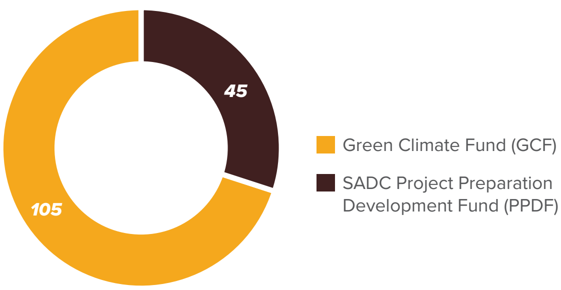
Value of projects approved and committed for funding by the DBSA (R billion)



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

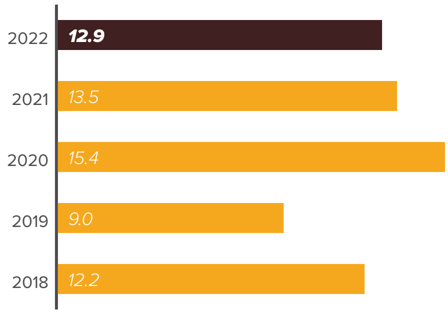


Third party funds committed to deliver the DBSA's development mandate (R million)



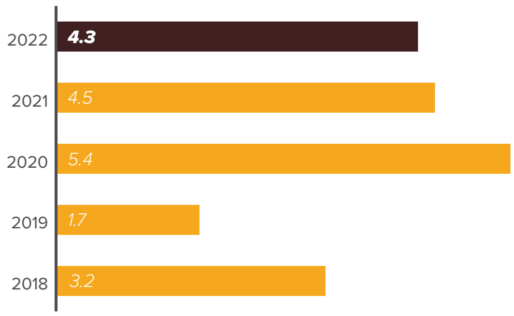
FINANCING

Total disbursements (R billion)

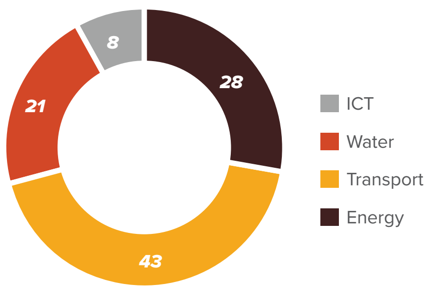


Total SA disbursements
(R billion)

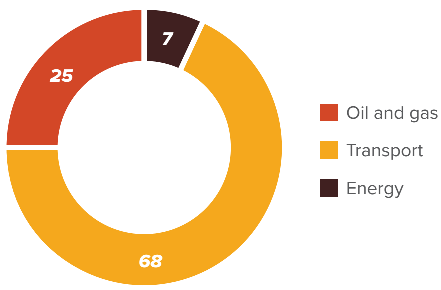
Total disbursements for the rest of Africa
(excluding South Africa, R billion)



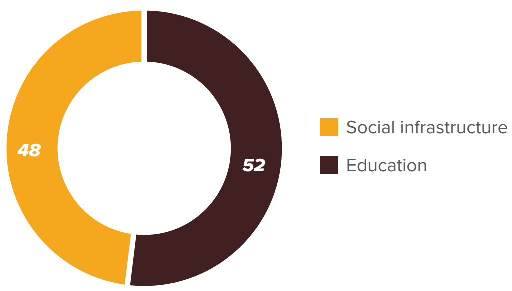
SA disbursements: primary sectors
(R7.7 billion) – %



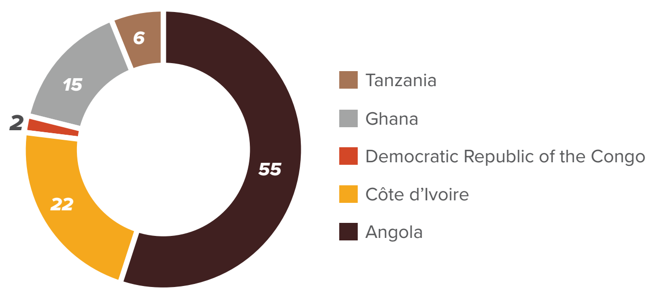
Rest of Africa disbursements: primary sectors
(R4.3 billion) – %



SA disbursements: secondary sectors
(R0.9 billion) – %



Total disbursements for the rest of Africa
(excluding South Africa) – %

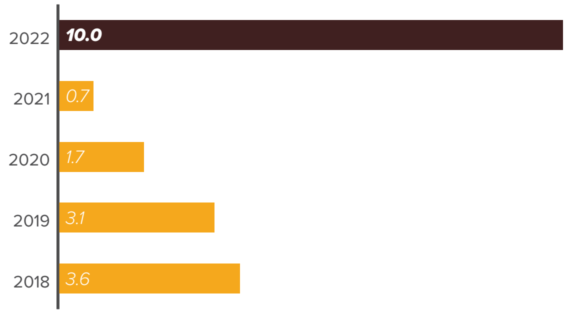


OUR DEVELOPMENT IMPACT (continued)

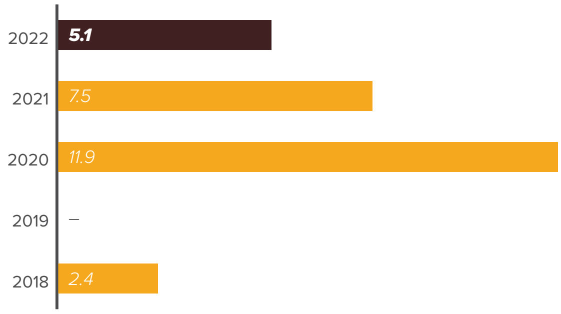
FINANCING (continued)

Third party funding

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

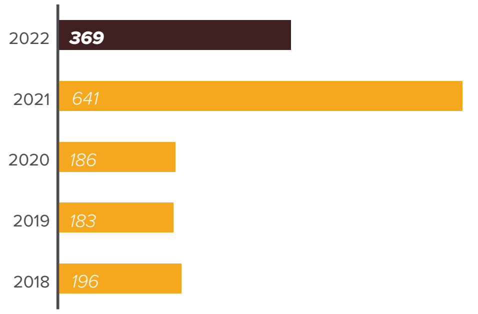


Value of third-party funds catalysed in the rest of Africa (excluding South Africa, R billion)

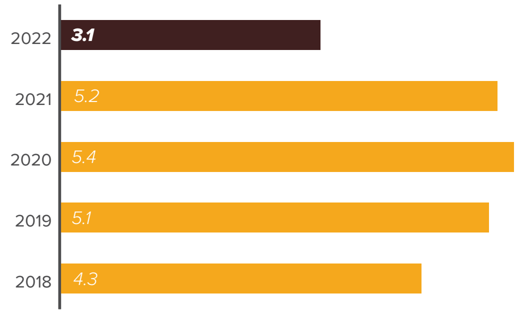


INFRASTRUCTURE DELIVERY

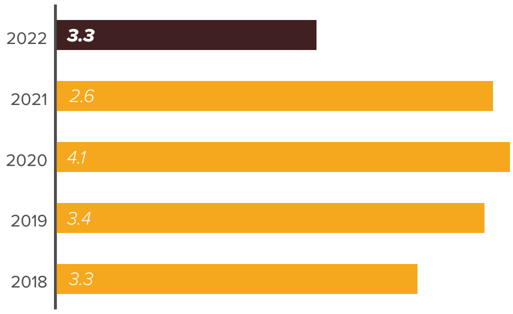
Number of projects completed



Value of funds under management (R billion)



Value of infrastructure delivered (R billion)



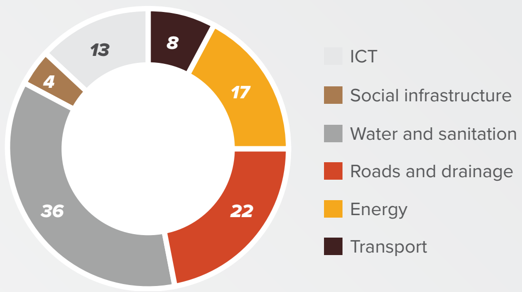
2022 breakdown (R billion)

	2022
National	2.14
Provincial	0.95
Municipal and donors	0.18
Total	**3.27**

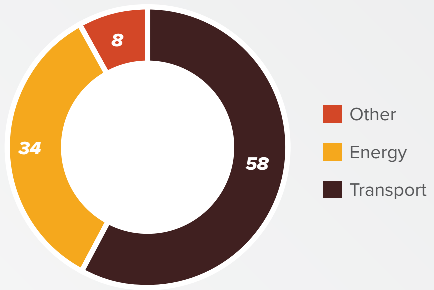
OUR DEVELOPMENT IMPACT (continued)

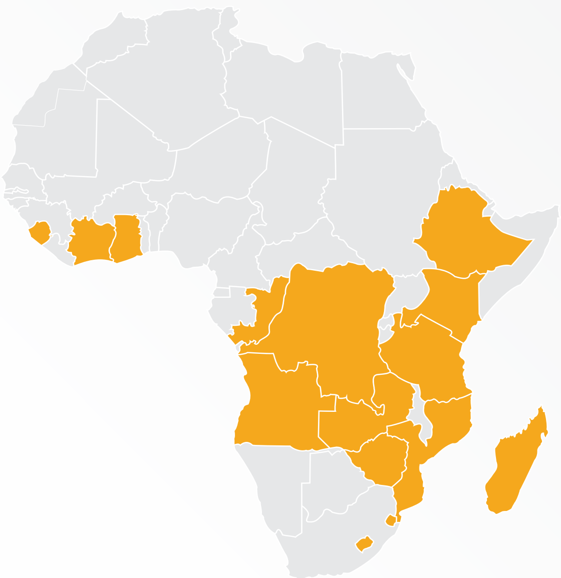
GEOGRAPHIES AND RELATED SECTORS

SA municipal disbursements per sector (%)

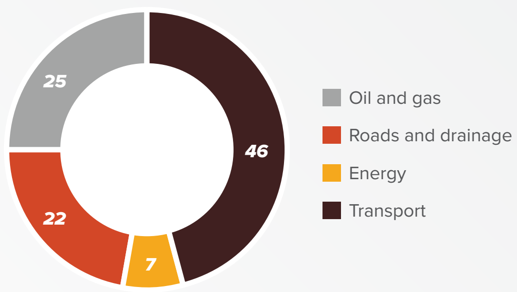


SA non-municipal disbursements per sector (%)





Rest of Africa disbursements (excluding RSA) (%)



LOCAL GOVERNMENT SECTOR

The DBSA has extensive expertise in financing municipal and local government infrastructure. In this sector we focus on supporting the development and maintenance of basic household infrastructures, such as water, sanitation, electricity and human settlements.

We also support community services and enable infrastructure that promotes economic growth and sustainability. The DBSA provides financial and non-financial products to municipalities, which play a crucial role in regional economies. Infrastructure is key to unlocking their sustainability.

Secondary and under-resourced municipalities

	2022	
R billion	**Target**	**Actual**
Top 5 metros	3.5	4.5
Small metros and intermediate cities	0.7	0.04
Total	**4.2**	**4.5**
Planning support to secondary and under-resourced municipalities: Infrastructure unlocked to secondary and under-resourced municipalities through planning support	1.4	2.1

Supporting under-resourced municipalities with infrastructure plans

Local government challenges are well documented. According to Auditor General of South Africa's report, 'the financial position of just over a quarter of municipalities is so dire that there is significant doubt that they will be able to continue operating as a going concern in the near future. This effectively means that such a municipality does not have enough revenue to cover its expenditure and owes more money than it has'. In the 2021/22 financial year, only 17 municipalities (out of 257) had borrowing plans approved by their respective councils. A systematic and programmatic way of planning is required to resolve some of the challenges confronting under-resourced municipalities.

The DBSA recognised the constrained borrowing capacity of the municipal market and commenced an integrated planning approach to assist build capacity in under-resourced municipalities.

	2022	2021
Number of municipalities supported (local and district)	17	30
Number of infrastructure plans completed	13	10

Outcomes

Implementation support to municipalities (non-lending)

	2022	2021
Number of households that received access to new and improved services in water, sanitation and electricity	205 470	154 028
COVID-19 intervention projects completed	29	30
Kilometres of road improved	–	6.2
Temporary jobs created	158	781
Number of urban housing units completed	–	130

OUR DEVELOPMENT IMPACT (continued)

EDUCATION

	2022	2021	2020	2019	2018
New schools built	1	11	4	8	8
Schools refurbished	104	51	110	107	128
New ventilated improved pit (VIP) latrines at schools	237	68	–	–	–
Water, sanitation, fencing and modular structure at schools	6	–	–	–	–

Outcomes

	2022	2021
Learners benefitting from refurbished schools	56 958	33 125
Learners benefitting from newly built schools	931	6 909
Learners benefitting from new ventilated pit latrines	77 585	16 042
Learners benefitting from water, sanitation, fencing and modular structure at schools	491	–

SOCIAL

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

	2022	
Mandate programmes	**Target**	**Actual**
Infrastructure delivered	R3.7 billion	R3.3 billion

Sphere of government	Sector	Number
National and provincial	Economic	Refurbishment = 11
	Public Works Facilities	Refurbishment = 5
Municipal	Water and Sanitation	New = 2
	Health	New = 0
	Waste	Refurbishment = 1
	Environmental	Refurbishment = 1

	2022	2021	2020	2019	2018
Houses completed	–	–	200	–	112
Health facilities	–	6	2	48	25
DBE COVID-19 mobile toilets in Eastern Cape and KwaZulu-Natal	237	55	–	–	–
Water, sanitation, fencing and modular structure at schools	6	–	–	–	–

Student Housing Infrastructure Programme (SHIP)

The DBSA was approached by DHET to assist with the roll-out of 300 000 beds over the next 10 years until 2031, at an estimated cost of R65 billion at 26 universities and TVET colleges. This will provide students with safe, accessible and affordable accommodation on campus, decreasing transport costs.

DBSA's investment: R1.2 billion, alongside a R300 million IIPSA facility, for the first seven universities.

In the past financial year, feasibility studies for 13 universities were completed and construction for these projects is expected to commence in the 2022/23 financial year. Private sector funding will be crowded in for the 13 universities.

Outcomes

Estimated householders based on municipal commitments

	2022	2021
Water (includes reticulation and provision of bulk water)	28 490	39 945
Sanitation (includes reticulation, upgrading and construction of wastewater treatment works)	36 500	19 876
Energy (includes upgrading of substations and electrification of households)	20 541	70 122
Rehabilitation of roads	23 242	101 698

ENERGY

We take a holistic approach to providing long-term energy stability, both in South Africa and across the rest of Africa, supporting with transition and green funding for projects on the continent.

Genser Energy Ghana Ltd

Genser Energy Ghana Ltd (GEGL/Genser) is the only embedded power generation provider in Ghana. Genser generates power for the gold mining sector. The DBSA's funding enabled the Phase II expansion that increased its total installed capacity from 107MW to 200MW and expanded its network by 255km. Through the support provided by the DBSA, Genser has been able to develop to be the only indigenous IPP company in Ghana.

TRANSPORT

The transport sector is a crucial driver for economic growth and social development, as well as a fundamental component of the continent's competitiveness in global markets.

Port Namibe and Port Sacomar

The Ministry of Finance Angola engaged the DBSA to provide funding for the expansion of Port Namibe and the rehabilitation of Port Sacomar as part of a regional integration project that will contribute to the SADC's regional transport corridor and help to diversify the economy away from oil by providing a gateway for neighbouring landlocked countries.

OUR DEVELOPMENT IMPACT (continued)

ICT

ICT investment, such as broadband infrastructure, is vital to support economic growth, increase competitiveness, create decent work and improve nation-building and social cohesion for local, national and regional integration. Connectivity infrastructure across the SADC region has expanded significantly in the past decade, augmented by the undersea cables that connect Africa with the rest of the world. Africa's sea cables cover four connectivity corridors – Africa-Europe, Africa-Latin America-US, Africa-Asia and Africa-in region.

Enhanced global connectivity has stimulated opportunities to addressing the gaps in the access network – the so-called last mile infrastructure. Rural areas and some areas with high population density lack sufficient connectivity. The DBSA is driving opportunities through projects such as the Internet 4All Programme in Africa, SA Connect and municipal connections.

	2022	
Disbursements support activities	**Target**	**Actual**
Economic infrastructure	R4.5 billion	R3.4 billion

	2022	
Project preparation	**Target**	**Actual**
Projects prepared and approved for DBSA funding	R1.5 billion	R0.8 billion
Projects prepared and committed by other funds	–	R0.2 billion

REST OF AFRICA

SADC Gas Master Plan

Given the huge gas resource discovery in Mozambique, the DBSA teams, working with the national gas utility Empresa Nacional de Hidrocarbonetos (ENH), and the SADC Secretariat embarked on developing a SADC Gas Master Plan. This plan evaluates opportunities for regional gas trade, as well as domestic gas monetisation opportunities. It is therefore important for the region to look beyond national borders and identify potential demand and uses for natural gas throughout the SADC region. The plan will be implemented in two phases, with IDC and the DBSA as lead partners.

Southern Africa Power Pool (SAPP) Initiative

The SAPP-DBSA initiative was established to address the challenge of financing generation projects in the SADC region, as the deterioration of economic conditions for regional sovereigns made their national power utility Power Purchase Agreements unbankable. This initiative entails the design, implementation, and operationalisation of this facility to accelerate power supply in the region. The project is at Terms of Reference stage and financing is envisaged to come from DBSA's internal funding pool.

Southern African Railways Association (SARA)

The SARA partnership will assist in aligning and leveraging off strategic partners to boost organisational deal flows that align with the DBSA objectives and targets. There is an existing MOU with SARA in which we jointly identify viable projects and opportunities that require project preparation and/or investment funding to catalyse economic growth in Southern Africa. This partnership will also assist in sharing information, skills and expertise, as well as in utilising the DBSA's Pan African Capacity Building Programme (PACBP) to provide targeted subsidised capacity building.

Southern African Post Office Association Initiative

The SADC team has collaborated with the Southern Africa Postal Operators Association (SAPOA) to identify three sub-initiatives that will revive the transport, logistics and IT infrastructure of postal operators in the region. This will include the preparation and financing of the following projects:

» Financial inclusion – National transaction and switch infrastructure for the SADC Region Postal Services.

» E-commerce – Digital Track and Trace system for the region's mail services.

» Logistics – Revitalisation and rehabilitation of the post bus services.

Port Management Association of Eastern and Southern Africa (PMAESA): Lake Tanganyika Initiative

The SADC Coverage team is developing a programme jointly with PMAESA that will unlock passenger and freight transportation port projects around Lake Tanganyika. The target countries include Zambia (Port Mpulungu), Tanzania (Port Kigoma), the DRC (Port Kalemi) and Burundi.

Namibia PPP Project Preparation Fund

The Development Bank of Namibia (DBN) approached the DBSA for the purpose of supporting the Government of Namibia PPP Unit to establish a PPP Project Preparation Fund (PPF) that will mobilise project preparation funding for projects in Namibia. The PPF will need an estimated capital amounting of USD100 million spread over a period of three years to support activities for at least ten projects. This will cement the DBSA's long-standing strategic partnership with DBN.

Namibia PPP Hospital Projects

The Ministry of Health and Social Service in Namibia has requested technical support from the DBSA and DBN to assist with assessing prioritised general hospitals in Namibia. These hospitals are at various stages and once project PPPs are approved, these enter a potential pipeline for the DBSA and DBN to consider for project preparation funding or investment. The DBN team is working closely with the DBSA on this process.

