DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

DBSA CORPORATE PLAN

2023/24 – 2025/26

February 2023

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1 Acronyms and Abbreviations

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

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

2 Executive Summary

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

The world is more complex and volatile than it was 3 years ago, with short-term shocks and long-term shifts in the global economy. COVID-19, followed by the Eastern European (Russia-Ukraine) conflict, has changed the geopolitical landscape and redefined trade, technology, and the way of life of people across the globe. These factors have worsened the economic outlook globally, with Africa being especially vulnerable, exacerbating poverty, lack of infrastructure and weak energy supply leading to poor energy access, and other unique challenges facing the continent.

This impact is occurring against the backdrop of climate change and our shared and pressing need to decarbonise. Global consensus towards the achievement of net-zero targets by the middle of this century has meant global policy and trade harmonisation towards clear decarbonisation targets. The climate change agenda must thus be implemented to ensure the continent is not further left behind, with the risk of trade exclusion and carbon taxes creating additional hindrances to economic growth.

The infrastructure development gap in the African continent across all the DBSA sectors of focus points to opportunities for both new build and maintenance of infrastructure. The DBSA is well positioned to play a role in resolving the infrastructure gap.

The current operating environment shows that:

- The DBSA has a strong financial base; however, lending has plateaued requiring the Bank to find its next growth wave. In this regard there are growth opportunities across the Rest of Africa, climate finance and just transition, municipalities and the social sector.
- There has been a strategic focus on driving the Bank’s sustainable financial position to enable development impact. The development impact has not always been adequately

communicated with there now being an urgent need to better communicate and socialise the Bank's role in relation to development impact.

- There are operational macrotrends that are necessary to address to set the DBSA for a successful growth wave, including digitalisation and a new way-of-work that will dictate the development of the operating model going forward.

The DBSA is thus in search of the Bank's next growth wave following a plateau in growth. Further leveraging off a strong financial base may require a purposeful re-adjustment of the Bank's regulatory and capital structures, through potential regulation by SARB and introduction of additional equity funder(s), thus diversifying the shareholder base. This must be enabled by a new way-of-work with a more purposeful and deliberate approach to development impact and institutional performance management.

The operating environment continues to limit the Bank's ability to raise funding while South Africa's political uncertainty creates challenges in navigating the municipal space. The DBSA's role in supporting the energy transition both regionally and at a municipal level as well as decarbonising its loan book will have a direct impact on the Bank's performance going forward.

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 announced by President Ramaphosa in October 2020 has shifted focus to accelerated implementation while committing financial resources. The Infrastructure Fund, a key initiative that is central to the country's plans to deliver infrastructure development, was allocated a capital injection of R24 billion over the medium term to improve the scale, speed, quality and efficiency of infrastructure spending. Total allocations to 2028/29 amount to almost R100 billion.

Partnerships, both locally and internationally, with the private and public sectors and ongoing engagement with stakeholders along the value chain remain critical to the mobilisation of funds towards infrastructure development.

The DBSA strategy adopted in October 2021 is anchored on three pillars – promoting an Inclusive Economic Recovery in South Africa, Strategic Africa Lens and Doing Things Differently. 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.

This Corporate Plan reviewed the Rest of Africa strategy pillar and built on the previous strategy themes to elevate key strategy positions – some of which have emerged since October 2021. These are:

1. Elevating development impact
2. Achievement of a just transition
3. Integrated municipal approach
4. Fit-for-purpose DBSA
5. Shareholder alignment and policy / regulatory matters

In line with a recovery and growth-oriented focus, the DBSA is targeting disbursements of R14 billion in our core sectors. This is testament to the countercyclical role that is expected of any DFI in challenging economic times. The Bank also aims to accelerate efforts at engineering a turnaround in the lower tier municipal space by implementing an integrated approach. This is in recognition of the fact that a sustainable turnaround in municipal fortunes can only be achieved over a number of years. Added impetus is also given to measuring, monitoring and reporting on our development outcomes as well as advancing the just transition.

3 Organisational Overview

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

Purpose

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

Vision

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

Mission

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

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

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

Values

The values that underpin the DBSA's operations are:

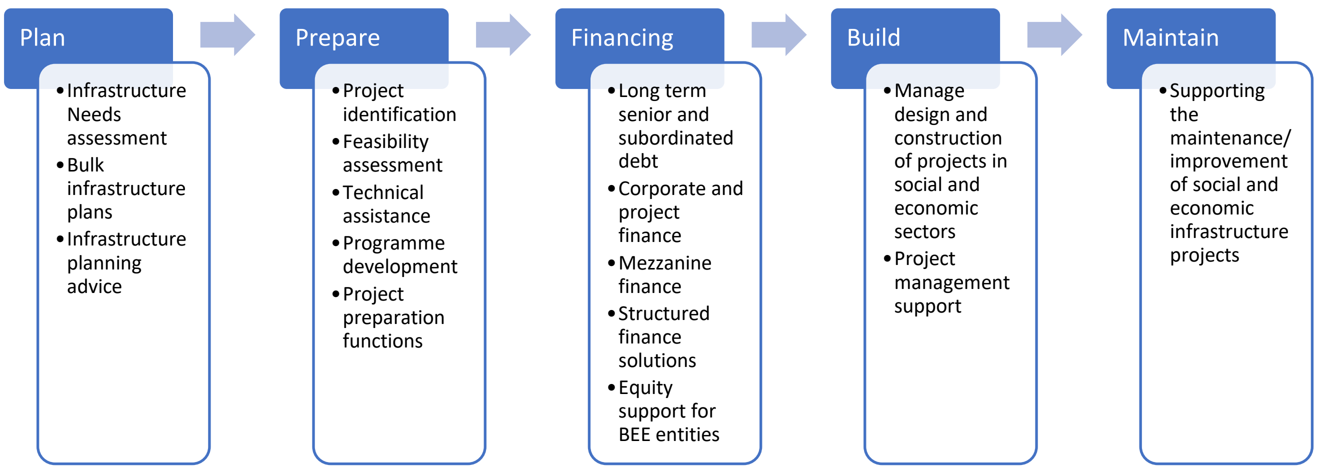
Value	Operations
Shared Vision	We share and keep the sustainability, strategic intent and mandate of the DBSA top of mind in all our decisions and actions.
Service Orientation	We deliver responsive and quality service that speaks to the needs of our clients and continuously build relationships that result in mutually beneficial outcomes.
Integrity	Our deals, interactions and actions are proof of transparent and ethical behaviour that show respect and care for all our stakeholders (employees, clients, shareholder, and communities).
High-performance	We are enabled, empowered, and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded.
Innovation	We challenge ourselves continuously to improve what we do, how we do it and how well we work together.