OTHER OUTCOMES

TRANSFORMATION INDICATORS

90%	36%	R2.9 billion
of procurement spend on black-owned suppliers for IDD third party fund	of procurement spend on black women-owned suppliers for IDD third party fund	worth of infrastructure projects delivered by B-BBEE entities

The impact is based on the projects implementation on behalf of National, Provisional and Municipal spheres of government.

	2022	2021	2020	2019	2018
Job opportunities created (number)	9 230	8 190	9 758	8 344	8 492
SMMEs benefitted (number)	1 543	1 031	1 219	1 087	717
Value of spend allocated to SMMEs and subcontractors (R million)	914	611	948	536	364

The anticipated jobs is based on the loan commitments concluded is SA during 2021/22 financial year.

	2022	2021
Anticipated direct construction jobs	19 380	8 320
Anticipated direct operational jobs	1 870	2 980

MANAGING OUR FINANCIAL CAPITAL

MANAGING OUR FINANCIAL CAPITAL

> *Our financial capital includes our equity, debt and funding from investors and clients. While our main source of revenue takes the form of interest income from operations, we also derive funding from local and international financial markets.*

FINANCIAL CAPITAL INPUTS

R42.9 billion	R4.5 billion	R3.8 billion	R55.7 billion
capital and reserves	cash generated from operations	net profit	financial market liabilities

VALUE CREATED FOR STAKEHOLDERS

R3.8 billion	R0.9 billion	R0.5 billion	R0.1 billion
net profit for the year	employee remuneration and benefits	value of procurement from suppliers	social responsibility project expenses

KEY FACTORS IMPACTING THE BANK'S FINANCIAL CAPITAL

Our external macro-economic environment, including international events such as the COVID-19 pandemic and South Africa's place in the global market, impacts our ability to access financial capital.

Associated key risks

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

Our strategic response

» Diversifying our funding sources both locally and internationally
» Building organisational sustainability by converting transactions to drive disbursements

MANAGING OUR FINANCIAL CAPITAL (continued)

GOVERNANCE OVERSIGHT

Oversight of financial capital management is delegated to:

Board level oversight

Audit and Risk Committee

The Audit and Risk Committee oversees and advises the Board on:

- Income, expenditure and capital budget requirements
- Treasury arrangements and fund mobilisation strategies
- Transfer pricing policies
- Development loan impairments
- Management of assets and liabilities
- The DBSA's overall financial health and sustainability

This committee oversees the internal control framework and reviews and evaluates the integrity of financial reporting, risk management processes, compliance with legal and regulatory requirements and the internal and external audit functions.

Board Credit and Investment Committee

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

Executive management oversight

Investment Committee

The Investment Committee is responsible for approving transactions within the limits placed by the Board Credit and Investment Committee. Portfolio risks are monitored through the Investment Committee. Based on loans and equities portfolio reports received from management, the monitoring of the loan and equities portfolio is considered adequate.

Asset and Liability Management Committee

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

FIVE-YEAR KEY FINANCIAL INDICATORS

		2022	2021	2020	2019	2018
Financial position (R million)						
Cash and cash equivalents		7 990	8 979	3 459	2 923	3 742
Financial market assets[1]		903	1 206	2 599	2 594	2 661
Investment in development activities[2]		90 325	89 037	93 545	83 044	81 873
Other assets		810	826	862	927	936
Total assets		**100 028**	**100 048**	**100 465**	**89 488**	**89 212**
Financial market liabilities[3]		55 570	59 492	61 918	51 283	53 573
Other liabilities		1 547	1 405	969	1 033	1 318
Total liabilities		**57 117**	**60 897**	**62 887**	**52 316**	**54 891**
Total equity		**42 911**	**39 150**	**37 578**	**37 172**	**34 321**
Financial performance (R million)						
Interest on development loans		8 414	7 806	7 628	7 799	7 192
Interest on investments		564	535	658	611	559
Total interest received		**8 978**	**8 341**	**8 286**	**8 410**	**7 751**
Interest expense		3 186	3 449	3 863	3 915	3 905
Net interest income		**5 792**	**4 891**	**4 423**	**4 495**	**3 845**
Operating income[4]		6 129	5 137	4 882	4 828	4 278
Operating expense[5]		1 307	1 154	1 270	1 063	906
Sustainable earnings/(loss)[6]		**3 610**	**2 316**	**(587)**	**2 324**	**2 767**
Profit for the year		**3 825**	**1 423**	**504**	**3 097**	**2 283**
Financial ratios						
Total capital and reserves to development loans	%	51.0	47.3	43.6	49.0	45.7
Long term debt/equity (excluding callable capital)	%	129.6	152.1	164.9	138.1	156.2
Debt/equity (including callable capital)[7]	%	88.4	100.7	107.6	89.8	98.7
Cash and cash equivalents to total assets	%	8.0	9.0	3.4	3.3	4.2
Total capital and reserves to assets	%	42.5	39.1	37.4	41.5	38.5
Financial market liabilities to investment in development activities	%	61.5	66.8	66.2	61.8	65.4
Non-performing book debt as a % of gross book debt	%	4.7	7.7	7.2	4.9	4.5
Return on average total equity	%	9.3	3.7	1.3	8.7	6.9
Return on average total assets	%	3.8	1.4	0.5	3.5	2.6
ROE based on sustainable earnings	%	8.8	6.0	(1.6)	6.5	8.3
Interest cover	Times	2.8	2.4	2.1	2.1	2.0
Net interest income margin[8]	%	6.2	5.3	5.1	5.5	4.9
Cost-to-income ratio	%	23.7	25.4	28.4	22.9	21.7

Key:

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

> *While the world continues to free itself, albeit gradually, from COVID-19's social and economic challenges, many organisations are still hard-pressed to survive and recover. I am pleased to report that in financial terms the DBSA remained strong and resilient, resting on firm foundations of financial stability, excellent governance and values-based leadership. All these attributes are once again highlighted in the financial results we have achieved during the 2022 financial year.*

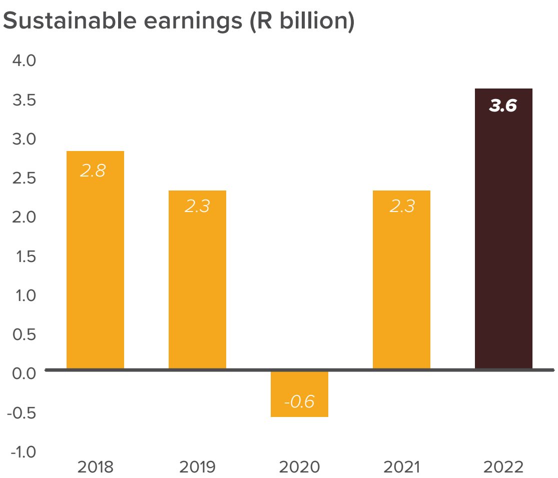
While the past year was certainly not without its challenges, the Bank did not falter in its commitment to delivering on its purpose. In fact, our stellar financial performance of the past 12 months has strengthened our position as a leading development finance institution (DFI) in Africa and enhanced our capacity to enable inclusive and sustainable economic growth through our projects.

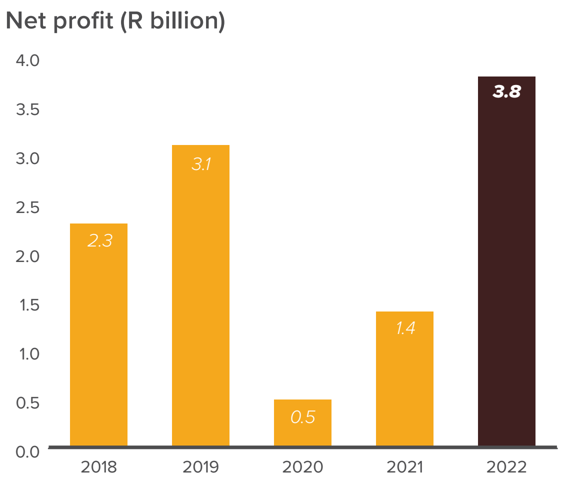
BUILDING CAPACITY AND EFFECTIVENESS THROUGH STRONG FINANCIAL PERFORMANCE

The DBSA's 2022 financial year featured a much-improved financial performance compared to the previous period, especially from the perspective of profitability and net interest income. The Bank clearly proved its ability and willingness to overcome the twin challenges of COVID-19 and South Africa's sluggish economy.

Profitability

The Bank's net profit increased by a very healthy 169% year-on-year, rising from R1.4 billion in 2021 to R3.8 billion in the year under review. Sustainable earnings rose by a pleasing 56% to R3.6 billion (2021: R2.3 billion).





Statement of financial performance for the year ended 31 March 2022

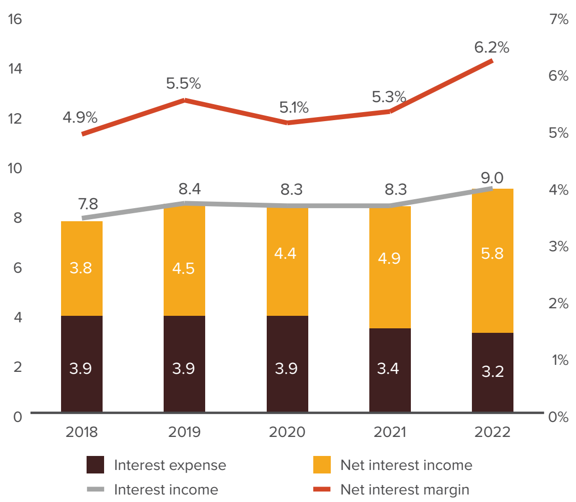
in thousands of rands	2022	% change	2021
Interest income calculated using the effective interest rate	8 831 969		8 161 023
Other interest income	146 337		180 080
Total interest income	**8 978 306**	**8**	**8 341 103**
Interest expense calculated using the effective interest rate	(3 085 112)		(3 335 021)
Other interest expense	(100 424)		(114 441)
Total interest expense	**(3 185 536)**	**(8)**	**(3 449 462)**
Net interest income	**5 792 770**	**18**	**4 891 641**
Net fee income	279 794	49	187 858
Other operating income	56 523	(2)	57 864
Non-interest revenue	**336 317**	**37**	**245 722**
Operating income	**6 129 087**	**19**	**5 137 363**
Depreciation and amortisation	(36 684)	14	(32 287)
Development expenditure	(71 687)	(8)	(78 240)
Grants	(27 412)	(16)	(32 510)
Impairment losses	(1 004 940)	(14)	(1 164 724)
Personnel expenses	(867 998)	4	(835 131)
Project preparation expenditure	(48 466)	28	(37 802)
Revaluation of Development Loans – unrealised	(13 507)	158	(5 237)
Revaluation of equity investments – unrealised	(46 349)	(87)	(348 770)
Other expenses	(402 267)	40	(286 813)
Sustainable profit	**3 609 777**	**56**	**2 315 849**
Net foreign exchange gains	156 130	(117)	(892 773)
Net revaluation of financial instruments	59 250	(13 355)	(447)
Profit from operations	**3 825 157**	**169**	**1 422 629**

Net interest income management

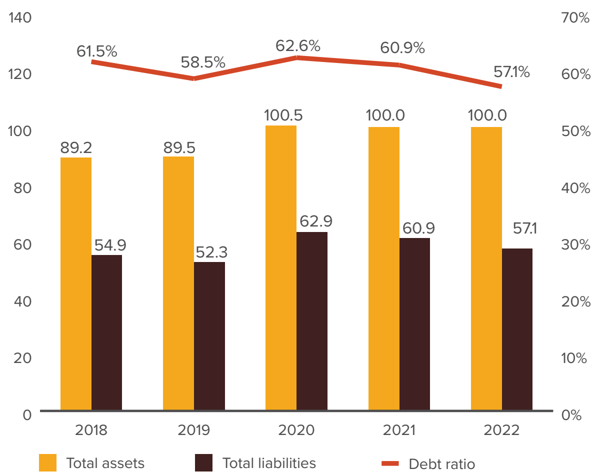
Net interest income, which is fundamental to the Bank's sustainability and efficacy, showed an 18% year-on-year improvement. It ended the 2022 financial year at R5.8 billion, which is a full R1 billion up on the 2021 figure and 32% ahead of the year's target. While much of this net interest revenue growth resulted from South African Reserve Bank (SARB) interest rate increases, this positive result unquestionably enables the Bank to enhance its impact.

Our improved net interest income, coupled with an 8% year-on-year reduction in our interest expenses, maintained the DBSA's net interest margin on a clear upward trend, rising to 6.2% at the end of the 2022 financial year (2021: 5.3%).

Net interest margin on interest bearing assets (R billion)



Debt ratio (R billion)



Cost optimisation and efficiency

Coupled with the strong revenue growth achieved in the year under review, the Bank also succeeded in containing operating costs within the planned levels and maintaining a cost-to-income ratio to an acceptable 24% (2021: 25%). We had anticipated that these would inevitably rise as our operations – and those of our stakeholders and beneficiaries returned to pre-COVID-19 levels. Despite this increased operational activity, the Bank was able to limit growth in overall operating costs to 13% year-on-year, ending the year with total operating expenditure of R1.3 billion (2021: R1.2 billion).

BALANCE SHEET STRENGTHENING

Statement of financial position as at 31 March 2022

in thousands of rands	2022	% change	2021
Assets			
Cash and cash equivalents at amortised cost	7 990 108	(11)	8 978 608
Trade receivables and other assets	259 293	(13)	296 376
Investment securities	444 287	(2)	455 215
Derivative assets held for risk management purposes	458 243	(39)	750 831
Other financial assets	43 067	1	42 451
Development loans held at FVTPL	19 309	15	16 847
Equity investments held at FVTPL	4 976 507	(1)	5 007 459
Development bonds at amortised cost	1 151 903	(10)	1 279 235
Development loans at amortised cost	84 177 054	2	82 733 448
Property, equipment and right-of-use of assets	444 847	10	405 685
Intangible assets	63 423	(22)	81 569
Total assets	**100 028 041**	**–**	**100 047 724**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	890 743	20	739 962
Repurchase agreements at amortised cost	–	(100)	868 042
Derivative liabilities held for risk management purposes	34 240	(73)	127 276
Liability for funeral and post-retirement medical benefits	48 529	2	47 630
Debt funding held designated at fair value through profit or loss	688	(100)	1 513 997
Debt funding held at amortised cost	55 535 354	(3)	56 982 792
Provisions and lease liabilities	91 795	(20)	114 485
Deferred income	515 667	103	503 086
Total liabilities	**57 117 016**	**(6)**	**60 897 270**
Equity			
Share capital	200 000	–	200 000
Retained earnings	28 881 710	19	24 366 254
Permanent government funding	11 692 344	–	11 692 344
Reserve for general loan risk	1 855 171	(27)	2 545 939
Other reserves	281 800	(19)	345 917
Total equity	**42 911 025**	**10**	**39 150 454**
Total liabilities and equity	**100 028 041**	**–**	**100 047 724**

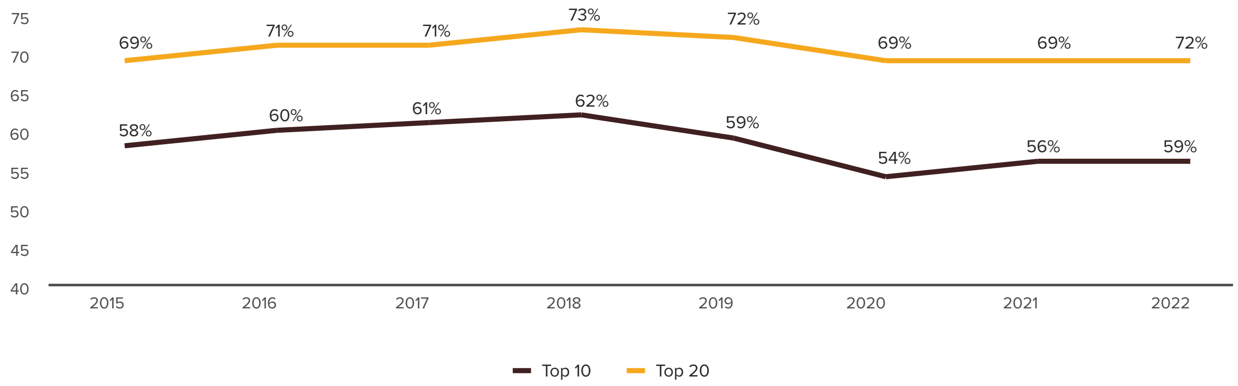
CHIEF FINANCIAL OFFICER'S REPORT (continued)

Development loans

Delivering on disbursement targets

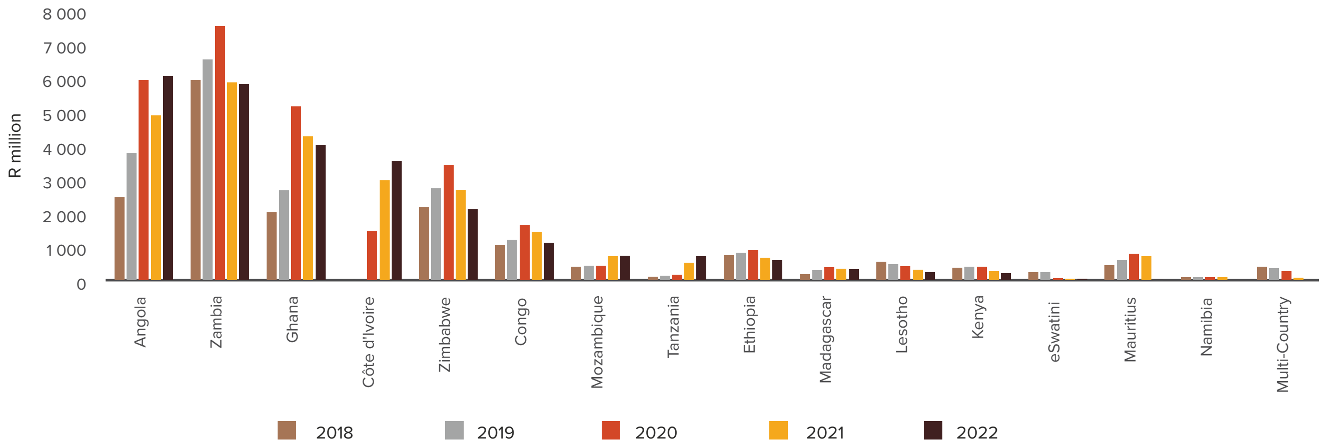
The pandemic and national lockdown responses resulted in many DBSA projects planned for implementation in 2020 and 2021 being placed on hold, placing our 2022 financial year disbursement targets out of reach. These challenges eased in the year under review, with the DBSA falling short by just R600 million in meeting its disbursement target for the year.