4 Legislative mandate and other key development imperatives

The DBSA Act sets out the role and function of the DBSA as a DFI with a sharp focus on infrastructure development, especially in Southern Africa. The DBSA's mandate, development position and strategy are aligned with South Africa's National Development Plan (NDP) Vision 2030, the African Union's (AU) Agenda 2063, the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. The DBSA is further regulated by the Public Finance Management Act No 1 of 1999 (PFMA) and operates in terms of the King Code of Governance Principles for South Africa 2016 (King IV).

5 Principal Activities and Sector Focus

The DBSA primarily plays a key role in the planning, preparation, funding, building and maintenance phases of the infrastructure development value chain. All value chain components incorporate fundamental administrative activities such as documentation, procurement and reporting. The diagram below illustrates our infrastructure value chain and the various services as well as the key target markets per value chain segments.



6 Regional Mandate

South Africa has concluded various binational and trade agreements with countries across the continent to support broader regional integration in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa (PIDA) and AU Africa Agenda 2063. The DBSA's regional development and integration strategy is aimed at both SADC and the rest of Africa. For example, the tripartite free trade area linking SADC, Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) as well as corridor development. The strategy notes the huge infrastructure backlogs in the African continent and prioritises smart partnerships, country prioritisation using country ratings, taking a long-term perspective and prospects and taking into consideration the South African political and economic aspirations in response. Consideration is also given to the state of fragility of the target countries. Continental opportunities will be explored in the following countries:

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

7 Macro-economic context

The global economic recovery had started to gain momentum at the beginning of 2022 as lockdown restrictions were eased and economies reopened. Inflation in most advanced economies had been accelerating since mid-2021, largely due to supply chain constraints caused by supply-demand imbalances. The original sentiment amongst central banks was that the inflationary spike would be transitory and would abate by mid-year. The advent of the Russia-Ukraine war threw the world into yet another uncertainty and interrupted the economic recovery. Global commodity prices rose significantly, led by energy and food prices. Inflationary pressures broadened, with firms passing through higher energy, transportation, and labour costs onto consumers. Inflation prints in most advanced and emerging market and developing economies (EMDEs) reached multi-decade highs, well-above their central bank targets, prompting the pace of global monetary policy normalization to quicken. The higher cost of living in combination with contractionary monetary policy, tighter financial conditions, elevated uncertainty, and heightened debt-distresses in EMDEs has intensified downside risks to the global growth outlook.

In the domestic economy, growth rebounded in the third quarter of 2022, following a contraction in the second quarter that was largely due to the KwaZulu-Natal and Eastern Cape floods. The third quarter expansion took total GDP above its pre-pandemic level for the first time. Exports were supported by elevated commodity prices, amplified by the Russia-Ukraine war. However, the state inadequate infrastructure limited these gains. Furthermore, innate structural problems in the economy are beginning to disrupt progress. Loadshedding has intensified, putting strain on the economy, especially on industrial production. Unemployment has started to decline, but weaker economic growth will make it difficult for firms to add more workers.

In line with global trends, domestic inflation is beginning to decline. The decline is mainly attributed to moderating fuel prices, supported by lower oil prices offsetting a volatile rand, while food price inflation remains sticky. Monetary policy tightening quickened in line with other major central banks but should pause in the coming months. The combination of sustained higher food prices and rising interest rates continues to put a strain on household and businesses balance sheets and has led to dampened business and consumer sentiments.

The rand initially strengthened at the start of 2023, however, as the energy situation worsened, and monetary policy tightening is expected to continue, the value of the rand will likely continue to come under pressure in 2023.

7.1 Global Economic outlook

The global economy has slowed significantly since the start of the year. Tighter monetary policy has heaped hardships on households and businesses, and uncertainty is rising heading into 2023. Despite peaking recently, consumer prices remain on multi-decade high levels, on the back of protracted pandemic-related supply chain issues and additional pressures on food and energy prices caused by the Russia-Ukraine war. In its January 2023 World Economic Outlook (WEO), the International Monetary Fund (IMF) reported that global growth is expected to be 3,4 per cent for 2022 and 2,9 per cent in 2023. The downgrade in growth prospects comes as the global economy is confronted by elevated levels of inflation, tightening financial conditions and the protracted Russia-Ukraine war.

7.2 Sub-Saharan Africa Outlook

Sub-Saharan Africa growth posted a strong recovery in 2021, following a hefty contraction in 2020. However, entering 2022, that progress has been slowed by the Russia-Ukraine war, which has caused spiralling inflation across the region, more so, on food staples and transport. Monetary policy's response to the large currency depreciation and high inflation is also risking debt-distress, threatening longer run growth in the region. The Russia-Ukraine war shock together with increasing interest rates is squeezing an already depleted policy space, both monetary and fiscal, to the detriment of much needed infrastructure needs and growth to alleviate poverty, inequality, and unemployment in the region.