Top 10 and top 20 clients as % of total book



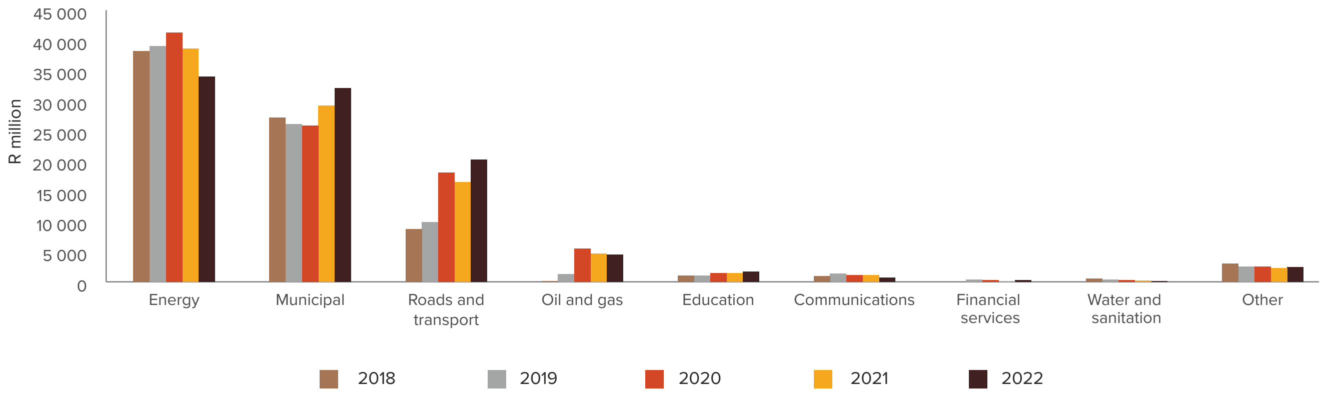
The top 10 and top 20 exposures comprised 59% (2021: 56%) and 72% (2021: 69%) of the total loan book respectively.

Country exposures (excluding South Africa)



The Bank's total exposure outside South Africa slightly decreased to R25.6 billion (2021: R25.7 billion). Zambia, Ghana and Angola constitute 62% (2021: 58%) of the rest of Africa exposure, with the other country exposures remaining fairly constant over the year.

Exposure by sector



The Bank's exposure to the energy sector (excluding municipalities) decreased to R34 billion (2021: R39 billion), representing 35% of the total portfolio (2021: 41%). In the year under review, the direct loan exposure to municipalities (excluding bonds) increased to R32 billion (2021: R29 billion). Exposure to the roads and transport sector increased to R20 billion (2021: R17 billion).

Mitigating the risk of non-repayments and quality of the loan book

Loan repayments are a critical component of the DBSA's financial and operational sustainability. Unsurprisingly, the pandemic sparked a steady increase in the number of clients who experienced difficulties making their loan repayments. Apart from the impact of lockdowns on their operations, other country-specific factors also contributed to their financial difficulties. These issues included declining consumer confidence, credit downgrades, softening commodity prices, rising bankruptcy rates and increased market volatility. In response, the Bank took various steps to mitigate the risk of loan non-repayments. These include early identification and watch-listing of distressed clients or portfolios, credit portfolio diversification and preventing credit concentrations, while actively monitoring high-risk clients.

Fortunately, not all our clients have difficulty repaying their loans, and the flow of repayments received during the 2022 financial year – some of which were even ahead of schedule – positively impacted our balance sheet and cash flow. We were not only able to meet our disbursement commitments, but the Bank will also invest a portion of these repayments to fund future asset replacements.

Unfortunately, this pleasing development is not the case with all our clients. Our Rest of Africa operations, in particular, are under pressure from client non-repayments. Several African countries were already experiencing a deteriorating fiscal position prior to COVID-19, which the pandemic suddenly worsened. Certain countries took advantage of the debt service suspension initiative (DSSI) to halt their loan repayments, resulting in a non-performing loans (NPLs) figure of around 20% in specific regions. We are carefully monitoring the situation and working with those clients still experiencing financial challenges to develop viable loan repayment solutions.

The development loan book continued to show its strength and quality, with 62% (2021: 57.1%) of the book in stage 1 and 33.3% (2021: 35.2%) in stage 2. The development loans in stage 3 makes 4.6% (2021: 7.7%) of the gross development loan book which amounts to R4.6 billion (2021: R7.3 billion). The total balance sheet provision for expected credit losses slightly increased to R11.7 billion (2021: R11.4 billion). Provisions against stage 3 loans decreased to R3.2 billion (2021: R5.1 billion), however, stage 3 loans coverage ratio increasing to 73.2% (2020: 62.8%). Provisions against stages 1 and 2 increased to R8.5 billion (9.2% of the stage 1 and 2 book), compared to R6.3 billion (7.3% of the stage 1 and 2 book) in 2021.

Liability management and liquidity enhancement

Our focus on optimising liability management also paid dividends over the past financial year. To strengthen the Bank's resilience to challenges created by COVID-19, we significantly reduced interest rate expenses, while still maintaining good liquidity levels. The 2020 sovereign credit downgrades had caused capital markets to all but dry up, making it difficult for the DBSA to raise money at competitive rates, with the subsequent Land Bank debacle adding a perceived contagion risk to the Bank. In response, we decided to increase our carried liquidity to a higher liquidity coverage ratio (LCR) to ensure sufficient liquid assets to meet any liquidity requirements, even in the face of unforeseen incidents or crises.

The Bank's funding liabilities decreased by 6.6% to R55.6 billion (2021: R59.4 billion) funding liabilities capital repayments. Debt to equity ratio (including callable capital) improved to 188% (2021: 101%), mainly attributable to the decline in funding liabilities and growth in equity. The debt to equity ratio is well below the 250% as prescribed by the DBSA Act.

GOING BEYOND FUNDING

The DBSA's Planning Unit achieved notable success over the past financial year, working with under-resourced municipalities to create infrastructure plans that they could then transform into feasibility studies to support applications for grant funding or development subsidies. This value-adding service effectively enables municipalities to access the fiscal budgets they need to implement their development projects. Our team delivered municipal infrastructure plans that unlocked projects to the value of R2.1 billion in the 2022 financial year, which well exceeds its R1.4 billion target. COVID-19's challenges remained a thorn in implementing these projects, but we continued monitoring the 13 municipalities with whom we have currently partnered on projects.

Expenditure on development planning fell 8% to R72 million, primarily due to a combination of project implementation delays and lower-than-anticipated capacity support as a result of the establishment of Provincial PMOs as part of the District Development Model.

Planning budgets were also under-utilised as many municipalities delayed projects or failed to comply with the Bank's funding conditions. Protracted and complicated municipal procurement processes also resulted in delays in appointing service providers, which further delayed project implementations.

This under-utilisation of development expenditure is extremely concerning, as delayed development projects have a negative knock-on effect in terms of service delivery, infrastructure establishment, and the growth of vital township economies. A further complication of these delays – which directly impacts the Bank – is that they result in funding backlogs. These funding delays have to be monitored, managed and, ultimately, caught up.

To address this challenge, we are investigating the viability of an integrated infrastructure acceleration programme, with particular focus on our currently supported municipalities. This concept involves consolidating our product offerings into a comprehensive suite of solutions that enable municipalities to fast track their development projects, enhance governance and improve their service deliveries.

Statement of cash flows for the year ended 31 March 2022

in thousands of rands	2022	% change	2021
Net loss adjusted for non-cash items and items separately disclosed	(450 478)		(745 023)
Interest received	7 653 072		8 300 905
Interest paid	(2 750 437)		(3 109 040)
Dividends received	11 324		4 420
Net cash generated from operating activities	**4 463 481**	**–**	**4 451 262**
Development loan disbursements	(12 919 784)		(13 459 403)
Development loan principal repayments	11 308 037		11 002 729
Equity investments disbursements	(246 514)		(102 122)
Equity investments repayments	177 823		235 693
Grants, development and project preparation expenditure paid	(75 879)		(70 312)
Movements in deferred income	15 014		462 130
Increase in advances to National Mandates	(3 149)		(46 147)
Net cash used in development activities	**(1 744 452)**	**(13)**	**(1 977 432)**
Net cash generated from/(used in) operating and development activities	**2 719 029**	**10**	**2 473 830**
Purchase of property and equipment	(51 107)		(10 699)
Proceeds from disposal of property and equipment	–		317
Purchase of intangible assets	(9 078)		(12 342)
Disposal of financial market instruments	38 636		1 354 087
Net cash generated from investing activities	**(21 549)**	**(101)**	**1 331 363**
Gross financial market liabilities repaid	(13 338 479)		(21 187 343)
Gross financial market liabilities raised	9 753 203		23 539 700
Net cash generated from financing activities	**(3 585 276)**	**(252)**	**2 352 357**
Net increase in cash and cash equivalents	**(887 796)**	**(114)**	**6 157 550**
Effect of exchange rate movement on cash balances	(100 704)		(637 778)
Movement in cash and cash equivalents	**(988 500)**		**5 519 772**
Cash and cash equivalents at the beginning of the year	8 978 608		3 458 836
Cash and cash equivalents at the end of the year	**7 990 108**	**(11)**	**8 978 608**

Cash generated by operating activities (R million)

LOOKING AHEAD

Regulatory change

The Bank has continued the process of updating its regulatory regime for increased effectiveness. The DBSA currently falls under the regulation of the Public Finance Management Act (PFMA) and reports directly to National Treasury. During the pandemic, we found this regulatory arrangement highly restrictive as, unlike other commercial banks (which don't fall under the PFMA), the DBSA was unable to apply to the SARB for liquidity support. Repositioning the DBSA to being regulated by the SARB would allow us to raise the DBSA's current 250% leverage ratio limit, thereby further underpinning our liquidity position, especially during times of economic upheaval, when good liquidity is vital.

Dividend policy

We have been engaging with National Treasury, our shareholder, to develop an appropriate and fair dividend policy. The Bank is currently revising its dividend policy, post-repeal, in consultation with its shareholder, the National Treasury. No dividends were declared for the current reporting period.

An evolving strategy for sustainable success

Our planning recognises that we require a more radical and aggressive growth strategy to continue delivering on ambitious goals and achieve the DBSA's vision. From an economic development perspective, we must increase the pace and quantity of our disbursements and enhance the non-lending support we provide to municipalities. Our integrated approach to municipal development is already enabling this transformation and we will continue leveraging this innovative strategy. Aligned to this, we will gradually stretch our annual disbursement targets and continue on our digital transformation journey to ensure achieving these targets every year.

Climate and Environmental Finance

The establishment of the DBSA's Climate and Environmental Finance is an important step towards realising our vision of creating a prosperous, integrated, resource-efficient region. Our Climate and environmental finance supports and enables the just transition to a green economy by promoting high-impact, low-carbon, inclusive programmes and projects, while simultaneously reinforcing climate policy objectives and sustainable development imperatives.

We are also building an evidence base for advancing a climate-resilient, inclusive economy, together with mobilising additional resources to enable low-carbon economies.

In the coming years, the DBSA will focus intently on leveraging the Climate and Environmental Finance to support projects that move South Africa steadily closer to the desired outcomes of the National Development Plan and the United Nations Sustainable Development Goals. To this end, we actively seek out projects with the potential to deliver environmental benefits, improve the delivery of public goods and services, support socio-economic and environmental transformation and create employment opportunities through green skills development.

GRATITUDE

I would like to express my gratitude to the Bank's stakeholders, namely National Treasury, the Board, our Investor community, our strategic partners and our clients and colleagues for your unwavering support and your commitment to ensuring the DBSA can consistently grow and enhance the Africa we hold so dear.

Ms Boitumelo Mosako

Chief Financial Officer

TREASURY AND BALANCE SHEET MANAGEMENT REVIEW

FUNDING

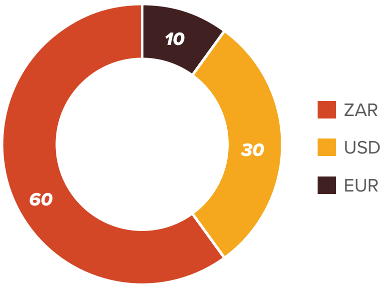
Total new debt raised during the year ending 31 March 2022 amounted to R9.8 billion (2021: R23.5 billion) equivalent. With debt redeemed amounting to R13.3 billion (2021: R21.2 billion), this resulted in net new borrowings for the year of R3.6 billion (2021: R2.4 billion).

JSE listed bonds amounting to R4.97 billion were redeemed and a total of R2.27 billion new bonds were issued during the year, bringing the outstanding amount under the Bank's Domestic Medium Term Note (DMTN) program to R23.8 billion as at financial year-end 2022.

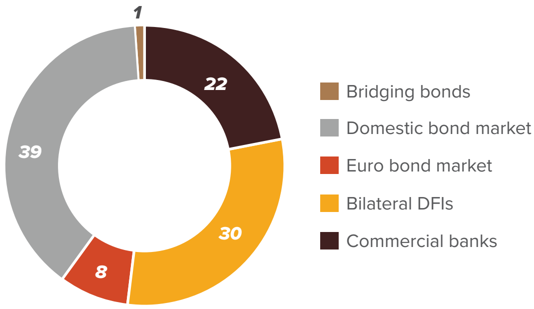
New bilateral loans with commercial banks totalling R6.1 billion were raised and R6.1 billion was repaid during the year. The Bank also issued a second green bond amounting to R3 billion, privately placed with US fixed income and fund manager, PIMCO.

Cash raised on the back of bond repos amounted to R1.38 billion with repos repaid amounting to R2.25 billion. As at 31 March 2022, there were no outstanding repo positions. The charts below depict the Bank's outstanding debt by source and by currency, respectively, as at 31 March 2022:

Outstanding debt by source (%)



Outstanding debt by source (%)



LIQUIDITY

Liquidity levels and ratios were maintained within the Bank's Board approved policy parameters, with liquid assets held primarily in the form of call deposits, money market investments, and government and municipal bonds. Total liquidity excluding undrawn committed facilities as at year end amounted to R8.2 billion (2021: R9.8 billion). The Bank complements its liquid asset holdings with committed facilities from commercial banks, this in addition to sector-specific lines of credit from international DFIs.

EXCHANGE RATE RISK MANAGEMENT

The net open position of foreign currency liabilities naturally hedged through offsetting foreign currency assets, and prior to derivative hedges the Bank as at financial year-end 2022 held a USD long open foreign currency position amounting to USD464 million and a EUR long open foreign currency position amounting to EUR37 million. Derivatives positions entered to hedge the open positions, however, reduced the Bank's earnings sensitivity to movements in the exchange rate of the rand by some 80%.

CREDIT RATINGS

The Bank's credit ratings remained static during the year, in tandem with those of the sovereign. The table below depicts the DBSA credit ratings as at 31 March 2022:

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

[1] Moody's national scale ratings do not carry outlooks.

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Audit and Risk Committee (ARC) adopted appropriate formal terms of reference as its ARC Charter, regulated its affairs in compliance with this Charter, and discharged its responsibilities as contained therein.

IMPACT OF KING IV

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

RESPONSIBILITY

The fundamental role of the ARC is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls, statutory and regulatory compliance and financial reporting.

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

COMMITTEE ACTIVITIES FOR THE 2021/22 FINANCIAL YEAR

» Considered and recommended to the Shareholder the appointment of the Auditor-General as external auditors for the 2022 financial year at the annual general meeting.

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

» Approved the external auditors' 2021/22 audit plan and related scope of work, confirming suitable reliance on Internal Audit and the appropriateness of key audit risks identified.

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

» Reviewed the 2021/22 audited Annual Financial Statements and related disclosures and recommended them to the Board for approval.

» Reviewed reports from management, the Chief Internal Auditor and the external auditors, and considered the effectiveness of the internal financial controls.

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

» Monitored and challenged, where appropriate, actions taken by management regarding adverse internal audit findings.

» Monitored that the Bank maintained IT system functional availability and system stability (uptime) at world-class levels and ensured sound cybersecurity. The Bank had no reported incidents of cyber breaches during the financial year.

» Assessed compliance with all statutory requirements in terms of the Companies Act of 2008, King IV, JSE Debt Listings Requirements and any other applicable regulatory requirements and confirmed that it has executed its responsibilities under the JSE Debt Listings Requirements and that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005.

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

In terms of Organisational Resilience for 2021/22, the Audit and Risk Committee:

» Monitored the DBSA's risk universe heat map and risk trends, as well as the DBSA's top 10 principal risks.

» Reviewed reporting thereon across all the three lines of defence in the DBSA's risk governance structure:

– Line 1: Business

– Line 2: Independent Group Risk

– Line 3: Independent Assurance from Internal and External Audit

» Ensured the DBSA's Enterprise Risk Management Framework remained 'fit-for-purpose' including monitoring the evolution/maturity of the newer major non-financial risks and other emerging risks.

» Monitored that the Board-approved 2021/22 Risk Strategy and Risk Appetite (per 2021/22 Corporate Plan), and top 10 risks (for 2021/22) were successfully managed in all material respects.

» Encouraged Management's evolution of combined assurance.

» Reviewed the DBSA's Balance Sheet Management risks, and in particular, oversight of the sound outcomes across Capital Management, Liquidity and Funding and Interest Rate Risk in the loan book.

» Considered the Capital Management Programme.

» Assessed the DBSA's stage 3 Assets portfolio and the Expected Credit Loss (ECL) impairments.

» Assessed the valuations of the DBSA's Credit and Equities Portfolios.

KEY FOCUS AREAS FOR 2023 AND BEYOND

» Jointly with other committees monitor transition processes for senior management, as well as oversight and evaluation of the Bank's succession plan.

» Continue to ensure that the DBSA's financial systems, processes and internal financial controls are operating effectively.

» Review and consider Management's plans in respect of future changes to the International Financial Reporting Standards (IFRS) and other regulations.

» Monitor the implementation of the amended JSE Debt Listings Requirements, in particular the requirements regarding internal financial controls.

» Update the DBSA's policies on Anti-money Laundering (AML), Combating the Financing of Terrorism (CFT) and sanctions, cyber, climate and conduct risks, with a focus on strategic execution risk and the fast-emerging digital/ technology risks, and ultimately organisational resilience.

» ARC will continue to focus on the IT environment and cloud migration to ensure focused data protection and increased cybersecurity to mitigate cybercrime. This is in response to increased demands placed on the DBSA by the Protection of Personal Information Act (POPIA) 4 of 2013 and the General Data Protection Regulation (GDPR) 2016.

» Continue monitoring the risk universe heatmap and changing risk trends or new emerging risks and Management's response closely.

» Implement the 2022/23 Risk Strategy and Risk Management Plan in conjunction with the Board-approved risk appetite.

» Oversee the implementation of the Capital Management Programme.

Ms Martie Janse van Rensburg

Chairman of the Audit and Risk Committee

BOARD CREDIT AND INVESTMENT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

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

IMPACT OF KING IV

In terms of King IV's 'risk and opportunity governance', integrated thinking helps the Board to avoid taking excessive risks that may lead to organisational failure. Risk and opportunity governance set the tone for organisations to realise that risk management should cover both the negative and positive potential governance outcomes. The Board is responsible for setting the risk tolerance levels relevant to the organisational strategy and objectives.

RESPONSIBILITY

The Board delegated to the BCIC the oversight responsibility for approval decisions relating to the DBSA's investments (credit instruments, equity, and development) and assessment of management portfolio reporting.

COMMITTEE ACTIVITIES FOR THE 2021/22 FINANCIAL YEAR

» Received updates on the DBSA funding and liquidity levels and forecasts
» Reviewed and approved money market funds counterparty credit limits
» Received the DBSA project pipeline monthly reports
» Received updates on watch-listed borrowers
» Approved credit and investment proposals
» Received portfolio management updates outlining processes and policies applicable to credit and portfolio management
» Approved equity investment strategy
» Approved Fragile State Policy/Framework outlining the DBSA's role within the fragility, conflict and social upheaval situations
» Reviewed its Terms of Reference and approved the BCIC Annual Agenda

SUMMARY OF NEW LOANS APPROVED

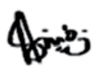
The total value of new loans approved during the year is detailed in the following table. It reflects the value of loans and bonds approved by the executive Investment Committee (IC) and by the BCIC in terms of their respective authority limits, together with the percentage thereof approved at BCIC:

R million	Approved by IC	Approved by BCIC	Total	BCIC approval %
South Africa				
Municipal clients	1 539	1 229	2 768	44
Non-municipal clients	1 752	15 293	17 045	90
SADC	–	3 641	3 641	100
Rest of Africa	–	5 845	5 845	100
Total	**3 291**	**26 008**	**29 299**	**89**

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

KEY FOCUS AREAS FOR 2023 AND BEYOND

» Ensure best practices are embedded in the management of credit portfolios to improve the quality and efficiency of investment.
» Ensure the vigilant monitoring and reporting on high-risk watch list clients.
» Provide guidance on single obligor high concentrations.
» Received updates on watch-listed borrowers.



Ms Anuradha Sing
Chairman of the Board Credit and Investment Committee

MANAGING OUR INTELLECTUAL CAPITAL

MANAGING OUR INTELLECTUAL CAPITAL

Our intellectual capital is our brand, innovation capacity and industry-specific expertise and experience in infrastructure. It is derived from our institutional knowledge, reputation and relationships with global DFIs built over decades and based on extensive experience in infrastructure financing in Africa.

INTELLECTUAL CAPITAL INPUTS

» A leading African DFI with active exposures in 16 countries
» Almost 40 years' experience in infrastructure development
» Strategic partnerships nationally, regionally and globally
» Knowledge derived from due diligence, project development, credit granting and post-investment processes
» Developing enabling financial products

VALUE CREATED FOR STAKEHOLDERS

» DLabs
» High Impact Investments Portfolio
» Angel investment for the previously disadvantaged
» New product development
» Investment in 4IR technology and alternative infrastructure
» Post-DLabs financial and non-financial support interventions

KEY FACTORS IMPACTING THE BANK'S INTELLECTUAL CAPITAL

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

Associated key risks

» Changing operating environment
» People risk
» Development impact risk
» Cyber and technology risk
» Funding and liquidity risk
» Sustainability risk

Our strategic response

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

Governance oversight

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

Infrastructure Delivery and Knowledge Management Committee

This committee oversees strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region, including through knowledge and research programmes that establish the Bank as a centre of excellence in infrastructure development.

INNOVATION

Innovation forms part of the DBSA's core values, where a key focus is to ensure that the Bank not only delivers on its development mandate, but also bends the arch of history for South Africa and the southern African region. The Bank's Innovation Programme, or Moonshots, aims to drive disruption for greater development impact and social return. The Innovation Hub, DLab Precincts, and High Impact Investment Portfolio are all Moonshots designed to solve existing problems in new ways by combining the Bank's experience and work across the infrastructure development value chain.

INNOVATION HUB

The Innovation Hub is an on-site DLab situated at the DBSA Campus. Phases 1 up to 5 have been successfully completed. The former is the initiation phase and entails project scope, site investigations and similar. The latter brings us closer to completion with site handover back to the DBSA with a reconciliation of payment certificates and the issuing of practical completion certification. Handover and close-out is planned for August 2022.

DLAB PRECINCTS

The Bank's Development Laboratories (DLabs), one of the DBSA's Moonshots initiatives, present a potential solution for township economies and previously disadvantaged communities. DLabs primarily use smart technologies and partnerships to create environments and opportunities that narrow the social divide without relocating people, positioning them as leading edge in the developmental space.

The DLab Precinct programme birthed an unprecedented South African approach to addressing socio-economic challenges through sustainable development. The DLab Precinct programme is a scalable co-solutioning ecosystem that drives community Just Transitions, yields innovations for the green economy, creates pathways to employment opportunities, provides access to skills of the future, drives local economic development, has linkages between the informal and formal economies, and builds resilience and well-being within marginalised township and rural economies. Therefore, the programme directly responds to the country's need for inclusive and shared prosperity.

DLab outcomes

Although the progress of implementing the DLabs was delayed by COVID-19, we are pleased with the project's outcomes so far. We have far exceeded the development targets set for each site.

The first two pilot DLab Precincts in Jabulani (Soweto, Gauteng) and Westridge (Mitchells Plain, Western Cape) have taken distinct approaches to realise the same set of objectives across all DLab Precincts. The strengths and uniqueness of each precinct lies in the community-specific methods to innovative solutioning and the immediate inclusion and mobilisation of local individuals. For instance, the Westridge DLab Precinct has a large focus on co-investing amongst women-owned enterprises that are incubated within the precinct site. These two sites in Jabulani and Westridge have presented a strong proof of concept for the DLab Precinct Model producing actual results, in real time, against commitments.

For more information about the DLab outcomes, see our Sustainability Report

PRODUCT INNOVATION

The Bank, led by the Infrastructure Product Development team, recognised the need for smaller, emerging contractors to have access to working capital. These SMMEs often come to the project highly capable and with years of experience, but unable to access formal finance. In response, a working capital financial instrument was benchmarked against our peer DFIs and commercial banks before being approved in August 2021.

The new product was launched in the Eastern Cape with 47 ASIDI contractors. The pilot has since been extended to the North West and Free State provinces.

Total contractors assisted to date	12
Transactions approved	4
Rand value	R59 million

While the Bank is relatively new to providing smaller, higher volume and more standardised finance in this manner, we are confident that this initiative will have great impact in the coming financial year.

INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

IMPACT OF KING IV

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

RESPONSIBILITY

In the execution of its function, the committee has oversight responsibility of the infrastructure delivery, knowledge management and non-financing infrastructure delivery support and programme implementation of the Bank.

COMMITTEE KEY FOCUS AREAS IN 2021/22

Infrastructure delivery and development impact

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

- Considered and recommended the Bank's 2021/22 development impact results for approval by the Board.
- Reviewed the 2021/22 performance report of infrastructure delivery in the Bank.

Knowledge management

The DBSA is committed to facilitating processes of internal and external knowledge development and sharing. This facilitates appropriate learning, enhancing its status as an infrastructure DFI, and supports the implementation of the DBSA's Development Position. In this regard the committee:

- Approved the Research Agenda for the 2021/22 financial year.
- Received and deliberated economic update reports on the latest economic developments.
- Considered the impact of the COVID-19 pandemic on the DBSA Lessons Learned Knowledge Management research paper.
- Noted the report of the co-funding partnership between the Water Research Commission and the DBSA titled 'Enablement of Desalination and Reuse of Water: Bulk Water Supply Economics, Opportunity Cost and Cost of Unserved Water Supply Considerations'.
- Facilitated thought leadership engagements that provoke dialogue and strategising on issues relevant to the strategy of the Bank and industry at large. The topics covered were as follows:
  - (i) Just Transition and Black Economic Empowerment: Investing in a black-owned energy sector, including the potential created by the new role for municipalities.
  - (ii) Entrepreneurship for development in Africa.

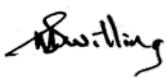
Social economic investment support and programme implementation (strategic mandates)

The DBSA is committed to supporting the government in accelerating the implementation of agreed infrastructure and implementation programmes on a fully funded and/or cost-recovery basis. These strategic mandates include the provision of project management and other support in key priority sectors critical to the achievement of national objectives of economic growth, job creation, infrastructure delivery and governance, poverty eradication, environmental sustainability and well-being. In this regard the committee:

- Approved the Approach to Distribution Asset Management Programme for implementation by the DBSA.
- Received updates on progress made on the development of the SADC Gas Master Plan.
- Received reports on a synthesised overview of the DBSA's green financing and investments.
- Received a report on a synthesised overview of the lessons learnt within the first year of the Moonshots programme.
- Noted the Integrated Sustainable Development Approach report providing an overview of the work undertaken across the Bank in support of the Bank's journey in support of Just Transition pathways.
- Noted the update and progress made on the Bank's Net Zero Position Statement.
- Received updates on the IPP Office institutionalisation update.

KEY FOCUS AREAS FOR 2023 AND BEYOND

- Continuing to facilitate thought leadership engagements that provoke dialogue and strategising on issues relevant to the strategy of the Bank and industry at large.
- Continuing to monitor the Bank's activities aimed at sustainable development, green finance and the Just Transition.
- Monitor the roll-out of the KwaZulu-Natal and Eastern Cape floods humanitarian package as well as the core infrastructure lending package.



Prof Mark Swilling

Chairman of the Infrastructure Delivery and Knowledge Management Committee

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital is our relationships with key stakeholders, including the partnerships between private and public sectors that enable greater infrastructure development and impact.

SOCIAL AND RELATIONSHIP CAPITAL INPUTS

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

VALUE CREATED FOR STAKEHOLDERS

- Access to appropriately structured and affordable finance
- Technical skills and knowledge exchange
- Project management and execution
- Partnership opportunities
- Deal flow
- Market opportunities

KEY FACTORS IMPACTING THE BANK'S SOCIAL AND RELATIONSHIP CAPITAL

Associated key risks

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

Our strategic response

- Active client management particularly during liquidity crunch
- Elevated municipal interventions as a key focus area for 2021/22 financial year
- Ongoing engagements with the Shareholder on strategic matters
- Development impact index framework developed as a key measure of development outcomes
- Proposal for lifestyle audit of DBSA employees deferred for later consideration

Governance oversight

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

Social and Ethics Committee

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

BREAKING NEWS

The DBSA proactively engages the media around the key theme of development impact, using the latest financial and non-financial transactions to highlight the role and the mandate of the DBSA.

Some of the highlights from the past year include:

- Development Bank of Southern Africa launches EUR200 million green bond (africabusinesscommunities.com)
- Development Bank of Southern Africa's First UN-Backed Green Bond Offer – *Global Legal Chronicle*
- South Africa and PIMCO conclude first issuance in groundbreaking UNECA green energy programme (marketscreener.com)

STRATEGIC PARTNERSHIPS

Building smart partnerships is a key strategic enabler for the Bank. The DBSA is proud of our strong network of partnerships with key industry players, including various government departments and investors. We work with entities that can deliver bankable project pipelines for co-financing with commercial financial institutions and DFIs; project sponsors such as South African metros, intermediate cities, and SOEs; and key influential regional entities, including SADC, the East African Community (EAC) and the New Partnership for Africa's Development (NEPAD).

We work with our partners to deliver our infrastructure development mandate.

Strategic partnerships enable the co-creation of fit-for-purpose solutions that are both scalable and sustainable – a core aspect of our programmatic approach. The DBSA's Coverage Division is responsible for strategic relationship management with investors and funders that contribute to our blended funding solutions for infrastructure financing. The Coverage team also contributes to regional integration by implementing our geographic mandate on the African continent.

In 2019, the DBSA established a framework agreement with the World Bank to explore sustainable urban developments, i.e., the Sustainable Development Goals, Smart Cities and Urban Mobility. In the year under review, the DBSA and the World Bank continued with stakeholder engagements and data collection processes as part of the Transforming Transit SA Programme to help entities in the minibus taxi industry to become formalised and bankable.

The DBSA co-chairs the SADC DFRC Infrastructure working group and leads the Resource Mobilisation working group. This level of participation allows the DBSA to strengthen collaboration between regional DFIs and expand regional resource mobilisation to fund sustainable investments.

Our engagement with key DFI partners, including the AfDB, NDB, and AFD, resulted in a new line of credit, while a joint team was established to explore non-traditional bond underwriting and credit enhancement funding options.

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL
(continued)

TRANSFORMATION

The DBSA is committed to economic transformation, in line with national policy frameworks.

Supporting black-owned and black women-owned businesses

The DBSA promotes transformation in South Africa through the Bank's infrastructure development activities. In addition, the Bank's internal transformation initiatives span employment equity, procurement and enterprise development.

Transformation analysis		2022	2021	2020	2019	2018
Value of funds disbursed to B-BBEE entities	R million	335	579	548	981	62
Value of infrastructure delivered by B-BBEE entities	R million	2 947	2 372	3 377	2 500	1 800
– B-BBEE entities	R million	2 033	1 761	2 429	1 964	1 436
– SMMEs and subcontractors	R million	914	611	948	536	364
Value of procurement spend by DBSA from B-BBEE entities	R million	106	175	117	83	66
Number of SMMEs and subcontractors benefitted	Number	1 543	1 031	1 219	1 097	717

We are proud to have exceeded our empowerment deal targets for the year:

	Target	Actual
Black-owned businesses	5	8
Black women-owned businesses	3	4

The DBSA targets specifically the social, energy and transport sectors to enact B-BBEE transactions. Some of the challenges in these sectors include protracted contract negotiations, the dominance of SOEs, and small contractors' inability to package comprehensive deals. However, the Bank continues prioritising B-BBEE deals in the pipeline:

Sector	Number of deals	Rand value
Social sector	15	R2.2 billion
Transport sector	2	R0.5 billion
Energy sector	3	R4.9 billion

B-BBEE EQUITY FINANCING FACILITY

Project objective:

» To ringfence capital which will be utilised to increase the participation of B-BBEE entities in infrastructure projects and transactions by funding their equity contribution.

Progress to date

The facility was approved at BCIC for a total value of R450 million. The facility received significant interest in the market, and the assessment of numerous qualifying transactions is underway.

SANRAL BLACK CONTRACTOR FACILITY

Project objectives:

» Facilitate a strategic partnership to provide financial and non-financial support to SANRAL's B-BBEE and SMME contractors.
» Enable B-BBEE and SMME contractors to be competitive and sustainable through training, developmental programmes and access to short-term working capital finance.

Progress to date

We are engaging with SANRAL to get the project off the ground, with terms of reference having been signed off and the funding parameters defined.

RSA AFFORDABLE HOUSING SECTOR ENTRY

Project objectives:

- To perform a market sounding and landscaping exercise of the key stakeholders in the social sector with the purpose of identifying market failure (if evident) and the role that the DBSA can play to support stakeholders in the sector.
- To generate black- and female-owned transactions due to the low equity requirement and grant funding of approximately 65% of project capex from the Social Housing Regulatory Authority (SHRA) – an agency of the Department of Human Settlements.

Progress to date

The second objective was achieved during September 2021. The DBSA also met with black property developers and property asset managers, to create a healthy pipeline of 17 BEE projects amounting to R3.2 billion. A Social Housing Indaba in conjunction with SHRA and the National Department of Housing was held during the year under review.

RESPONSE TO COVID-19 PANDEMIC

The DBSA, DCoG and MISA are implementing short-term interventions to counter the impact of COVID-19 on vulnerable communities with the provision of potable water through solar-powered boreholes, water tankers, energising of existing boreholes with the support of Eskom.

The DBSA approved R41 million in FY2020 for the implementation of these community-based interventions. In FY2021/22, 46 projects were completed in 11 municipalities and all the short-term intervention were completed. Development results are as follows:

	2022	2021	Total
No. of projects completed (boreholes)	10	30	40
No. of projects completed (water treatment projects)	22	14	36
No. of households benefitting	970	23 545	24 515
No of temporary jobs created	29	236	265

SOCIAL AND ETHICS COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The Social and Ethics Committee (SEC) adopted appropriate formal terms of reference as its SEC Charter, regulated its affairs in compliance with this Charter, and discharged its responsibilities as contained therein.

IMPACT OF KING IV

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

RESPONSIBILITY

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

KEY FOCUS AREA

The SEC recommended for approval by the Board the piloting of the proposed Environmental, Social and Governance (ESG) Framework and refinement thereof to assess the implications before implementation.

THE COMMITTEE'S ACTIVITIES FOR THE 2021/22 FINANCIAL YEAR

- Monitored the implementation of recommendations from The Ethics Institute's Ethics Risk Assessment (ERA) conducted in the DBSA.
- Oversaw delivery on the Bank's purpose by referencing the Sustainable Development Goals (SDGs) as measures of such delivery.
- Oversaw the Bank's response to climate change from an operational perspective by creating a watch list of environmentally unfriendly transactions and transactions that might not meet their covenants.
- Monitored the Bank's Media and CSI activities.
- Oversaw the Bank's establishment of Gender Mainstreaming within the organisation.
- Monitored the B-BBEE transformation in respect of the DBSA's procurement policies and appointment of service providers and contractors.
- Considered the quarterly Ethics Reports, and Stakeholder Relations Reports.

In-committee meetings were held quarterly, during which reports on forensic investigations and legal cases involving the DBSA were discussed.

KEY FOCUS AREAS FOR 2023 AND BEYOND

Strategic focus areas:

- making meaningful progress in gaining a deeper understanding of sustainability issues and ensuring that ESG matters are considered in the Bank's operations. The committee and Board continue to discuss ESG issues, trends, and best practices to ensure that the Bank addresses global ESG challenges and opportunities that are relevant to the DBSA's day-to-day operations, strategy, and risk profile. The implementation of the ESG framework and elevated reporting on ESG will be a continued focus area for the committee for 2023 and beyond;
- supporting the national agenda to bring about transformation, incorporating gender mainstreaming; and
- adopting a collaborative approach to ethical leadership, having a commonly accepted and lived set of values, effective governance, and effective risk and compliance management.

In addressing these, the committee will continue:

- its oversight and guidance to enhance the culture of ethics and ethical leadership at the DBSA;
- working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view on transformation;
- monitoring B-BBEE transformation in the Bank across all pillars of the BEE scorecard;
- overseeing the Bank's approach to the measurement, assessment, and disclosure of its financial exposure to climate-related risks;
- ensuring our corporate governance mechanisms align our goals with those of our broad base of stakeholders in fulfilling our purpose of putting our financial expertise to do good while supporting stakeholder capitalism; and
- overseeing the implementation of gender mainstreaming within the Bank.

Ms Patience Nosipho Nqeto

Chairman of the Social and Ethics Committee

MANAGING OUR HUMAN CAPITAL

MANAGING OUR HUMAN CAPITAL

Our human capital includes our people, their development and the culture we foster. Our employees drive the overall performance and sustainability of our business.

HUMAN CAPITAL INPUTS

- 604 permanent and long-term contract employees
- R13 million spent on tertiary education for employees and their children, as well as training and development

VALUE CREATED FOR STAKEHOLDERS

- Job creation
- Training and development
- Knowledge exchange

KEY FACTORS IMPACTING THE BANK'S HUMAN CAPITAL

Associated key risks

- Changing operating environment
- People risk
- Infrastructure implementation risk
- Reputation risk
- Development impact risk
- Sustainability risk
- COVID-19 risks

Our strategic response

- Work-from-home strategy to maintain a healthy workforce
- Culture interventions that focus on employee well-being
- Wellness programmes that prioritise overall mental and physical well-being of staff
- Transformed and skilled staff complement
- Culture that embraces diversity and inclusion
- Building a Digital DBSA through implementation of the SuccessFactors solution

Governance oversight

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

Human Resources and Remuneration Committee, Nominations Committee and Social and Ethics Committee

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

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

EMPLOYEE OVERVIEW

For the past two years, since the commencement of the COVID-19 pandemic, over 90% of DBSA employees worked from home. In the year under review, the DBSA strived to maintain a stable work environment for our employees by ensuring that they have the right tools, materials and support for working from home. The key for the DBSA was adjusting the work culture to better accommodate remote and onsite employees to ensure that our employees are healthy and the performance of the organisation continues to grow and achieve the results as set out in our mandate.