Going forward, the IMF expects economic activity in the region to expand by 3,6 per cent in 2022 year and 3,7 per cent in 2023. The lower growth prospects are underpinned by the global slowdown, tighter global financial conditions, and the sustained high levels of inflation, almost entirely attributed to fuel and food prices. While the economic recovery is projected to accelerate over the medium-to-long term, this pace is not enough to make up for lost ground from the pandemic. The Russia-Ukraine war shock compounded some of the region's most pressing policy challenges, including the COVID-19 pandemic's social and economic legacy, climate change, heightened security risks in the Sahel, and the ongoing tightening of monetary policy globally. Looking beyond the pandemic and current geopolitical tensions, job creation and meeting the Sustainable Development Goals will require strong, inclusive, and sustainable growth in the region.

7.3 South Africa Outlook

South Africa's real GDP rebounded in the third quarter of 2022, following a contraction in the second quarter. The expansion took total GDP above its pre-pandemic level; however, half of the industries remain below their pre-pandemic levels. DBSA expects growth for 2022 to record 2,0 per cent, before declining to 1,1 per cent in 2023, as slowing global growth, significant electricity supply constraints, lower commodity prices and higher interest rates and inflation, are expected to negatively impact growth. Muted gross fixed capital outlays are expected in the near term on account of slowing global prospects, dampened confidence and higher cost of capital. However, it is expected to gradually pickup post 2023 as the infrastructure-led focus takes shape.

Inflation averaged 6,9 per cent in 2022, largely driven by higher food and fuel price inflation. The DBSA's inflation outlook for 2023 stands at 5,7 per cent as fuel price inflation is expected to decelerate further on the back of lower oil prices. The DBSA expects the SARB to pause the hiking cycle after its March 2023 meeting. The rand, along with other emerging market currencies, is expected to remain under pressure from unsupportive global factors as well as domestic electricity supply concerns. Risk appetite is likely to remain volatile. The combination of a slowdown in commodity prices, elevated risk of a global recession, and tight global financial conditions will weigh heavily on the domestic currency and other emerging market currencies for the foreseeable future.

8 Strategy review

The strategy review is done to provide a summary of the key issues that drive DSBA's strategy.

8.1 PESTLE Analysis

A PESTLE analysis is undertaken to provide key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influences the Bank. Some of the key issues identified during the review process include:

Political	• The 2021 municipal election results signalled a change towards coalition governments in South Africa. There is a real possibility that the 2024 general election may emerge with a similar trend. • There is a developing lack of confidence around the effectiveness of the current public administration. • Pockets of volatility across the continent could limit the DBSA's footprint and potential markets.
Economic	• The effects of COVID-19 on supply chains and economies are still felt, with developing economies taking longer to recover. • High debt levels around the continent limit the fiscal space to increase spending on infrastructure projects which is the key driver to development. • Inadequate energy supply to support a sustainable economic growth trajectory due limited and erratic energy generation capacity.

	• Structural reforms still need to be implemented to improve the institutional capabilities of the country.
Social	• South Africa's official unemployment rate is 34.5% in the first quarter of 2022. • The World Bank declared South Africa as the most unequal country in the world. COVID-19 exacerbated this • Recent data from banking group FNB shows that the average middle-class consumer survives on 20% of their monthly salary for more than 20 days in a month, indicating increasing financial distress. • As COVID-19 restrictions eased, the hybrid work model gained momentum as the world is moving towards embracing new ways of working.
Technological	• The European Investment Bank's 2021 survey of 78 African banks found that the pandemic has pushed 9 in 10 banks to accelerate digitalization. The key focus has been on improving customer experience, supporting fintechs and driving financial inclusion. • 4IR has transformed the banking sector which has disrupted the formal platforms to do banking. The DBSA must leverage more resources to expedite its digital route to markets. • The Digital Co-operation Organisation (DCO) launched the Digital Foreign Direct Investment Initiative focused on accelerating FDI for digitalization in emerging economies. There is an opportunity to tap into these pools to scale up ICT infrastructure. • Cybercrime is increasingly becoming a major threat to organisations, in instances such as ransomware. • In the local DFI environment, the IDC has automated its key loan approval process.
Environmental	• National Treasury developed a Green Finance Taxonomy that will support the process of transitioning the DBSA's portfolio. • Globally, the call to move towards Net Zero through a Just Transition is being heeded by governments and private sectors. Just Transition

	finance and guidelines need to be elevated at the DBSA to guide our investment activities.
Legal	• The revision of the governance framework for SOEs may significantly impact the DBSA (medium to long term). • The revised Preferential Procurement regulations may significantly impact the DBSA’s BEE rating and its impact on empowering marginalized groups. • Delaying the approval of the DFI Scorecard by the government bodes ill for the DBSA BEE rating. • Erosion of the rule of law in South Africa could serve as an impediment for increased investment in the economy.

8.2 SWOT Analysis

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

STRENGTHS	WEAKNESSES
• Active involvement across entire infrastructure value chain • Strong brand reputation • Early-stage risk taker • Long term investor • Perceived as having trusted advisory status (local, sovereign) e.g., Sanral, SAA, Eskom. • Good governance and ethical culture • Smart partnerships	• Limited sources of funding due to nature of the DBSA as an SOE. • High cost of capital • Slow ERR to commitment turnaround times in the Bank • Low integrated approach to operations • Single source for new business generation • Shareholder misalignment and sluggish implementation on agreements • Shortage of right skills in some areas • Low comfort on the Bank’s future of work (Hybrid model)

	• Uncompetitive in the M2/M3 municipal market
OPPORTUNITIES	**THREATS**
• Facilitate and drive infrastructure-led economic recovery • Project preparation and execution to develop a bankable project pipeline to supplement the current project pipeline from the traditional lending business. • High conversion of self-generated and strategic infrastructure funding opportunities • Participate in transition finance • Leveraging multilateral, BRICS, bilateral and grant funding for infrastructure • Increase and diversify investor base • Diversifying sector investments • Being innovative in approaches and product offerings	• Domestic and regional macroeconomic weakness resulting in a narrow pipeline • Increased competition in the municipal finance environment due to better price points by commercial banks • Credit quality deterioration, e.g., NPLs. • Cybercrime and associated costs (disruption and ransom) • Inability to retain critical skills • Lack of a focused digitalisation approach thus weakening the DBSA against competitors/co-players • The impact of the sovereign rating and potential grey listing of SA • Construction mafia and vandalism impede DBSA funded infrastructure.

Our Strategic Intent

The DBSA's mandate requires the Bank to maximise development impact in infrastructure development, financing and capacity development, both in South Africa and across the African continent. This also requires a purposeful strategy directed at financial sustainability through balance sheet growth, income growth and cost optimisation to enable the Bank to continue to deliver sustainable development outcomes. The current strategy is set against the operational environment outlined above and is underpinned by the need for accelerated infrastructure development to serve as a catalyst for structural change within the South African economy and the rest of Africa, while advancing inclusive transformation. It is driven by the need to create world class infrastructure by catalysing capabilities in an ever-increasing competitive and uncertain environment. The strategic intent of the organisation is designed to shape the infrastructure investment market through leveraging our dynamic capabilities in conceptualising, catalysing and implementing sustainable infrastructure projects, capitalising on our position and expertise as well as engaging in and cementing smart partnerships.

Conceptualizer

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

Catalyser

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

Implementer

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

Response to dynamic environment

The DBSA's strategy addresses key factors in the macro and micro-environments while capitalising on the successes and strengths of the Bank. Our aim is to builds the resilience and relevance of the Bank for the future.

The DBSA strategy seeks to leverage its competitive advantages as far as possible. We have a comprehensive offering across all segments of the infrastructure delivery value chain. Our clients may interact with multiple DBSA business units and their needs and requirements can vary substantially depending on what stage in the infrastructure value chain their prioritized projects are in. The environment we work in has numerous complexities, making it essential that we are pro-active, solution-oriented, efficient and dynamic across the entire value chain.

The DBSA's overarching strategic objectives

Financial sustainability

The DBSA aims to achieve financial sustainability through income growth, balance sheet growth and cost optimisation. Achieving disbursement/credit extension targets is crucial to the financial sustainability of the Bank as this directly relates to the Bank's asset base, which must grow at a rate higher than or at par with increasing operating costs for long-term sustainability. Achieving our credit extension objectives also serves as a lead indicator of the development impact we are destined to deliver.

The levers for achieving financial sustainability are the ability to grow quality and profitable disbursements, increasing self-originated disbursement opportunities and improving our operational efficiencies as part of cost optimisation.

Accelerating Development Impact

Balanced with the financial focus is the developmental focus which sees the Bank continue to invest in those projects and activities that ultimately contribute towards unemployment reduction, poverty alleviation, and reduction of inequality. The aim is to drive quality transactions, while ensuring greater development impact of our investments. Accelerating the development outcomes includes stimulating infrastructure development through a programmatic approach, for a secure and scaled development trajectory while contributing to creating inclusive and sustainable socio-economic growth. Priority is placed on increasing the development impact of disbursements and projects in our core sectors as well as in the South African municipal districts. The DBSA works to create an integrated development environment in the value chain in order to respond to the rapid changes in the environment.

Future-fit-DBSA

The DBSA could be more effective through tailoring products, services, and organisational capabilities to respond to customer needs. There is a need to improve collaboration and integration internally as well as completely digitalise the Bank in the next 5 years. This will require an integrated approach operationally and a shift from strategic implementation through individual performance to team performance and outcomes. A future-fit DBSA requires a cultural reform and mindset shift towards growth and innovation. This requires reviewing how the Bank operates and is structured but also changing the perspectives of the people within DBSA. It also requires a decisive shift towards digitalisation.

Smart partnerships

Smart partnerships are purpose-driven collaborations that co-create development solutions and enhance private sector participation in infrastructure projects that promote inclusive growth. They also help public sector entities unlock bottlenecks that serve as a stumbling block to accelerated infrastructure development. The Bank pursues such partnerships inside and outside South Africa to fulfil its mandate.

Strategic enablers

The following key enablers underpin our corporate strategy***:***

- **To raise funding at an optimal cost**: This will be achieved through diversified funding options, managing the cost of funds and maintaining healthy liquidity levels. This enabler has been elevated by the fallout from the pandemic, the successive downgrades, the dislocation of capital markets and developments regarding foreign bond holders on the domestic market.
- **Operational excellence**: Develop a high performance and accountability culture while attracting and developing strategic job families which are critical to bolstering core banking and developmental skills to enhance internal processes. Excelling in strategy execution through ensuring corporate strategy execution is key. Working as a team through collaborative efforts will lead to a higher success rate of achieving these goals.
- **Boost and develop key partnerships**: The Bank's aptitude to nurture strategic partnerships that are mutually beneficial in achieving the mandate is a strategic imperative. These strategic partnerships include building relationships with other DFIs, SOEs, the public and private sector. Our strong relationships with strategic investment partners nationally, regionally and internationally enhance the development and growth of the Bank's infrastructure pipeline. Synergies created through these partnerships also have the benefit of enhancing the DBSA's reputation as one of the leading African DFIs.
- Strong and effective **corporate governance** is the bedrock on which to cultivate a culture of integrity, leading to positive performance and a sustainable business outcome. Good governance is of paramount importance within governments and business to meet stakeholder expectations in the short, medium and long term. The DBSA strives to continuously improve governance and risk management.