Key initiatives in human capital management

- Capacitating the organisation with the employment of appropriate skills for the DBSA and agencies/mandate programmes. We recruited 120 employees.
- To create our own talent pool while responding to unsustainable youth unemployment, we initiated a 40-person strong graduate development programme.
- Aligning the work culture for remote working, including an increased focus on digitalisation.
- Reinforcing and aligning performance management for all levels within the organisation:
  - Engagement and training with all staff on the cascading of corporate performance goals from divisional performance goals to individual goals.
- Talent and succession management framework and implementation.
- Training and development special focus on:
  - Graduate and internship development programmes.
  - Leadership development.
  - Performance management.
  - Specific technical skills.
  - Labour relations.
- Diversity management:
  - Employment equity three-year plan and implementation.
  - Employment equity and B-BBEE reporting.
- Employee wellness management.

At year end, the DBSA employed 604 (2021: 606) permanent and fixed-term contract employees. This excludes the 129 employees recruited for key programmes, who are considered as non-headcount since these employees are appointed for the duration of the programmes in line with the memorandum of agreement between the DBSA and the funding stakeholders.

Employee statistics

Category	2022	2021	2020	2019	2018
Number of employees[1]	604	606	610	597	589
Employee turnover (%)[2]	8	6	7	6	7
Black representation (%)[3]	82	80	78	77	73
Women representation (%)	54	54	53	53	52
Total training spend (R million)	22	10	20	23	24

Notes

1 *Excludes agencies/mandate programmes (129 employees)*
2 *Controllable and uncontrollable turnover*
3 *Black = African, Coloured and Indian*

SUCCESSION MANAGEMENT

Implementing our integrated talent management practices resulted in solid succession pipelines. In 2021, we started diagnosing the talent health of the Bank through various processes. We held divisional talent discussions in which each Group Executive (GE) assessed the talent health of their divisions by identifying areas of strength as well as opportunities for development for their direct reports (Unit Heads). The talent discussions also identified capability gaps within the divisions and the development initiatives required to address these.

The Unit Heads also assessed the talent health of their units. They identified their potential successors, key roles, and high potential employees within their business units. Our new talent analytics process identifies the brain drain within key positions, while succession and High Potential (HIPO) matrixes enable us to investigate and explore ways to improve on managing our talent and implementing an effective retention strategy.

MANAGING OUR HUMAN CAPITAL (continued)

OUR WORKING ENVIRONMENT

We recognise that the future prosperity of the organisation depends largely on the competency and motivation of our employees. We therefore invest in and encourage a culture of continued development and advancement of learning and training within the Bank. We are committed to creating and maintaining an environment which provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups.

We refreshed our talent approach and embarked on several talent management initiatives during the year. Our approach to talent management focuses on succession planning, career management and building the critical competencies required to achieve the strategy of the Bank.

OUR CULTURE

The Board sets the tone by leading the Bank ethically, effectively and responsibly. The Board has overall responsibility for the Bank, including overseeing management's implementation of strategic objectives, the governance framework and corporate culture. People are a key enabler towards effective strategy execution and delivery of our mandate. Our corporate cultural practices, processes, frameworks and governance structures are anchored in our value systems.

The DBSA organisational culture is characterised by employees who live our values of collaboration, professionalism and a strong customer orientation in service to our communities. It is further exemplified by employee behaviour that displays high moral conviction, accountability, responsiveness, proactivity as well as the ability to embrace change and innovation and lead by example. This is our winning organisational culture. In the past year that was characterised by 'work-from-home', culture interventions became critically important. Staff engagements and culture surveys assumed centre stage in achieving a high-performance culture that recognises and rewards superior performance equitably.

CAREER MANAGEMENT

As part of promoting a learning culture and being an employer of choice, we provide opportunities for our people to grow and develop their careers within the DBSA. Our career management approach focuses on the development of employees' broader personal career goals, which are aligned with the DBSA's vision, mission and goals.

We developed a career management framework and toolkits with a set of principles and processes to assist employees in career planning. Career development workshops took employees through the career development framework and provided them with toolkits to manage their careers holistically.

Employees also completed their career profiles, which will guide the career discussion with their respective line managers and ensure that their aspirations and development gaps are captured in their annual Personal Development Plans.

INVESTING IN OUR PEOPLE

Building capacity through the skilling and reskilling of our employees is imperative for building a high culture of performance and learning. We initiated and delivered training interventions at an individual level through personal development plans, employee bursary scheme and employees children's scholarship.

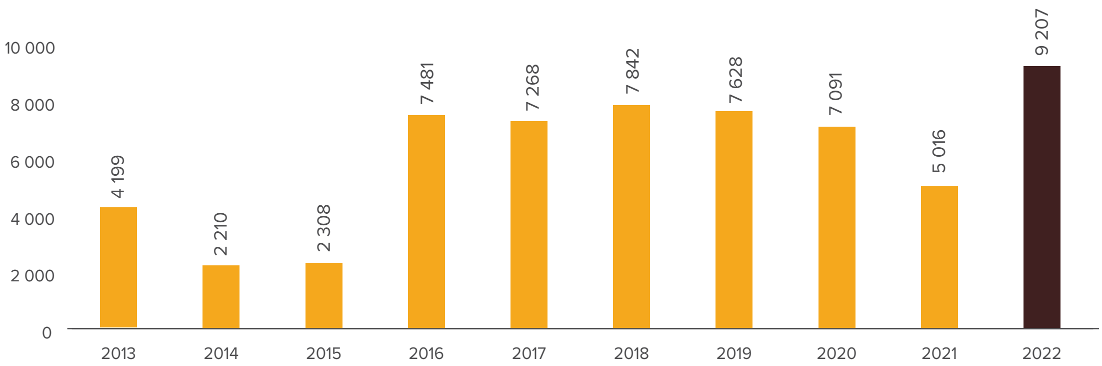
The Bank ring-fences a portion of the salary bill for training and development through the following programmes or schemes:

Training intervention	Number
Employee bursary	43
Employees children's scholarship	41
Training interventions	578
Executive leadership programme	5
Employees on targeted training programmes	381

In the FY2021/22, the DBSA invested R13 million in skills development:	
Training	R7.98 million
Tertiary education, internships and employee development	R4.94 million

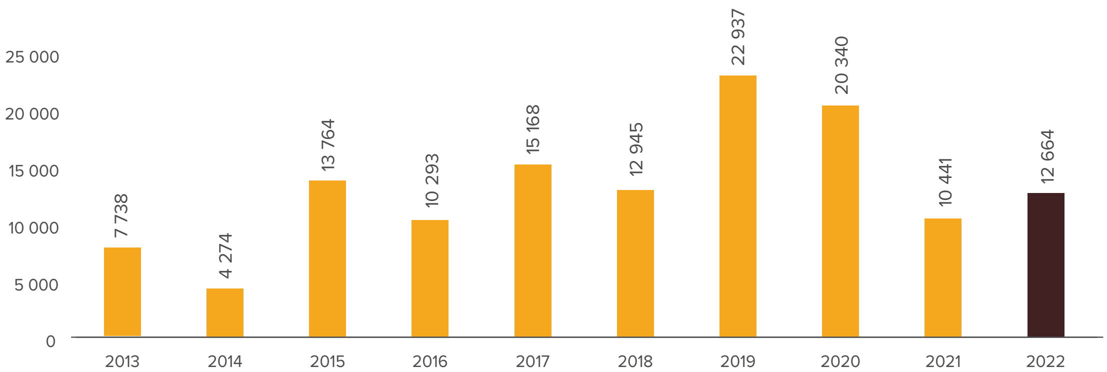
Long-term training and development metrics

Learning and growth spend: Tertiary support (R 000)



- » R60.2 million was spent on Employees and Employees Children's Tertiary Education over the past 10-year period.
- » In 2016, the Bank increased the funding for Employees Children's Tertiary Education of to a maximum of R68 000 per annum from R30 000 per annum.
- » 81 employees: completed qualifications
- » 130 employees children: completed qualifications

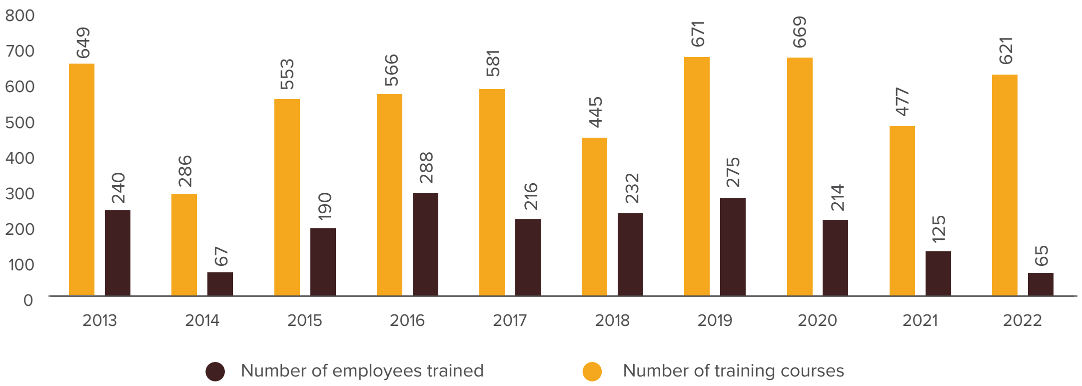
Training and development (courses, seminars and conferences): Spend (R 000)



R130.5 million was spent on Employee Training and Development over the past 10 years.

Special focus on skills development is on developing depth enhancing critical skills requirements, leadership development (Executive, Management and Junior Management) and Graduate and Internships Programmes.

Training and development (courses, seminars and conferences): Number of employees and courses



YOUNG TALENT INITIATIVES

The DBSA has sought to grow its young talent initiatives to develop scarce and critical skills for the Bank and contribute towards alleviating the high youth unemployment rate in South Africa. We launched two young talent programmes to serve as a talent pipeline for the Bank's scarce and critical skills: the two-year DBSA Graduate Development Programme and the 12-month IPPO Young Talent Programme.

The DBSA Graduate Development Programme was launched in February 2021. We identified the talent needs in the Bank that could be addressed through the sourcing and recruitment of young graduates. We received 9 769 applications for the programme and went through several shortlisting processes, including interviews and assessments to successfully place 40 candidates within the various divisions of the Bank. The DBSA/IPPO Young Talent programme was launched in October 2021, following the same recruitment process, and we placed six talented young individuals.

The programmes are both structured into formal and informal learning to provide the necessary skills that will enable the graduates to fully function in their future aspired roles. The formal learning initiatives started with a three-week induction programme to provide business orientation. The second aspect of the formal initiatives is the Junior Management Development Programme at a business school, to provide the graduates with the required leadership skills that integrate them into the world of work. Each graduate was also allocated an internal business mentor.

The graduates are currently placed in teams across all the Bank's divisions where they are provided with meaningful work and on the job training to build competence in their specified fields.

IDD OCCUPATIONAL HEALTH AND SAFETY

The building and construction aspect of infrastructure development carries the risk of physical injury for our contractors. We aim to provide the safest working environment possible through training, extensive processes, and meticulous monitoring of all safety incidents on our sites.

Principal contractor statistics

61 224	1 224 480	9 795 840
contractor employees	shifts worked	contractor hours worked

Lost time injury frequency rate (LTIFR):

0.18

against a target of <1.2

Incidents	
Long-term injuries	7
Medical treatments	3
Fatalities	2
Near misses	1
COVID-19 cases	8
First aid cases	3

DIVERSITY, INCLUSION AND TRANSFORMATION

Employment Equity Plan

The DBSA Employment Equity Plan for the period 2018 to 2021 concluded on 31 March 2021. The Bank is proud to have met all its targets.

In creating a new plan with fresh targets for the period 2021 to 2024, we reviewed the current demographics against the targets, followed the guiding principles such as the National Economically Active Population, and considered the Bank's B-BBEE requirements and internal workforce movements. Several consultative processes were conducted with relevant internal stakeholders. The Bank also reconstituted the Employment Equity (EE) and Skills Development (SD) Committee, which is responsible for monitoring and reporting on the newly created plan. The newly reconstituted committee was trained to understand the Employment Equity Act and its relevance to the Bank as well as understand the functions and responsibilities of the committee.

The committee reviewed the Terms of Reference that will be used to guide how the committee will operate in the next three years. An internal communication campaign engaged employees with interpersonal sessions to introduce the committee and its role to employees and identify potential barriers that may prevent the achievement of the Bank's Employment Equity objectives.

This feedback was incorporated into the Bank's EE Three-Year Plan for the period 1 April 2021 to 31 March 2024.

OUR EMPLOYMENT EQUITY VISION:

To build a transformed and high-performing workforce that is representative of the demographics of South Africa.

Employee demographics

The following graphic reflects our employment equity statistics as at 31 March 2022:

	Males by race				Females by race				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**
Top management	3	1	–	1	4	–	–	–	1	–	10
Senior management	6	–	1	3	4	1	–	–	2	1	18
Professionally qualified and experienced specialists and mid-management	95	8	22	28	102	9	12	21	23	7	327
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	43	1	1	2	97	7	6	17	1	3	178
Semi-skilled and discretionary decision-making	30	–	–	–	20	–	–	–	–	–	50
Unskilled and defined decision-making	4	–	–	–	17	–	–	–	–	–	21
Total permanent	**181**	**10**	**24**	**34**	**244**	**17**	**18**	**38**	**27**	**11**	**604**

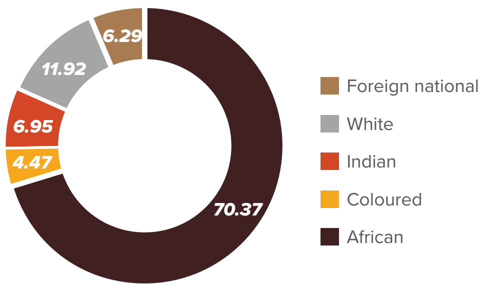
A = African C = Coloured I = Indian W = White

The DBSA has an overall 81.79% black representation with the balance made up of 11.92% white and 6.29% foreign nationals. The main challenges in employment equity remain in the areas of senior management and employees with disabilities.

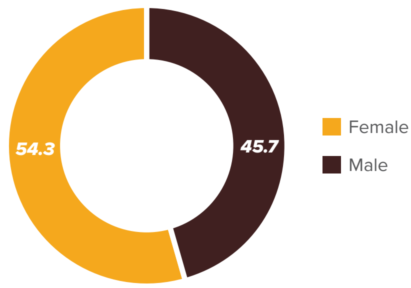
Diversity and gender representation

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

Diversity representation (%)

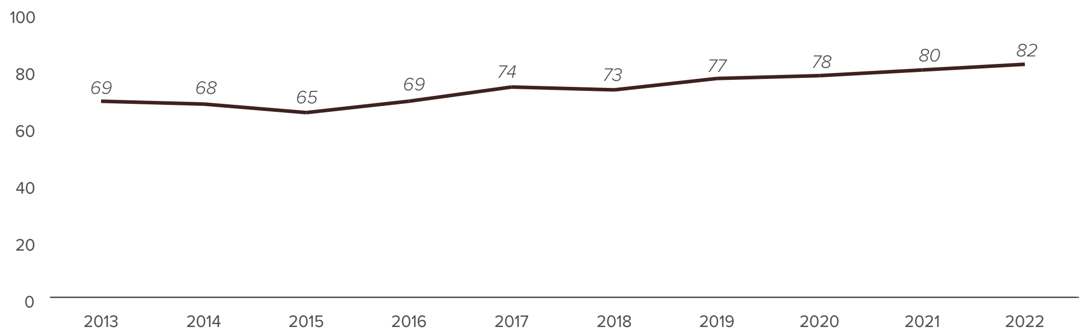


Gender representation (%)



Women represent 44.26% of the DBSA Leadership Team (executive and management levels). We aim to increase our female representation in the top three levels to 50% over the next three years.

Black representation over ten years (%)



HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

IMPACT OF KING IV

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

RESPONSIBILITY

The HRC supports the Board in the execution of its duties with respect to the implementation of the human capital strategy and related matters, executive remuneration for the DBSA, and governance issues and/or additional governance requirements outside the mandate of the Nominations Committee.

COMMITTEE KEY FOCUS 2021/22

Governance

» Reviewed the HRC terms of reference and approved the HRC annual agenda.

» Reviewed performance against agreed strategic objectives, as set out in the corporate plan and balanced scorecard, to facilitate effective performance monitoring, evaluation and corrective action.

» Oversaw the Bank's succession management process, establishing and formalising succession plans at management level.

» Considered, and recommended for approval by the Board, the DBSA delegation of authority.

Remuneration

» Reviewed and deliberated on the recommendations of the shareholder review of the DBSA's remuneration policy. The recommendations highlighted the need for effective engagement with the shareholder on the remuneration policy and the broader concept of remuneration governance.

» Considered, and recommended for approval by the Board, the remuneration policy and practices with trade-offs to serve the interests of the shareholder.

» Reviewed the market-related Remuneration Review Report from the 21st Century for 12 executive positions within the DBSA.

» Considered, and recommended for approval by the Board, 2021/22 quantum of incentive pool for executives and staff of the DBSA.

» Considered, and recommended for approval by the Board, 2022/23 headcount and remuneration budget.

» Considered, and recommended for approval by the Board, 2022/23 annual increase envelope for employees.

Human resource

» Reviewed the enterprise risk management report concerning human capital risk, including COVID-19 and resumption plan.

» Received and deliberated on the Future-Fit DBSA progress report evaluating the form of DBSA required to suit the current demands and the changing operating environment.

» Reviewed the talent and succession management framework.

» Reviewed the human capital, headcount and Remuneration Report.

» Received reports on the employment equity and other human capital statutory reports including the Culture Transformation Report.

KEY FOCUS AREAS FOR 2023 AND BEYOND

» Jointly with other committees monitor transition processes for senior management, as well as oversight and evaluation of the Bank's succession plan.

» Dialogue with the shareholder on the remuneration policy and its governance to ensure the relevance of the remuneration policy.

» Monitoring the Future-Fit DBSA process.

Ms Patience Nosipho Nqeto

Chairman of the Human Resources and Remuneration Committee

NOMINATIONS COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

IMPACT OF KING IV

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

RESPONSIBILITY

The NOMCO supports the Board in the execution of its duties with respect to the nomination of directors for the DBSA's Board, the appointment of prescribed officers, directors' affairs and governance-related matters.

COMMITTEE KEY FOCUS IN 2022

- Approved the search strategy for filling existing Board vacancies.
- Considered, and recommended to the Board, potential candidates for membership of the DBSA Board for shareholder consideration and approval in line with the Board requirements and the DBSA Act.
- Considered, and recommended to the Board, the re-appointment of a non-executive director whose term was coming to an end during the year, based on the members' performance, conduct and Board requirements for shareholder consideration and approval.
- Oversaw the implementation of the shareholder resolution regarding appointment of the interim Board Chairman, following the resignation of the former Board Chairman, and led the discussion about the process to be followed for filling the Board Chairman vacancy.
- Reviewed benchmark non-executive directors' fees using benchmarking data from the 21st century and evaluated remuneration practices adopted for the DBSA.
- Reviewed NOMCO's terms of reference and approved the NOMCO annual plan.
- Oversaw the implementation of the 2021/22 Board enrichment plan and considered the 2022/23 enrichment plan.
- Oversaw the development of the Board sub-committee competency model to assist the Board in constituting its sub-committees.
- Received reports on directors' fees, budget and expenditure.
- Received updates on progress made on the governance assessment survey ('deep dive'), which commenced in 2021/22, with Board evaluation/appraisal to be undertaken in the 2022/23 financial year.
- Received updates on the expiration of the Chief Executive Officer's contract and progress made on the next steps.
- Considered the Chief Executive Officer and Executive Directors' performance and salary review.
- Oversaw the Bank's succession management process, establishing and formalising succession plans at the executive level.