DBSA's strategy pillars

The DBSA will, during the period 2023/24 – 2025/26, continue with the implementation of the current strategy, underpinned by the following key pillars linked to the DBSA mandate as outlined in the DBSA Act, Mandate Statement and the Shareholder's Compact:

- **Inclusive economic recovery in South Africa** – The focus area is directed towards meaningful growth in South Africa and seeks to build on existing initiatives while adapting to current changing market conditions. Agility and focus on the development mandate are critical to the successful attainment in this focus area. The DBSA will robustly engage with National Treasury on process reforms that are necessary for the realisation of a sustained recovery. Inclusive economic recovery further requires strong governance and the strengthening of institutions which is a by-product of various DBSA initiatives. This focus area incorporates both economic access and transformation. The latter emphasizes patterns of ownership of the South African economy. In this regard, appropriate interventions have been identified to accelerate meaningful black economic transformation and gender mainstreaming in the infrastructure space.
- **Strategic Africa lens** – This focus area is aimed at growing and maintaining a strong position on the rest of the continent while still aligning with the mandate statement, maintaining strong profitability and ongoing liquidity and credit risk management. This includes ongoing management of non-performing risk and continued collaboration with in-country partners. The strategy recent strategy session concluded that there is a need to articulate and refine the rest of Africa strategy given the Bank's growth ambitions. The refinement should highlight (i) where the Bank wants to focus and which geographies to avoid; (ii) clear risk parameters; (iii) clear sectors and countries to ensure that the DBSA is delivering upon its development mandate without compromising its financial position.

  The external environment, geopolitics and socio-economic considerations dictate opportunities within the continent. Africa is currently 25% of the Bank's asset book and as such is strategically key to sustaining and growing revenue. Following COVID-19 and the impact to national economies, the Bank faces significantly greater risk in doing business on the continent. There is however an opportunity to be more deliberate in targeting key sectors with a more structured risk management approach. Key actions to strengthen this strategy pillar include,

  - enhancing competitiveness and our value proposition in the continent, and
  - establishing new products, such as trade finance

- **Doing things differently** – This focus area is aimed at achieving and creating a future fit and resilient DBSA, an organisation that is relevant and digitally enabled with efficient processes, strong governance and appropriate accountabilities. It also requires that we refine our operating model to enable effective strategy execution.

Key challenges facing the DBSA

The strategy review process has revealed a combination of external and internal factors that converge to impact on the ability of the DBSA to fulfil its developmental mandate. The following issues are shaping our operational environment:

- weaker global economy overwhelmed by high inflation and high interest rates
- increased indebtedness and cooling commodity prices impacting African nations
- increased drive towards net zero emissions by 2050
- a growing infrastructure investment need, domestically and across the continent
- ineffective public administration and coalition governments in South Africa
- envisaged SOE governance framework and new DFI empowerment scorecard
- increased pace of digitalisation and hybrid working models post-lockdown

The Bank is contending with business growth, efficiency and rapid transition issues. Some of these factors are historical.

- **Sluggish business growth**

The Bank appears to have plateaued in terms of its core credit extension activities. Over the past 9 years, disbursements have averaged R12.6 billion per annum. These growth challenges are a function of our operating environment - stagnating economic growth, high cost of funding, increasing competition, low demand, etc. in key markets. For the DBSA to achieve its strategic aspiration of increasing its developmental activities, it needs to ramp up its balance sheet many folds.

- **Operational inefficiencies**

The strategy review process further revealed that there is room to improve the Bank's operational efficiencies in the frontline and back offices, including Supply Chain Management and Human Capital Management, to drive strategic and operational effectiveness. Some of the areas to improve include functional siloes across business operations, overlapping of certain functions across divisions, persisting manual operations and an ineffective monitoring and evaluation of development impact. They manifest themselves in slow conversion rates, slow implementation of strategic initiatives and stagnant customer satisfaction levels. There is also a need to develop a clear and uniform governance oversight framework over agencies that the Bank manages on behalf of the government, e.g., IPP Office and Infrastructure Fund).

Potential Market Opportunities to Drive Growth

The recent strategy review process showed that there are several key areas that the Bank should pursue to drive growth:

Climate finance and Just transition

Digital Economy

Economic infrastructure investment gap

Africa Continental Free Trade Area

Social infrastructure

DBSA's key strategic interventions

At the November 2022 strategy session, the Bank reviewed one of its corporate strategy pillars and adopted five strategic initiatives to underpin the strategy. From a strategic perspective these accelerators require short term prioritisation in order to achieve long term success. The key initiatives to support the strategy are:

(i) Achievement of a just transition

The DBSA's current loan book reflects South Africa's energy sector, which is carbon intensive. Roughly 80% of the DBSA's loan book is in the municipal finance and energy space. There is an urgent need to develop a Just Energy Transition Strategy that not only focuses on the transition, but also considers the just element; ensuring poverty, unemployment and inequality are not exacerbated. This will allow the DBSA to enhance its development impact while attracting greater concessionary funding.

Key actions that will advance these strategic objectives:

- Just transition strategy
- Client support with Just Transition plans
- Scale up embedded generation support
- Support for energy security and transmission grid development
- Reposition DLabs to include "just" element
- Feasibility for supporting small scale nuclear power stations

(ii) Elevating development impact

The DBSA, by leveraging its strong balance sheet and reputation, contributes to the development of South Africa and drives transformation and sustainability. While the Bank has been financially strong, there is a feeling it must do more to drive its developmental mandate. Failure to achieve this will reinforce the perception of a profit driven institution only.

Key actions that will advance these strategic objectives:

- Increase case studies and evaluations on completed projects

- Enhance monitoring capabilities through the Development Results Template
- Communicating our development impact
- Review and coordinate the Monitoring & Evaluation function, its resourcing and its inclusion in the overall operating model

(iii) Integrated municipal approach

Learning from its past disaggregated intervention, the DBSA is introducing a new innovative and comprehensive approach for supporting municipalities. The new approach entails intervening in a programmatic manner across the full infrastructure development value chain (planning, preparation, finance, build and maintain). Of the four (4) municipality performance areas, i.e., financial health, service delivery, institutional health and governance, the DBSA seeks to respond to service delivery and financial health. This takes place through financing infrastructure and requiring financed projects to be income generating.

The DBSA has developed an engagement model and is engaging with municipalities to set up smart partnerships with willing municipalities within the districts. A diagnostic tool will be utilised to conduct a comprehensive assessment of development challenges in the partnered district spaces. Finally, a programme of action that responds to the set corporate targets will be developed and implemented. To mitigate the risk of being perceived to be duplicating what the DDM is trying to achieve, the DBSA will drive this initiative as a partner supporting the advancement of the DDM model where relevant.

Key actions that will advance this strategic initiative:

- Integrated municipal approach that merges activities across M1, M2, M3 (profiled municipalities, identifying bespoke requirements of identified municipalities) [Consolidated DBSA value offering; Differentiated approach in terms of both funding and support; and Strategic partnerships with key partners in the local government value chain (MISA, NT, Private sector, etc.)]
- Clarify a service delivery model that is linked to the integrated approach
- Refinement of the priority areas, interventions and expected outputs

- Development of the financial resource requirements and budget for the Partner-a-District model as a driver of Integrated Municipal Approach

(iv) Fit-for-purpose DBSA

The Bank must apply a basket of actions in pursuance of a fit-for-purpose DBSA that include but are not limited to managing culture; change management; break through approach; stakeholder management, relevant organisational structure, digital transformation, review the post-lockdown working model and ensuring adequate capacity.

Prioritised actions that will advance these strategic objectives:

- Fast tracked centralised digitalisation strategy
- Create a fit-for-purpose organisational design

(v) Shareholder alignment and policy/regulatory matters

The DBSA is committed to driving a new growth wave however this is hampered by the Bank's cost of capital. This is caused partly by the way in which the Bank is regulated with the Bank falling under the DBSA Act and hence not the regulatory ambit of the SARB. Consequently, it tends to be grouped alongside other SOEs. This has become problematic particularly lately after the default of the Land Bank. Consequently, the DBSA is finding that its paper is trading at a higher premium to the sovereign than was previously the case.

Regulation by the SARB will enable reputational separation from SOEs and will enable a robust balance sheet to aid international deals and collaboration and provide international credibility. Bank regulation will be a programmatic approach and will take 2-3 years to reach fruition. The DBSA must within that period ensure that there is internal process and data alignment. Following the 2018 Board decision, the Bank has initiated the alignment of processes, data, and operations to conform with Basel regulatory requirements; however, there is still work to be done. Furthermore, there might be a need to blend the SARB into the activity by, for example, having them on an advisory role early on.

There is a need to engage with other DFIs to get an understanding of best practice and ensure bank regulation will not be restrictive to the DBSA. In addition, strong stakeholder engagement of both the SARB and National Treasury is required. The Bank must, in parallel, focus on:

- Driving internal dependencies necessary to transition towards prudential authority regulation
- Develop a “regulatory strategy” i.e., roadmap to ensuring regulation by the prudential authority

Key actions that will advance these strategic objectives:

- Develop comprehensive business case on SARB regulation issues
- Develop comprehensive business case on shareholder diversification
- Monitor the outcomes of the Exco-to-Exco engagement between the Bank and National Treasury
- Consider advisory support to National Treasury

9 The Balanced Scorecard for the period 2023/24 – 2025/26

The BSC that tracks the execution of this strategy is provided below:

Objective & Strategy Map Link	**Key performance indicator**	**Owner**	**Weighting**	**SDG alignment to BSC**	**Target**	**Target**	**Target**	**Target**		
					2022/23	**2023/24**	**2024/25**	**2025/26**		
CORE MEASURES: FINANCIAL OUTCOMES (30%)										
Financial Focus: Financial Outcomes (17%)										
Financial sustainability	ROE (calculated on sustainable earnings)	CFO	10%	SDG 9	5.25%	6%	6.5%	6.5%	Old	**1**
	Cost to income ratio – financing business	CFO	7%	SDG 9	32.90%	30%	30%	30%	Old	**2**
Financial Focus: Internal Levers (13%)										
Sustainable Growth	Total Disbursements[1]	GE: Coverage GE Transacting GE: PPD	13%	SDGs 3, 4, 5, 6, 7, 9, 10, 11, 13, 17	R13.5 billion	R14 billion	R14.5 billion	R15 billion	Old	**3**
CORE MEASURES: DEVELOPMENT OUTCOMES (38%)										
Development Focus: Development Impact Sustainable Growth										
Unemployment reduction	Number of jobs facilitated	GE: FinOps GE: Coverage GE: Transacting GE: IDD	5%	SDG 1, 8, 9	11 610	11 410	12 505	13 500	Old	**4**
Increase SA fixed capital formation	Value of Infrastructure Delivered	GE: IDD	5%	SDG 1, 3, 4, 5, 8, 9, 11, 17	R4.2 billion	R4.9 billion	R5.4 billion	R6 billion	Old	**5**
Increased sustainable developmental outcomes in SA Districts	Number of programmes approved for implementation in district spaces / Value of infrastructure unlocked in district municipal spaces adopted for programmatic approach	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	6%	SDG 1, 3, 4, 5, 6, 7, 8, 10, 11		5 programmes	R300 million	R500 million	*New*	**6**
Increased sustainable developmental outcomes in under-resourced municipalities	Value of infrastructure unlocked in under-resourced municipalities (excluding the partnered municipal spaces)	GE: Coverage GE: PPD	5%	SDGs SDG 7, 13, 17	R1.25 billion	R1.5 billion	R1.7 billion	R1.9 billion	Old	**7**