KEY FOCUS AREAS FOR 2023 AND BEYOND

- Consider the outcome of the independent assessment of the DBSA governance ('deep dive') conducted by SizweNtsalubaGobodo Grant Thornton Advisory Services.
- Oversee the appointment process of a suitably qualified and experienced successor to the outgoing Chief Executive.
- Consider feedback from the Board Practice on the Bank's executive management succession plan.
- Oversee Board Evaluation/appraisal.

Prof Mark Swilling

Chairman of the Nominations Committee

MANAGING OUR MANUFACTURED AND NATURAL CAPITAL

MANAGING OUR MANUFACTURED AND NATURAL CAPITAL

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

MANUFACTURED CAPITAL INPUTS

- The DBSA campus

NATURAL CAPITAL INPUTS

- 0.4 megawatts of electricity consumed
- 2 573 kilolitres of water consumed

VALUE CREATED FOR STAKEHOLDERS

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

KEY FACTORS IMPACTING THE BANK'S NATURAL CAPITAL

Associated key risks

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

Our strategic response

- Pioneering renewable energy project financing starting with the IPP Office
- Adoption of the Just Transition Framework
- Green bonds issued
- Promoting off-grid campus
- Recycling drive throughout our operations

Governance oversight

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

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

NATURAL CAPITAL INITIATIVES IN OUR OPERATIONS

The DBSA's environmental appraisals and decision-making is guided by the Environmental Appraisal Framework (EAF) and Environmental and Social Safeguard Standards (ESSS).

We aim to reduce the impact of our operations by monitoring and managing our energy demand, business travel and water consumption.

	2022	2021
Electricity consumption (MW)	0.4	0.5
Water consumption (kl)	2 573	3 868

MANAGING OUR MANUFACTURED AND NATURAL CAPITAL (continued)

NATURAL CAPITAL INITIATIVES IN THE INFRASTRUCTURE DEVELOPMENT VALUE CHAIN

The impacts of climate change are widely apparent, and the DBSA has been investing in initiatives aimed at climate change mitigation and adaptation. In 2021 the DBSA approved the Integrated Sustainable Finance Approach aimed at integrating the Bank's multiple sustainability, climate change, green and social inclusivity initiatives across DBSA to ensure a cohesive and impactful approach to sustainable development, the just transition and the Bank's Net Zero approach.

Green Climate Fund

The DBSA's accreditation by the Green Climate Fund (GCF), an entity of the United Nations Framework Convention on Climate Change, facilitates the DBSA's regional aspirations of developing a sustainable green economy. In light of the DBSA's stance on the Just Transition, the GCF re-accredited the Bank in 2021 for a further five years, opening up new finance options to our projects and partners in sub-Saharan Africa.

The Climate Finance Facility

The DBSA, in partnership with the national Department of Environment, Forestry and Fisheries, manages a special fund that provides catalytic finance to facilitate investment in high-impact and sustainable green initiatives in South Africa, as well as to support poverty reduction and job creation.

The southern African region is particularly vulnerable to the extreme climate and rainfall fluctuations brought on by climate change, but access to suitable long-term financing remains a challenge for regional climate investments. The DBSA's Climate Finance Facility, based on the Green Bank model, is a lending facility adapted for emerging market conditions, which aims to increase climate-related investments in southern Africa.

The DBSA's Climate Finance programme derisks and increases the bankability of climate projects, thereby attracting more private sector investment. It will provide the template for similar financial models in other countries.

Number of projects underway

	Project pipeline	Approved for finance
Investment projects	6	2

All these projects are self-sustaining and we expect complete repayment of debt.

OUR CLIMATE FINANCE FACILITY PIPELINE PROJECTS

Embedded Generation Investment Programme

The announcement to exempt embedded generation projects up to 100MW has given impetus to large scale embedded projects. A call for proposals for Embedded Generation Investment Programme (EGIP) was launched in 2021 by the Bank. Fifty submissions were received, four proposals were submitted and approved by the Deal Screening Forum. Letters of interest were issued in support of three project proposals.

The Bank is also working with the ICLEI to put forward a proposal to the UK PACT for financing of the feasibility studies for Small-Scale Embedded Generation (SSEG). A total of four municipalities were selected for the pilot study of the SSEG. These are King Sabata Dalindyebo, Matzikama, Ray Nkonyeni and Walter Sisulu local municipalities.

Municipal Solid Waste Management Programme

In the year under review, the DBSA completed all deliverables for the Municipal Solid Waste (MSW) programme. These have been submitted to the GCF and are under review by GCF.

DBSA GREEN BOND

The rapidly growing global green bond market provides the ideal platform through which to mobilise the vast financial resources managed by institutional investors. The Bank issued its inaugural green bond during the first quarter of 2021, a EUR200 million issue placed privately. This marked the Bank's first issuance under its Green Bond Framework, aligned with the International Capital Market Association's (ICMA) Green Bond Principles, and paves the way for further green bond issuance in parallel with the Bank's growing focus on climate finance.

In 2021, the DBSA engaged the AFD as well as PIMCO, one of the largest investment managers in the world, on issuing green bonds. Doing so can bring blended finance to our deals and addresses the Bank's problem of relatively high cost of capital. We see massive potential for using the bonds to accelerate development impact.

DIGITAL INNOVATION

Digital innovation is key to the Bank's drive to be future-fit. We are refining our operating models within the Bank, including through the incorporation of an e-procurement system and data management.

Cyber security

The DBSA experienced no major cyber breaches during the year under review. We ensure that employees are trained and tested around cyber risk.

OUR GOVERNANCE

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HOW WE ARE GOVERNED

INTRODUCTION

Good governance standards are an intangible asset that have created value for the DBSA by:

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

This report seeks to inform all the DBSA stakeholders and the interested parties on how the DBSA is governed highlighting key achievements and challenges encountered and responses thereto.

DBSA GOVERNANCE PHILOSOPHY

The DBSA subscribes to the highest standards of corporate governance, integrity and ethics at all levels. We guard this commitment jealously – it guides every step the Bank takes in fulfilling its mandate, enabled by a robust governance framework alongside an effective and efficient operating structure. These elements are governed by stringent, carefully developed and resolutely applied corporate governance policies. The Board, as the custodian of corporate governance, understands that good governance supports good performance and sustainable value creation. In 2021, in line with its commitment to ensuring the highest standards of corporate governance within the Bank, the Board initiated an independent governance review encompassing all the elements of a governance framework, to analyse and interpret current performance against best practices to identify possible improvements.

Key legislations, policies and procedures

Key legislation and regulations

- The DBSA Act
- Public Finance Management Act
- Companies Act (where appropriate)
- JSE Debt Listings Requirements

Governance principles

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

Governance partnerships

- SADC Development Finance Resource Centre
- Corporate Governance Development Framework
- SADC Working Group

Policies and procedures in place

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

BOARD GOVERNANCE PHILOSOPHY

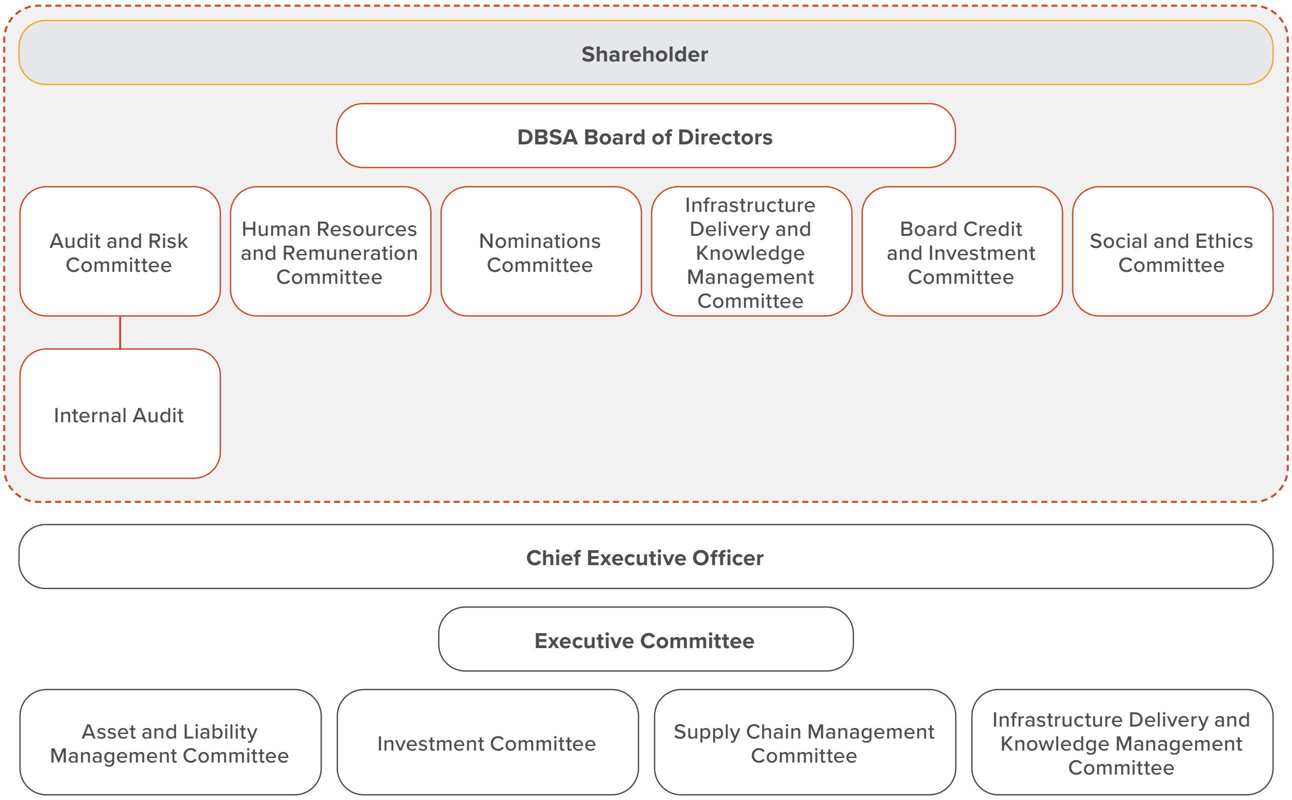
The DBSA Board upholds the highest possible corporate governance standards by ensuring that the tone is set at the top. In this regard, the DBSA Board worked proactively with the executive management team to foster a corporate culture of effective governance across the Bank.

The Board has deployed sound governance structures and operating procedures throughout every level of the Bank. During the year under review, the Board provided oversight on strategic direction and targets set within a robust strategic framework while monitoring overall performance against targets. The Board led through good governance, setting the tone for ethical and effective leadership, with the support of a strong Company Secretary.

In the context of the global pandemic, the DBSA Board remained steadfast in tracking COVID-19 and economic developments, based on its belief that these developments are important for the DBSA's operations and for ensuring that correct decisions are taken at relevant governance structures. To ensure that the Bank remains responsive to the human capital and working model uncertainties brought about by the pandemic, the Board supported the Bank's interventions to create a fit-for-purpose DBSA during and after lockdown.

GOVERNANCE STRUCTURES

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:



BOARD RESPONSIBILITIES AND KEY FOCUS AREA

BOARD FOCUS IN 2021/22

The following matters received Board attention in 2021/22:

» Reputation matters
» Shareholder alignment
» Just Transition
» Approach to scaling up and fast-tracking infrastructure development
» Board succession and executive management succession

Reputational matters

The Board previously reported on the United Democratic Movement (UDM) allegation of maladministration, mismanagement and possible deep-rooted corruption at the DBSA, as well as the victimisation of Board members. In the past year, the DBSA together with National Treasury (NT), was invited to present to the Standing Committee on Public Accounts (SCOPA) on 1 June 2021 and respond to the allegations raised by UDM. SCOPA resolved that the matter would proceed to an inquiry. The DBSA and NT are awaiting SCOPA's direction in this regard.

Shareholder alignment within the context of the Remuneration philosophy of the Bank

King IV encourages the debate on executive remuneration beyond the design of executive remuneration packages to include the justification of the link between remuneration, value creation, and key performance indicators within the social, economic and environmental context.

Remuneration dialogue with the shareholder on the remuneration policy, particularly on the executive remuneration provisions, resulted in lively debate. The Board identified, among others, a lack of effective stakeholder engagement between the shareholder and the Bank as a key contributor to the misalignment.

The Board has agreed with the executive team that a strategy for engaging the shareholder should be developed and that the strategy should include a holistic approach through which all matters, including the Bank results, strategy, governance and remuneration, can be addressed.

Just Transition

The Board adopted a position statement on the Just Transition and Net Zero pathway, with the agreement that the statement should be aligned with the approved Bank's Integrated Just Transition Investment Framework and should not contradict the sovereign position.

In addition, the Board, through its Social and Ethics Committee, focused on gaining an understanding of ESG issues, including their incorporation into the investment decision matrix and the monitoring and reporting thereof. This remains a work in progress and the Board requested that management prioritise it in the coming financial year.

Approach to scaling up and fast-tracking infrastructure development

The Board deliberated on various approaches to contribute to a short-term economic stimulus and a long-term pro-economic growth reform.

KEY BOARD DISCUSSIONS IN 2021/22

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

» Approved the Board Charter and the Board Committees' Terms of References.
» Approved the DBSA Annual Performance Report.
» Approved the 2020/21 DBSA Integrated Annual Report and Sustainability Review Report.
» Approved the 2020/21 Annual Financial Statements.
» Approved the 2020/21 Valuations of Equity Investments.
» Approved the 2020/21 Development Impact Report.
» Approved the 2022/23 Corporate Plan and Shareholder Compact.
» Approved the revised Delegation of Authority framework.
» Deliberated on the deep dive review report on the Bank's performance relative to the Bank Corporate Score Card.
» Approved the DBSA Environmental, Social and Governance Framework.

BOARD COMPOSITION

The DBSA Board profile is informed by Section 7 of the DBSA Act which, among others, stipulates that the Board shall consist of not fewer than ten and not more than 15 directors. Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration. The Chief Executive Officer, any executive manager, or a member of the staff of the Bank may be appointed as a director. Directors shall hold office for a period of three years but shall be eligible for re-appointment.

The DBSA's Board comprises a suitable balance of knowledge, skills, experience, diversity and independence to carry out its governance role and responsibilities objectively and effectively.

Board members at the end of the current year

12

• Independent non-executive directors: 75% (9)
• Non-executive director (Shareholder representative): 8% (1)
• Executive directors: 17% (2)

DIVERSITY

Gender representation at Board is balanced with 50% men and women representation. The Board will continue to ensure the equal gender representation.

	Female		Male	
	Number	%	Number	%
Black	5	83	5	83
White	1	17	1	17
Total	**6**	**100**	**6**	**100**

AGE (Years)	
60+	5
50–59	5
40–49	2

ROTATION

Duration

The DBSA does not have any members serving for longer than nine years in line with the DBSA Act. To ensure continuity, in the past two years the DBSA has been focusing on structuring the Board appointments so that members fall into different terms. The Board effort is starting to yield some results. Our Board members fall into three different terms.

3	2	1	0	1
Maximum number of terms	Left the Board during 2021/22	Reappointed to the Board during 2021/22	Appointed to the Board during 2021/22	Left the Board immediately after March 2022

Board changes in the year under review

Resignation

On 6 August 2021 the Board Chairman, Mr Enoch Godongwana, after accepting President Cyril Ramaphosa's request to serve in his Cabinet as the Minister of Finance, resigned from the Board. The Board, in consultation with the Minister, appointed Prof Mark Swilling, then Deputy Chairman, as the Board Chairman until such time as the appointment process is finalised.

Expiry of term

Two of the Board members, Ms Martie Janse van Rensburg and Ms Malijeng Ngqaleni (Shareholder representative), terms of office expired on 31 March 2022. Ms Martie Janse van Rensburg was re-appointed for another term of three years. Ms Malijeng Ngqaleni, although eligible for re-appointment, requested not to be considered for another term.

The Board remains properly constituted in terms of the DBSA Act and continues to perform and exercise its fiduciary obligations effectively.

Board changes post-year end, 31 March 2022

Ms Maseapo Kganedi has resigned as an independent non-executive director of the DBSA's Board with effect from 30 April 2022 for personal reasons.

BOARD RESPONSIBILITIES AND KEY FOCUS AREA
(continued)

ACTIVE PARTICIPATION

1	4	0	1	97%
Annual General Meeting	Scheduled Board meetings	Special Board meetings	Board strategy sessions	Attendance at Board meetings

TENURE OF NON-EXECUTIVE DIRECTORS

4	4	2
0–3 years	3–6 years	More than 6 years

DIRECTORS' SKILLS AND EXPERIENCE

Board expertise is categorised in terms of clause 7(3) of the DBSA Act, which stipulates that members of the Board of Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration.

3	3	3	3	2
Banking	Finance	Business	Development finance	Socio-economic development

GOVERNANCE OF ETHICS

ETHICS REVIEW 2021/22

The DBSA is dedicated to building an ethically sound organisation and is characterised by employees who live the values of collaboration, professionalism, and strong customer orientation in service to our communities. It is further exemplified by employee behaviour that displays high moral conviction, accountability, responsiveness, proactivity as well the ability to embrace change and innovation and lead by example. The Bank has a robust ethics and governance programme in place that includes a variety of proactive measures to identify unethical behaviour.

The DBSA Code of Ethics forms the foundation of our culture and guides our Board of Directors, senior management and all employees to make ethics-based and sound decisions to effectively execute our corporate strategy. The Ethics Office, as the custodian of the Code of Ethics and ethics-related policies, ensures that ethical standards are promoted and reinforced in the organisation through policy management, training and awareness and management of ethics risks.

- Tracking of international and national corporate failures such as the release of the Zondo Commission reports.
- Annual refresh of the Ethics Strategy and Management Plan.
- Review and management of all third-party relationships through internal mechanisms and controls.
- Enhanced collaboration between all divisions.
- Established whistleblowing reporting channels that are anonymous (external) and confidential.
- Participation in external ethics-related forums.

Key actions delivered for the financial year, including but not limited to:

- Further embedment of the ethics strategy and management plan.
- Improved tracking of submitted conflict of interest disclosures.
- Continuous ethics training and awareness through divisional virtual training and participation in induction sessions for new employees.
- Improved automation of the current compliance system through the development of a new online declaration system.
- Management of reported incidents. The number of employees dismissed on disciplinary matters relating to dishonesty, misconduct or unethical behaviour totalled three for 2021/22.

Focus areas for 2022/23

- Refreshed Ethics Risk Assessment.
- Improved ethics communication and awareness plan.
- Initiatives to promote ethical behaviour in the organisation.
- A dedicated remediation plan for the results of the UN Global Compact Principles Reporting, where applicable.
- Reviewing the following policies:
  - Board of Directors Conflict of Interests Policy
  - Anti-Bribery and Anti-Corruption Policy
  - Code of Ethics
  - Gifts, Entertainment and Hospitality Policy

MANAGING RISKS OF POLITICALLY EXPOSED PERSONS

The definitions of Politically Exposed Persons (PEPs) are wide ranging. According to the Financial Intelligence Centre (FIC), a PEP is the term used for an individual who is or has in the past, been entrusted with a prominent public or private sector position. The FIC Amendment Act sets out two categories of PEPs, that is, foreign prominent public officials and domestic prominent influential persons.

PEPs are considered to be high risk as they hold positions of power and influence that may be abused for private gain or to benefit family members or close associates. Due to these risks, it is imperative that the DBSA takes steps to identify whether a client or prospective client is a PEP and ensures that the necessary Enhanced Due Diligence (EDD) and enhanced monitoring processes are applied.

By setting up these processes, the DBSA will ensure that it is able to appropriately manage any legal and reputational risks that may arise from entering into business relationships with PEPs. It will also ensure compliance with various guidelines and directives issued by the FIC which are aimed at combating money laundering and preventing and detecting fraud and other corrupt practices including financing of terrorist activities.

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

The DBSA has adopted a PEP Policy in order to mitigate reputational risk, operational risk and legal risk. The policy is based on internationally accepted best practice, standards and guidelines on the management of PEPs, while simultaneously meeting regulatory compliance standards imposed by the FIC Act. This policy applies to all PEPs who may have an interest in obtaining any form of financing from the DBSA. The policy also applies to any employees of the DBSA that are PEPs as well as prospective suppliers and/or service providers.

JSE Debt Listings Requirements

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

GOVERNANCE OF ETHICS (continued)

Domestic prominent influential persons

Reference is made to the relevant sections of FIC below:

Section 7.9 – *'If the applicant issuer is a state-owned entity or municipality, the applicant issuer must have a current policy dealing with the disclosure and treatment of domestic prominent influential persons (i) at board level and (ii) for prescribed officers of the applicant issuer in respect of any transactions/dealings by the applicant issuer with domestic prominent influential persons. The policy must be available on the website of the applicant issuer.'*

The DBSA's PEP Policy, which is published on the DBSA's website (https://www.dbsa.org/about-us/governance) deals with the disclosure and treatment of domestic prominent influential persons.

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

The DBSA confirms that it had no transactions/dealings with such domestic prominent influential persons during the 2021/22 financial year.

Procurement

Section 7.12 – *'If the applicant issuer is a state-owned entity or municipality and has a policy dealing with procurement of services and/or products, this policy must be current and published on the issuer's website.'*

The DBSA's Supply Chain Management Policy, currently under review, is published on the DBSA's website (https://www.dbsa.org/about-us/governance).

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

(a) Parties to the agreement;

(b) Brief description as to the nature of the agreement;

(c) Date of the agreement and duration; and

(d) Total value of the agreement for the duration period.

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

The DBSA confirms that it had no such procurement partners at that level during the 2021–2022 financial year.

General: loans and procurement

Section 7.15 – *'If the applicant issuer is a state-owned entity or municipality, the applicant issuer must have a current policy dealing with the disclosure and treatment of loans and procurement, as a minimum, with:*

(a) any related party;

(b) domestic prominent influential persons; and

(c) prescribed officers.

The policy must be available on the website of the applicant issuer.'

Both the DBSA's PEP Policy and the DBSA's Supply Chain Management Policy are published on the DBSA's website (https://www.dbsa.org/about-us/governance) and deals with the disclosure and treatment of loans and procurement with the above-mentioned parties, respectively.

Section 7.16 – *'A current register of such loans and procurement with the applicant issuer must be maintained by the applicant issuer and must be made available on the website of the applicant issuer when the applicant issuer publishes its annual financial statements. The register must disclose at least the following:*

(a) Parties to the agreement;

(b) Brief description as to the nature of the agreement;

(c) Date of the agreement and duration; and

(d) Total value of the agreement for the duration period.

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

DBSA amended its Management of Politically Exposed Persons (PEPS) policy in order to differentiate transactions done in the ordinary course of business in the context of banking practice and principle Refer to the DBSA's PEP Policy published on the DBSA's website (https://www.dbsa.org/about-us/governance) that deals with the disclosure and treatment of loans and procurement.

BOARD AND COMMITTEE RECORD OF ATTENDANCE

	Number of meetings						
	Board	**ARC**	**BCIC**	**HRC**	**SEC**	**IDKC**	**NOMCO**
Scheduled	4	4	10	4	4	4	6
AGM							
Strategy	1						
Risk focused		2					
Investment valuations[1,2]		2					
Other/special		1					
Total	**5**	**9**	**10**	**4**	**4**	**4**	**6**
Independent non-executive directors							
Enoch Godongwana[3] (Chairman)	1		1	1		1	1
Mark Swilling (Deputy Chairman)	5		10	4	4	3 (Chair)	6 (Chair)
Martie Janse van Rensburg[7]	5	9 (Chair)	10			4	
Blessing Mudavanhu	5	9	9	4			2
Patience Nqeto	5	9		4 (Chair)	4 (Chair)		6
Anuradha Sing	5	9	10 (Chair)	4			
Bongani Nqwababa	5	9	10				
Gaby Magomola	5	9	9				2
Petrus Matji	5	2	10			2	
Maseapo Kganedi[5]	5			4	4		
Non-executive directors							
Malijeng Ngqaleni[4]	3					4	
Executive directors and prescribed offices							
Patrick Dlamini[6] (Chief Executive Officer)	5	9	10	4	4	4	
Boitumelo Mosako (Chief Financial Officer)	5	9	10				

[1] *ARC meets twice a year to consider new investment valuations.*
[2] *BCIC members are invited to the ARC Investment Valuation meetings.*
[3] *Enoch Godongwana was appointed as Minister of Finance and subsequently resigned as a Chairman of the DBSA Board with effect from 6 August 2021.*
[4] *Malijeng Ngqaleni term ended 31 March 2022.*
[5] *Maseapo Kganedi resigned with effect from 30 April 2022.*
[6] *Patrick Dlamini second term of office expires 31 August 2022.*
[7] *Martie Janse van Rensburg was reappointed to the Board until 2025.*

BOARD OF DIRECTORS

CHAIRMAN

Prof Mark Swilling (62)

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

Independent non-executive director effective 1 August 2014

Deputy Chairman of the DBSA Board as from 27 September 2019

Chairman of the DBSA Board as of August 2021

Committees: B C D E F

Expertise

» Research, policy analysis, sustainable development, energy transition, urban development, governance

Academic qualifications

» PhD, Department of Sociology, University of Warwick, UK

» Bachelor of Arts Honours, Department of Political Studies, Wits University

» Bachelor of Arts, Wits University

NON-EXECUTIVE DIRECTOR

Ms Malijeng Ngqaleni (63)

Deputy Director General: Intergovernmental Relations (IGR), National Treasury

Non-executive director effective 1 January 2019 (Shareholder Representative)

Committees: D

Expertise

» Economics, policy, development finance, intergovernmental relations

Academic qualifications

» MSc Agricultural Economics, University of Saskatchewan, Canada

» BA Economics, National University of Lesotho

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Mr Patrick Dlamini (52)

Chief Executive Officer and Managing Director

DBSA staff member and CEO as from 1 September 2012

Committees: B D F

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, Wits Business School

» Advanced Specialist Financial Management Programme, Business Studies Unit, Natal Technikon

» BCom, University of KwaZulu-Natal

Ms Boitumelo Mosako (44)

Chief Financial Officer

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

Committees: B

Expertise

» Auditing, financial management and strategy

Academic qualifications

» Advanced Management Programme, Harvard Business School

» Chartered Accountant (SA)

» Higher Diploma in Auditing, Accounting Professional Training

» Post Graduate Diploma in Accounting, University of Cape Town

» BCom Accounting, University of Cape Town

Board committees

A *Audit and Risk*

B *Board Credit and Investment*

C *Human Resources and Remuneration*

D *Infrastructure Delivery and Knowledge Management*

E *Nominations*

F *Social and Ethics*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms Martie Janse van Rensburg (65)

Director of Companies

Independent non-executive director effective 1 January 2016

Committees: A B D

Expertise

- Finance, treasury, project finance, infrastructure delivery and strategy

Academic qualifications

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

Advocate Maseapo Kganedi (48)

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

Independent non-executive director as from 2 October 2020

Committees: B D

Expertise

- Legal, governance and public sector

Academic qualifications

- LLM (Corporate Law), University of Johannesburg
- Diploma in Legislative Drafting, 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

Dr Gaby Magomola (78)

Director of Companies

Independent non-executive director as from 2 October 2020

Committees: A B

Expertise

- Credit risk, project finance and strategic leadership

Academic qualifications

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

Mr Petrus Matji (56)

Managing Director of Lion Infrastructure Africa

Independent non-executive director as from 2 October 2020

Committees: B D

Expertise

- Project management, project finance, infrastructure delivery and management

Academic qualifications

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

BOARD OF DIRECTORS (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Blessing Mudavanhu (51)

Founder and President of Dura Capital Ltd

Independent non-executive director effective 1 August 2017

Committees: A B C

Expertise

- Banking, director risk management, business management, development finance

Academic qualifications

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

Ms Patience Nosipho Nqeto (64)

Director of Companies

Independent non-executive director effective 1 August 2017

Committees: A C E F

Expertise

- Business management, strategic management, people management, financial management, policy management, administration

Academic qualifications

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

Mr Bongani Nqwababa (56)

Director of Companies

Independent non-executive director as from 2 October 2020

Committees: A B

Expertise

- Financial management, risk management operations, strategic leadership

Academic qualifications

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

Ms Anuradha Sing (51)

Executive: Strategic Business Operations MTN Group

Independent non-executive director effective 1 August 2014

Committees: A B C

Expertise

- Finance, business investment, strategy

Academic qualifications

- Advanced Management Programme, Insead
- MBA, Wits Business School
- BSc Eng. (Mechanical), University of Natal (Durban)

Board committees

- A *Audit and Risk*
- B *Board Credit and Investment*
- C *Human Resources and Remuneration*
- D *Infrastructure Delivery and Knowledge Management*
- E *Nominations*
- F *Social and Ethics*

MANAGEMENT OVERVIEW

Chief Executive Officer

- **Stakeholder Strategic Partnerships**
- **Office of the Chief Economist**
  - Corporate Strategy
  - Knowledge Management and Research
- **Company Secretary**

Chief Investment Officer
- Product Innovation
- Innovation and Culture

Infrastructure Delivery Division
- Business Development and Stakeholder Management
- Business Planning, Performance and Reporting
- Construction and Maintenance
- Programme Management
- Infrastructure Procurement
- Legal and Contracting

Financing Operations
- Credit and Portfolio Management
- Business Support and Recoveries
- Credit Lab

Chief Risk Officer
- ERM Compliance
- Credit and Market Risk
- Legal
- Internal Audit*

Chief Financial Officer
- Finance
- Supply Chain Management
- Information Technology

Treasury and Balance Sheet Management
- Treasury
- Balance Sheet Management

Corporate Services
- Human Capital
- Facilities Management
- Protection Services
- Communications, Marketing and Events

Client Coverage
- RSA Metros and Bankable Cities
- Local Government Support
- Energy, ICT and Environment
- Transport, Logistics and Bulk Water
- SADC
- Banks and Global DFIs
- Social, Health and Education

Project Preparation
- Project Development Support
- Planning
- Programme Development
- Climate and Environmental Finance

Transacting
- SOEs, Governments and Corporate
- Project Finance
- Municipalities and Water Boards

** Internal Audit reports to the Audit and Risk Committee and administratively reports to the Chief Risk Officer*

EXECUTIVE COMMITTEE

Mr Ernest Dietrich (59)

Group Executive: Treasury

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

Academic qualifications

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

Mr Michael Hillary (52)

Group Executive: Financing Operations

DBSA staff member and Group Executive as from 1 October 2012

Academic qualifications

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

Ms Catherine Koffman (50)

Group Executive: Project Preparation

DBSA staff member and Group Executive as from 1 February 2021

Academic qualifications

- Master of Business Administration: London School Economics; New York Business School Stern; HEC Paris
- Admitted Attorney
- Master of Laws, University of the Witwatersrand
- Bachelor of Laws, University of the Witwatersrand
- Bachelor of Arts (Law), University of the Witwatersrand

Mr Mpho Kubelo (45)

Group Chief Risk Officer

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

Academic qualifications

- MS Risk Management, Stern Business School (New York University)
- Executive Development Programme, GIBS
- MBA, Wits Business School
- CFA Charter
- Postgraduate Diploma in Business Administration, University of KwaZulu-Natal
- BSC Electrical Engineering, University of Witwatersrand

Ms Bathobile Sowazi (50)

Company Secretary

DBSA Company Secretary as from 1 May 2010

Academic qualifications

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

Ms Zodwa Mbele (51)

Group Executive: Transacting

DBSA staff member as of 10 October 2016 and Group Executive as from 1 October 2017

Academic qualifications

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

Ms Sheila Motsepe (53)

Group Executive: Human Capital

DBSA staff member and Group Executive effective 1 February 2019

Academic qualifications

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

Mr Chuene Ramphele (48)

Group Executive: Infrastructure Delivery

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

Academic qualifications

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

Mr Mohan Vivekanandan (49)

Group Executive: Client Coverage

DBSA staff member and Group Executive as from 24 March 2014

Academic qualifications

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

REMUNERATION REPORT

The Bank's remuneration philosophy is aligned to its mandate, corporate strategic objectives and growth strategy.

Our philosophy is embedded in our objective to achieve sustained growth, improve the development impact of the Bank, and ensure our long-term financial sustainability.

The Bank's Remuneration Policy is aligned to the prescripts of King IV, best practices in remuneration and associated South African legislation inclusive of the Basic Conditions of Employment Act, Employment Equity Act and Skills Development Act. The Bank retains its status of being a respected Development Finance Institution (DFI) by adhering to the promotion of good governance and risk management. The aforementioned principles are embodied in the remuneration practices of the Bank and considered accordingly in the designated approval structures.

The Bank fosters several principles that shape its Remuneration Policy, which include consistency, equity, fairness and transparency.

The Financial Sector broadly, and the Development Finance Sector in particular, are characterised by intense competition for highly talented and skilled employees. In this competitive market, the Bank continuously needs the ability to compete effectively in the labour market to ensure that it has the competencies needed to support the execution of its mandate and business strategy. The Bank prides itself on its ability to attract, retain and motivate talented employees with skills required to achieve the Bank's strategic objectives. With the right competencies, the institution can achieve its long-term objectives.

It is important to reinforce, encourage and promote superior performance at all levels of the Bank, not only for the good of the institution, but also to ensure that employees reach their personal development goals whilst in the employment of the Bank. Culture also plays an important role in defining the way staff engage with the institution, how they interact with each other and how they promote the values and mission of the Bank. Employees continuously endeavour to espouse the values and culture of the Bank in their work and professional relationships.

REWARD FRAMEWORK

The Bank's reward framework consists of financial and non-financial components.

Financial →

- Guaranteed Pay
- Performance Incentives (STI)
- Retention/Buy-out
- Cell Phone Allowances, Data, Fibre and UPS
- Various types of paid leave

Non-Financial →

- Employee Benefits
- Learning & Development
- Tertiary Education Bursary for Employees' Children
- Employee Wellness Programme
- Flexible Work Environment (most employees working from home for more than two years)

Benchmarking

To ensure market competitiveness for the attraction and retention of key talent, the Bank benchmarked its pay mix with the financial services sector (inclusive of investments), development finance institutions sector, construction sector and national market (inclusive of state-owned enterprises).

The Bank utilises remuneration surveys as a basis for determining the benchmarked pay ranges per grade. The pay ranges are for all job categories inclusive of the Chief Executive Officer (CEO) and Group Executives.

Benchmarked pay ranges are reviewed on an annual basis to ensure market competitiveness and adjusted for market movements. Multiple service providers, dependent on suitability to the sector, are employed to determine the market relatedness of the remuneration structure.

Benchmarking for Executives is done for all components of remuneration, i.e., guaranteed pay, on-target earnings, STI and LTI. The Bank pays employees from the first quartile (25%) to the upper quartile (75%) of the grade pay range.

Where the Executive Directors (Chief Executive Officer and Chief Financial Officer) and Prescribed Officers (Group Executives) exceed the market median, the requisite motivation and rationale are tendered for consideration and approval as per the State-Owned Enterprises Remuneration Guidelines (SOERG).

Overall appropriate benchmarking assists the DBSA to align its remuneration with best practice and deliver fair and responsible remuneration.

The DBSA total reward approach consist of guaranteed and variable pay:

Guaranteed pay (GP):

A fixed income/salary an employee receives for the role they perform. The GP includes contributions to medical aid, the provident fund and insured benefits.

Short-term incentives (STI):

An annual performance incentive subject to the organisation and individuals achieving agreed key performance targets for the financial year.

Retention/buy-out incentives:

An incentive award for the purposes of hiring key talent and/or retaining key employees of the Bank based on continued demonstrated skills, capability and performance.

Remuneration in a broader context

Guaranteed pay: This is pay for the job role, skills and experience requirements. This level of pay includes a cash component and includes mandatory benefits for permanent and long-term contract employees. The mandatory benefits are detailed below:

» *Retirement benefit:* The Bank has a defined contribution provident fund. Employees have the option to use their level contribution to the provident fund, starting from 6% up to a maximum of 25% of GP. The normal retirement age for employees is at 60 for years unless otherwise specified in the Bank's retirement policy.

» *Insured benefit:* The Bank provides compulsory risk benefits such as Group life insurance, spouse cover, funeral benefit, critical illness and disability benefit. The cost of these benefits are funded from the employee's GP.

» *Disability benefit:* Employees that are medically boarded through a process of medical evaluation and approval by the Insurer, will receive a monthly income of 75% of their GP. The disability premiums are included in the insured benefit cost. This benefit, if permanent, is payable to retirement age or in case of temporary disability until the employee sufficiently recovers. During the period of disability, in addition to the disability payment, the Insurer will continue to contribute to the employee's retirement fund and insured benefits.

» *Medical aid:* It is compulsory for all employees to join any of the Bank's Medical Aid Scheme Provider/s unless the employee is on his/her spouse's medical aid. The Bank reviews the medical aid schemes on an annual basis to assess their appropriateness for our employees. As part of the medical aid benefit offering, we have Medical Aid Consultants (currently ASI) available to assist employees with any medical aid-related queries.

» *Short-term incentive:* Eligibility to participate in the Short-Term Incentive (STI) is at the absolute discretion of HRC. Eligibility is restricted to full-time, permanent and long-term contract employees of the Bank.

Although staff are eligible to participate in the STI scheme, actual participation will depend upon the Bank achieving its annual performance targets as set out in the rules of the STI scheme, as well as the individual achieving at least the minimum performance standard requirements in their personal performance appraisal for the year.

The Bank's STI bonus pool is determined by the performance measures as agreed for the financial year under review. In order to qualify for an STI bonus pool the organisation must achieve the minimum performance rating of three or greater in the annual Balanced Scorecard (BSC) performance assessment. The STI hurdles to measure and determine the size of the pool are as follows:

STI scorecard

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

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

Payments are made once an unqualified audit has been attained, the Bank has achieved the financial, development and other strategic targets as well as a bonus pool being approved by HRC and Board.

For the 2021/22 the total STI payment is capped at 20% of total actual personnel costs.