1 Refer to Annexure J for breakdown

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2022/23	Target 2023/24	Target 2024/25	Target 2025/26		
Just Transition	Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g., CFF, EGIP etc.)	GE: Project Prep	5%	SDG 7, 13	R400 million	R500 million	R500 million	R600 million	Old	**8**
Empowerment support	Number of transactions that are committed for DBSA funding to black-owned entities	GE: Coverage GE: Transacting GE: PPD	6%	SDG 1, 5, 7, 9	6	6	8	10	Old	**9**
Gender mainstreaming	Percentage of procurement spend on black woman owned suppliers for IDD third party fund (30% and above shareholding)	GE: IDD	6%	SDG 1, 5, 7, 9	35% of total procurement spend from B-BBEE suppliers	35% of total procurement spend from B-BBEE suppliers	40% of total procurement spend from B-BBEE suppliers	40% of total procurement spend from B-BBEE suppliers	Old	**10**
				ENABLERS (12%)						
Increase DBSA efficiency and effectiveness	Digital DBSA (digitalisation, automation, and process re-engineer)	CFO CRO	4%		2 business processes automated for our core business	3 business processes automated for our core business	3 business processes automated	3 business processes automated	Old	**11**
Develop a high performance, accountability, and suitable organisational culture	Align DBSA architecture / design people process to the growth strategy of the organisation	GE: Human Capital	2%		2 People Processes aligned as per core business requirements	2 People Processes aligned as per core business requirements	2 People Processes aligned as per core business requirements	2 People Processes aligned as per core business requirements	Old	**12**
	Implementation of culture change initiative	Chief Executive Officer GE: Human Capital	2%			Develop a Board espoused culture strategy for the DBSA	Implementation of the approved culture strategy	Implementation of the approved culture strategy	Add	
Smart partnerships	Client + Stakeholder satisfaction survey	GE: Coverage GE: Project Prep GE: Transacting GE: IDD	4%		3.8	4	4	4	Old	**13**
				GOVERNANCE AND COMPLIANCE (20%)						
Improve DBSA governance and risk management	Irregular, unauthorised and fruitless and wasteful expenditure	Chief Financial Officer	5%		Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and	Old	**14**

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2022/23	Target 2023/24	Target 2024/25	Target 2025/26		
					and wasteful expenditure	wasteful expenditure	and wasteful expenditure	wasteful expenditure		
	Ethical behaviour	Corporate Secretariat	5%		Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Old	**15**
	Compliance with the PFMA	Chief Risk Officer	5%		Process all PFMA submissions within the stipulated deadline	Process all PFMA submissions within the stipulated deadline	Process all PFMA submissions within the stipulated deadline	Process all PFMA submissions within the stipulated deadline	Old	**16**
	Unqualified Audit opinion	Chief Financial Officer	5%		Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Old	**17**

10 ANNEXURES

9.1. ANNEXURE A: COMPLIANCE CHECKLIST

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

9.2. ANNEXURE B: CAPITAL EXPENDITURE AND FINANCIAL PLAN

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

The DBSA maintains a strong focus on profitability, sustaining inflation-linked growth in equity and generating sufficient cash to meet all our obligations as and when they arise. Over the past few years, we have implemented a capital management project to quantify the Bank's portfolio on a risk weighted basis in order to fully assess all the business risks.

In preparing the three-year financial plan of the DBSA, domestic and international macro-economic environment factors have been considered.

The financial projections (see below) take into account the affordability of the DBSA planned activities without negating the expected delivery on its mandate. The budgets prepared for this plan for the three-year period project approximately R45.1 billion in loan and equity disbursements. The proposed budgets are informed by the need to pay closer attention to the DBSA's balance sheet and ensure that the Bank achieves a reasonable level of growth. This was done in line with the need to increase funding activities in support of the country's economic recovery interventions. However, based on three-year projections, overall funding levels will increase steadily in the outer years to ensure that the DBSA maintains and strives towards more acceptable risk ratios (such as debt/equity, borrowings and impairments as per DBSA's risk appetite framework).

Three-year financial planning assumptions

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

Year	2022/23	2023/24	2024/25
USD/ZAR rate	16.54	16.72	16.80
Year on year inflation rate	4.84%	4.32%	4.50%
Funding base rates	**2022/23**	**2023/24**	**2024/25**
Jibar 6M	7.46%	7.46%	7.50%
Gov't rate 10 to 13 Years	10.40%	9.96%	9.57%
SOFR	3.33%	2.79%	2.33%

Approved headcount	2023/24	2024/25	2025/26
Bank	561	561	561
IDD	135	135	135
Green Fund	4	4	4
Total approved	**700**	**700**	**700**

Current vacancies*	2023/24
Bank	83
IDD	16
Graduates & Interns	3
Infrastructure Fund	2
Green Fund	2
Total vacancies	**106**

*June 2022

Capital Expenditure Plan

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

Asset type	Projection 2023/24	Projection 2024/25	Projection 2024/25
Building	R178.7m	R178.7m	R178.7m
Computer equipment	R30.2m	R30.2m	R30.2m
Intangible assets	R33.6m	R33.6m	R33.6m
Total	**R242.5m**	**R242.5m**	**R242.5m**

Loan Book Summary

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

Loan book summary	March 2023 Forecast	2024	2025	2026
SA Financing				
Gross loan book	70,358,085,779	76,116,167,248	80,319,844,069	83,665,755,179
Impairment provision (Incl. interest in suspense)	(4,562,552,411)	(5,015,907,011)	(5,499,286,211)	(6,012,638,411)
Net loan book	**65,795,533,368**	**71,100,260,238**	**74,820,557,858**	**77,653,116,768**
International Financing				
Gross loan book	32,570,396,445	31,797,356,382	33,286,741,013	34,780,018,091
Impairment provision (Incl. interest in suspense)	(7,765,411,813)	(8,823,239,212)	(9,951,124,012)	(11,148,945,812)
Net loan book	24,804,984,632	22,974,117,170	23,335,617,001	23,631,072,279
Total DBSA	**90,600,518,001**	**94,074,377,407**	**98,156,174,859**	**101,284,189,047**