Retention incentives: The Bank may award retention incentives for the purposes of retaining key employees. The retention incentives (awards/agreements) will be determined by the relevant Group Executive in consultation with the Group Executive: Human Capital and approved by the CEO. The allocation of retention incentives (awards/agreements) for Group Executives will be determined by the CEO and approved by the HRC. The Nominations Committee will be responsible for the determination of a retention incentive for the CEO. A precondition of the retention incentives is that if the recipient of the incentive leaves the employ of the Bank within 12 to 36 months (period determined according to value and criticality of skill) the recipient will be required to pay the pro-rated incentive back to the Bank.

Agencies mandate specific and cost recovery programme: individuals appointed on cost recovery programmes or mandates will apply the Bank's remuneration guidelines. These guidelines as directed by the relevant principals of the programme are subject to performance and availability of funds in their respective programmes.

AREAS OF FOCUS FOR THE NEXT YEAR

» Long-term Incentive (LTI) Scheme for the Bank including the appropriate performance conditions for LTI

» Succession management

» Fit-for-purpose Organisational Architecture aligned to the growth strategy of the Bank

» Monitor changes in the labour market and environment with regards to pay in order to be competitive to attract the best talent to deliver on our mandate

» Focus on fair and responsible pay

REFERENCE INFORMATION

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ANNEXURE A: APPLICATION OF KING IV PRINCIPLES

King IV principle	
Principle 1: The governing body should lead ethically and effectively.	The DBSA's Board is responsible for providing leadership and strategic oversight to the Bank to ensure that the Shareholder's value creation is achieved. The Board members are accountable both as individuals and as a collective to provide sound judgment and ethical leadership through the ethical principles enacted in King IV and their fiduciary responsibilities as contained in the Companies Act of 2008. These principles and responsibilities are embedded in the Board Charter, the DBSA's Code of Ethics and Code of Conduct. Our ethics policies include the Directors' Conflict of Interest Policy, the Politically Exposed Persons Policy, the Anti-Bribery and Corruption Policy which governs the Board to uphold ethical standards and lead ethically. Furthermore, the Board ensures that the shared organisational values are enshrined in all the policies and operations of the Bank. During the year under review, the Board received the outcome of the Shareholder-initiated independent Board evaluation. The outcome of the evaluation, amongst others, indicated that The Governing Body is ethical in its dealings, there is good governance and is supported by a strong company secretariat team. During the year under review, the Board approved the Code of Conduct, providing guidance on the conduct expected of the Bank's directors. The Board discloses their financial and external interests annually, and where there are instances of conflict of interests the Board as a collective and/or Board committee mitigates the risk appropriately to the best interest of the Bank. Furthermore, each Board's and committee's agenda consist of declaration of interests in reference to the agenda items at each meeting. This affords the Board to act responsibly and remain transparent.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has approved shared values namely integrity, high performance, service orientation, customer and innovation. These values came under serious test during the period of the pandemic; however, we were able to stick to them and remain as agile as possible in the new way of work. These values form the basis of our Code of Ethics, which applies to the DBSA's employees, Board and suppliers. The Ethics Office has developed a well-consulted Ethics Management Strategy and Plan during the year under review. This is aimed at entrenching ethics in the day-to-day business conducts, thus building towards a maturing ethical culture in the Bank. Training of ethics policies was provided during inductions throughout the year and through employees/managers consulting with the Ethics Office for ethical advice before making business decisions in the best interest of the Bank. Performance evaluations of employees include ethical conduct. The Ethics Office reports to the Social and Ethics Committee quarterly about the ethics performance of the Bank. The Social and Ethics Committee of the Board exercises oversight over the ethics management of the Bank. As a continuous endeavour to establish an ethical culture, the future focus includes starting to institutionalise the three-year Ethics Management Plan according to the timelines on the plan. However, it must be noted that the adverse effect emanating from the COVID-19 pandemic has stalled progress on this deliverable as most of the activities required physical contact. However, virtual initiatives are considered to maintain an ethical culture in the Bank. The Code of Ethics is available on our website, www.dbsa.org.
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The DBSA is intentional about integrating responsible corporate citizenship (RCS) as part of the way it does business. The performance measures of RCS are shared across functions and business units. The Board has delegated to the Social and Ethics Committee and Board Credit and Investment Committee, the oversight of integrated responsible corporate citizenship performance of the DBSA. This is governed through the implementation of the Board-approved Sustainability Framework informed by Environment and Social Safeguards Standards (ESSS). It promotes sound environmental and social practices and encourages transparency. During the year under review, the Social and Ethics Committee considered the report highlighting the DBSA environmental and social considerations addressed within DBSA investment projects, and funding sources utilised by the DBSA to catalyse and mainstream green infrastructure financing.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The DBSA's development finance supports a growing array of clients interested in the development impact of projects and transactions in South Africa and Other African countries. This annual report underscores the potential of this approach. By reviewing and assessing transactions, designing tailored financing solutions and enhancing partnerships among stakeholders, the DBSA is helping to mobilise capital in support of sustainable development. The IAR also provides illustrative examples of transactions in the sustainability report and outlines our strategic priorities for 2021 and beyond. The Board assesses continually the positive and negative outcomes resulting from its business model and responds to it as highlighted in the Integrated Annual Report. To view the DBSA's core purpose, risks and opportunities, strategy and business model, as well as the performance in terms thereof, refer to page 11 of this report.

King IV principle	
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	The Integrated Annual Report presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of the DBSA's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. Our reporting is also geared towards reporting on the anticipated development impact in order to identify development-focused transactions and crowd in third-party capital providers. The DBSA is striving to fully achieve this principle by actively soliciting input from key users of our reports and communicate with our stakeholders amongst others, through our reports, website and Stock Exchange News Service (SENS). The DBSA's Integrated Annual Report, Annual Financial Statements, Sustainability Review and Corporate governance disclosures required can be downloaded from our website, www.dbsa.org.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	During the year under review, the DBSA Board continued to serve as the focal point and custodian of corporate governance in the organisation by ensuring that at all levels, the DBSA subscribes to the highest standards of corporate governance, integrity and ethics. This is a commitment that is guarded jealously and is intrinsic in every step the Board takes in fulfilling its mandate. In carrying out its oversight responsibility, which amongst others include accountability for the strategic direction and performance of the DBSA, the Board is satisfied that it has fulfilled its responsibilities in accordance with the King IV principles of good governance, Board and Board Committee Charters which were reviewed during the year under review to ensure alignment with best practices. The Board met eight times and attendance was always satisfactory. Some of the steps taken by the Board during the year under review concerning its custodianship of governance include full participation in the Shareholder-led independent Board appraisal to review the performance and effectiveness of the Board. The appraisal revealed that the DBSA has good governance structures from the Board to the Committees to executives to risk management, internal audit and compliance functions, etc. and good operating procedures. In addition, the appraisal substantiated that the Board provides oversight on strategic direction and targets set and there is a good strategic framework. It monitors overall performance against targets. The Board Charter is available on our website, www.dbsa.org.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board is satisfied with the current composition and believes that it reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The majority of the members are independent directors (the chairman of the Board is an independent director) and the Board has diverse skills in terms of qualifications, experience and overall strong value add. In addition, the Board is diverse with different races, ages and good representation from a gender perspective. During the year under review, there were two vacancies on the Board. The DBSA does not have any members that are serving for more than nine years. In accordance with the Board Charter, any term beyond nine years (three three-year terms) for an independent non-executive director should be subject to a particularly rigorous review by the Board, of not only the performance of the Director but also the factors that may impair his independence. For more detail on the composition of the Board of Directors, refer to pages 118 to 126.
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	To enable the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and oversight and confirming the location of authority and decision rights within the Bank, there is a clear delegation of authority from the Board to its Committees and subsequently to the Chief Executive Officer articulated by the Committee charters and the DBSA Delegation of Authority (DoA) matrix. The Committee charters and DOA matrix were reviewed during the year. During the year under review, the Board established the Nominations Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters. The current Board Committees are: Audit and Risk, Board Credit and Investment, Human Resources and Nomination, Infrastructure Delivery Knowledge, Nomination and Social and Ethics. For information on Board Committees, i.e., responsibilities, functions, composition, etc. refer to pages 118 to 123.

ANNEXURE A: APPLICATION OF KING IV PRINCIPLES (continued)

King IV principle	
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	During the year under review, the DBSA Board received the outcome of the Shareholder-led independent Board appraisal which began in the 2019/20 financial year. Amongst others highlighted the following: » Board strength – Good governance structures from the Governing Body to the Committees to executives to risk management, internal audit and compliance functions, etc. and good operating procedures. The Governing Body provides oversight on strategy direction and targets set and there is a good strategic framework. The Board monitors overall performance against targets. There is robust challenge and consideration in taking investment and mandate decisions, the CEO and management are held to account on financial performance and controls. The Governing Body is ethical in its dealings, there is good governance and is supported by a strong company secretariat team. » Areas for improvement – Board succession planning to ensure Board continuity and Committee size and composition. The action plan is in place to address identified areas of improvement to ensure continued improvement of the Board. The Board confirms that it has executed its responsibilities under the nomination terms of reference.
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	Within the prescripts of the DBSA enabling Act, the Board adheres to the best good governance practices concerning the appointment of the CEO. The Nominations Committee recommends to the Board a replacement/successor for the CEO as and when necessary to be put forward for the Shareholder's consideration and approval and ensure that a formal succession plan for the CEO is developed and implemented. The CEO is delegated with the authority from, and is accountable to, the Board for the development and successful implementation of the Bank's group strategy and the overall management and performance of the Bank. The Board is satisfied that its delegation to management enables the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and confirmation of the location of authority and decision rights within the Bank. Directors receive regular briefings on changes in risks, laws and the environment in which the Company operates. The Nominations Committee oversees the development and implementation of continuing development programmes for directors in relation to the requirements of the Bank. The Board is satisfied with the current arrangements in place for accessing professional corporate governance services and there is an ongoing discussion to enhance the arrangements.

King IV principle	
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The management of risk and opportunity is a fundamental part of delivering on our mandate ensuring that the Bank achieves its objectives on a sustainable basis. The DBSA's risk management function adheres to the principles of King IV to oversee the Bank's internal control framework and the implementation of risk management processes across the Bank's value chain.

The Bank has adopted a combined assurance model that comprises five lines of defence and clearly defines the roles and responsibilities for the management of risk within the Bank. It emphasises that the ownership and management of risk is everyone's responsibility within the Bank from the Board to line management and employees. As per DBSA's governance framework, the DBSA Board has appointed the Audit and Risk Committee (ARC), a Board subcommittee, to be ultimately accountable for the effective management of risk and opportunity. All other Board subcommittees provide oversight for key risks that are relevant for their Terms of Reference.

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

As of 31 March 2022, the following were the principal risks of the DBSA:

Rank	Principal risk	Residual risk rating (2022)
1	Credit risk	High
2	Successive waves of COVID-19	Moderate
3	Cyber security risk	High
4	Liquidity risk	Moderate
5	Reputation risk	Moderate
6	Business environment and operations	High
7	People and culture risk	Moderate

A review of the Enterprise Risk Management (ERM) function across the Bank, is done on an annual basis by external auditors. The outcome showed that the control environment for the ERM process is considered to be 'Good' in providing reasonable assurance that the inherent risks are appropriately managed and that the business objectives will be attained. Actions emanating from any findings are addressed where applicable. The ERM unit sets out its objectives in the annual Enterprise Risk Management plan which is approved by the Audit and Risk Committee.

ANNEXURE A: APPLICATION OF KING IV PRINCIPLES (continued)

King IV principle	
Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board places the importance of technology and information as it is interrelated with the strategy, performance and sustainability of the DBSA. The Audit and Risk Committee exercises oversight over the governance of the Information, Communication and Technology function of the Bank. The operationalisation of Information and Communication Technologies (ICT) governance and compliance has been delegated to management. Management monitors the implementation and compliance of ICT Governance, ICT Risk Management (aligned to the Bank's ERM framework), IT infrastructure and Architecture and implementation of Business and Information Technology (IT) projects aligned to the Bank's priorities through the ICT Steering Committee. The areas of focus during the reporting period were the continuation of enabling employee productivity through the implementation of the modern workplace platform. Some initiatives to automate business processes were accelerated during the period. The Information and Cybersecurity capability elevated during the period as the landscape changed to incorporate the provisions of remote work due to the COVID-19 pandemic. Heightened cybersecurity awareness training was provided to employees, simulation tests were conducted periodically, and gaps identified were addressed through ICT operational and monitoring processes in place. There were no major incidents during the reporting period. The Internal Audit function annually issues a written assessment to the Audit and Risk Committee (ARC), providing assurance on the overall control environment, taking into account the governance of information technology. The assurance provided is informed by the outcome of the audits/reviews conducted based on an approved risk-based audit plan. The future focus is the acceleration of the digital bank capabilities and initiatives for both internal and external stakeholders. A cost-effective and secure remote connectivity solution will be investigated and implemented.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Regulatory and best practice requirements, as well as ongoing changes to the regulatory environment within which the DBSA operates, require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation but also supervisory requirements and industry guidelines. The DBSA's compliance risk management programme is aligned to King IV's principle 13, as well as the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa. A compliance framework has been implemented to ensure effective compliance management. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage and monitor compliance risk. Furthermore, this framework sets out arrangements for governing and managing compliance, evident in the DBSA's respective compliance policies. Group Compliance has adopted a risk-based approach to the compliance management process within the DBSA. This pragmatic approach recognises that there is a need to prioritise regulatory requirements based on their relative risks and implications. During the year under review, the Group Compliance focus was on the UN Global Compact Principles which enables Social and Ethics Committees to assess, define, implement, measure and communicate the DBSA's sustainable strategy and will continue to focus on the abovementioned key focus areas, for the 2021/22 financial year. The status of the DBSA's compliance is still within our risk appetite, relationships are being well managed with our respective regulators and no fines and/or penalties have been incurred in the financial year. The DBSA Board and executive management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards.

King IV principle	
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	Remuneration at the DBSA is set against a number of factors such as performance, job level, the scope of responsibilities, market benchmarks and competitiveness, the country's economic drivers, and State-Owned Enterprises Remuneration Guidelines pronouncements. The DBSA's Board has the ultimate responsibility to ensure compliance with remuneration principles and limiting risk (this is achieved through an appropriate governance structure). The Human Resources and Remuneration Committee (HRC) determines appropriate remuneration policies and guidelines for different levels of the organisation (subject to delegated authority) and monitors performance, in line with the committee's role and responsibility as set out in the HRC terms of reference. The Audit and Risk Committee assists the Board in carrying out its responsibilities regarding governance, compliance and risk management. This includes the approval of the financial affordability of the remuneration envelope and Short-Term Incentives (STI) pool to ensure the risk exposure within the organisation remains at acceptable levels. The CEO is responsible for approval of changes in remuneration, incentives and benefits and signs off on all increases, promotions, and performance bonus awards (within mandate). The Group Executive: Human Capital is responsible for managing the day-to-day application of the Remuneration Policy and for recommending changes to policies and practices to the CEO and HRC.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The DBSA has established an effective Internal Audit Unit that reports functionally to the Board Audit and Risk Committee. It provides independence assurance on key and high-risk areas, amongst others to senior management and the Audit and Risk Committee quarterly in line with an approved audit plan. In addition, the DBSA has implemented a combined assurance which the Internal Audit function facilitates and coordinates, ensuring that the assurance of all assurance providers are consolidated and presented to the Audit and Risk Committee. A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audits. Quarterly assurance reporting is done by the Combined Assurance Working Committee to the Audit and Risk Committee. The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.
Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The DBSA is committed to a stakeholder-inclusive and customer-centric approach to business and has embedded engagement with stakeholders into its value creation process. The DBSA regards stakeholder relationships as very critical to gaining an authentic social licence to operate in the various markets we operate in. The DBSA has a Stakeholder Relationship Management Policy Framework approved by Board. To operationalise the Framework, an annual Stakeholder Engagement Plan that outlines Board, Executive and Employees' responsibilities and deliverables is developed. Stakeholder identification and prioritisation is fundamental to the DBSA SRMF given that the organisation's business is operated in diverse contexts where stakeholders have varied interests and levels of influence. Each stakeholder is identified and ranked in accordance with the DBSA strategic intent, prevailing risk factors and the prevailing business environment. The interests and influence of stakeholders are dynamic and require continuous monitoring. Such monitoring is conducted in line with the Bank's stakeholder matrix. The focus is on key stakeholders including, employees, clients, suppliers, the shareholder, service providers and providers of finance. The focus of the Board in the period under review was to measure the perceptions and expectations of stakeholders and identify gaps using a brand health survey. This has helped the Bank to establish a reputation baseline in the Bank markets as a reference point for continuous improvement. The key component of the survey, brand delivery, a measure of the quality of relationships with stakeholders scored 80% which compromised of two variables – advocacy and delivery – which respectively scored 80%. An opportunity gap in advocacy was identified in the shareholder, media, and fund manager segments of our stakeholder groups. The focus in 2021/22 will on improving the quality of relationships with these stakeholder groups.

ACRONYMS AND ABBREVIATIONS

4IR	Fourth Industrial Revolution
AADFI	Association of African Development Finance Institutions
AFD	Agence Française de Développement
AGM	Annual General Meeting
ARC	Audit and Risk Committee
AU	African Union
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
CEO	Chief Executive Officer
COMESA	Common Market for Eastern and Southern Africa
COP26	26th Conference of the Parties
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DCoG	Department of Cooperative Governance
DDM	District Development Model
DFI	Development Finance Institution
DFRC	Development Finance Resource Centre
DM	District Municipality
DMTN	Domestic Medium Term Note
ECL	Expected credit losses
EGIP	Embedded Generation Investment Programme
ERM	Enterprise Risk Management
FVTPL	Fair value through profit or loss
GCF	Green Climate Fund
GDP	Gross domestic product
GP	Guaranteed pay
HRC	Human Resources and Remuneration Committee
ICT	Information and communications technology
IDD	Infrastructure Delivery Division
IDFC	International Development Finance Club

IDKC	Infrastructure Delivery and Knowledge Management Committee
IFRS	International Financial Reporting Standards
IIPSA	Infrastructure Investment Programme for South Africa
IMF	International Monetary Fund
IPP	Independent Power Producer
ISMS	Information Security Management System
JSE	Johannesburg Stock Exchange
LTI	Long-term Incentive
MISA	Municipal Infrastructure Support Agent
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NTPPF	National Treasury Project Preparation Facility
PEP	Politically Exposed Person
PFMA	Public Finance Management Act, No 1 of 1999
PIDA	Programme for Infrastructure Development in Africa
PMO	Project Management Office
PMU	Programme Management Unit
PPDF	SADC Project Preparation Development Fund
PPE	Personal Protective Equipment
PPFS	AFD Project Preparation Feasibility Studies
PSGRS	Prudential Standards, Guidelines and Rating System
SADC	Southern African Development Community
SAFE	Sanitation Appropriate for Education
SARB	South African Reserve Bank
SDG	Sustainable Development Goal
SHRA	Social Housing Regulatory Authority
SMME	Small, medium and micro-enterprise
SOE	State-Owned Entity
STI	Short-term Incentives
UDM	United Democratic Movement
UNECA	UN Economic Commission for Africa
UNFFC	United Nations Convention on Climate Change
VIP	Ventilated improved pit latrine

FINANCIAL DEFINITIONS

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

GENERAL INFORMATION

Registered office	Headway Hill 1258 Lever Road Midrand Johannesburg South Africa
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Registered Auditor	Auditor-General of South Africa
Company registration number	1600157FN
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