Three-year Financial Plan

THREE YEAR FINANCIAL PLAN					
Balance Sheet	**Actual**	**March Forecast**	**3 Year Forecast**		
	FY 2021/22 R'mil	FY 2022/23 R'mil	FY 2023/24 R'mil	FY 2024/25 R'mil	FY 2025/26 R'mil
Assets					
Cash & cash equivalents	7,990	7,999	6,100	6,235	6,343
Financial market assets	946	357	340	323	307
Equity investments	4,977	4,981	3,568	2,656	1,694
Development loans	84,196	90,601	94,074	98,156	101,284
Development Bonds	1,152	2,116	2,115	2,114	2,113
Fixed assets	508	562	669	825	1,030
Other assets	259	417	438	460	483
Total Assets	**100,028**	**107,033**	**107,303**	**110,769**	**113,254**
Liabilities					
Other liabilities	1,031	1,797	1,868	1,940	2,013
Deferred income	516	510	602	683	753
Repurchase agreements	-	-	-	-	-
Medium to long term: debt securities (existing)	32,084	33,750	20,501	12,126	11,576
Medium to long term: lines of credit (existing)	23,452	24,300	15,377	13,756	8,370
Medium to long term: derivatives	34	(480)	159	135	111
Medium to long term: New debt	-	-	19,010	29,283	34,488
Total Liabilities	**57,117**	**59,877**	**57,517**	**57,923**	**57,311**
Equity					
Share capital	200	200	200	200	200
Retained earnings	28,882	33,083	35,713	38,773	41,871
Other reserves	13,829	13,873	13,873	13,873	13,873
Total Equity	**42,911**	**47,156**	**49,786**	**52,846**	**55,943**
Total equity & liabilities	**100,028**	**107,033**	**107,303**	**110,769**	**113,254**
Debt : Equity Ratio	131%	123.2%	111.8%	105.9%	98.8%
Debt : Equity Ratio (incl R20bn callable capital)	89%	86%	80%	77%	73%

THREE YEAR FINANCIAL PLAN

INCOME STATEMENT	FY Mar 2022	March 2023 Forecast	3 Year Forecast		
	Actuals R'mil	2022/23 R'mil	FY 2023/24 R'mil	FY 2024/25 R'mil	FY 2025/26 R'mil
Total Interest Income	8,978	10,405	10,618	11,222	11,799
Interest expense (post hedging)	(3,186)	(4,096)	(4,377)	(4,495)	(4,648)
Net interest income	5,793	6,309	6,241	6,727	7,152
Net fee income	116	66	53	58	64
IDD Management fees and other income recovery	164	225	259	285	328
Dividend income	11	16	18	18	18
Project preparation income	20	38	60	61	64
Green Fund deferred income recognised	2	2	30	32	33
Other operating income	6	13	-	-	-
Operating income	6,112	6,668	6,661	7,181	7,658
Impairments	(1,005)	(1,401)	(1,512)	(1,612)	(1,712)
Revaluation on equity investments	(43)	(118)	(159)	(47)	(247)
Operating expense	(1,217)	(1,355)	(1,567)	(1,668)	(1,775)
- Personnel expenses : DBSA	(723)	(757)	(877)	(934)	(995)
- Other expenses : DBSA	(267)	(339)	(401)	(419)	(438)
- Depreciation : DBSA	(36)	(33)	(42)	(43)	(43)
- Personnel expenses : IDD	(145)	(165)	(186)	(208)	(229)
- Other expenses : IDD	(46)	(59)	(60)	(63)	(70)
- Depreciation : IDD	(1)	(1)	(1)	(1)	(1)
- Personnel expenses : Green Fund	-	-	-	-	-
- Other expenses : Green Fund	-	-	-	-	-
- Depreciation : Green Fund	-	-	-	-	-
Development expenditure					
Project Preparation	(48)	(24)	(30)	(32)	(32)
Corporate Social Investment	(27)	(31)	(30)	(35)	(35)
Municipal interest subsidy	-	(3)	(69)	(72)	(75)
Municipal planning and capacity support	(72)	(96)	(164)	(165)	(172)
Stakeholder Relation Costs	(0)	(35)	(17)	(18)	(19)
Strategic initiatives (IF, DLABS)	(90)	(260)	(242)	(224)	(236)
Green Fund Grants	-	-	(20)	(15)	(10)
Sustainable earnings	3,610	3,347	2,851	3,293	3,346
Forex adjustments	156	673	(152)	(162)	(174)
Revaluation gains / (losses) on other financial instruments	59	40	(69)	(71)	(75)
Net profit	3,825	4,060	2,630	3,060	3,097
RoE (on average equity) - Sustainable earnings	8.80%	7.43%	5.88%	6.42%	6.15%
Net interest margin *	6.19%	6.5%	6.1%	6.4%	6.6%
Cost to income (DBSA)	23.80%	27.0%	32.1%	31.0%	30.7%
Cost to Income ratio IDD	117.09%	100.4%	95.1%	95.6%	91.5%
Cost to Income ratio excl IDD	21.23%	24.5%	29.6%	28.4%	28.0%

THREE YEAR FINANCIAL PLAN					
CASH FLOW STATEMENT	Actual FY 2021/22 R'mil	Forecast FY 2022/23 R'mil	3 Year Financial Plan FY 2023/24 R'mil	FY 2024/25 R'mil	FY 2025/26 R'mil
Net profit:	**3,825**	**4,060**	**2,630**	**3,060**	**3,097**
Adjustments:	**(4,293)**	**(5,051)**	**(4,082)**	**(4,588)**	**(4,693)**
- Depreciation	37	34	43	44	44
- TA Grants	148	188	309	292	300
- Dividends	(11)	(16)	(18)	(18)	(18)
- Losses on asset disposals	0	(0)	-	-	-
- Fee accruals	101	133	-	-	-
- Equity gains	46	(42)	159	47	247
- Revaluation gains/(losses)	331	234	-	-	-
- Forex (gains) / losses on equity investments	(156)	(673)	372	148	173
- Forex (gains) / losses on USD assets	-	-	2,190	(252)	(131)
- Forex (gains) / losses on USD funding	-	-	(2,410)	265	132
- Impairments	1,005	1,401	1,512	1,612	1,712
- Net interest income	(5,793)	(6,309)	(6,241)	(6,727)	(7,152)
Subtotal	**(467)**	**(990)**	**(1,452)**	**(1,528)**	**(1,596)**
Change in other assets	8	1	(21)	(22)	(23)
Change in other liabilities	9	(9)	163	153	143
Interest & dividends received	7,664	9,329	10,636	11,240	11,817
Interest paid	(2,750)	(3,008)	(4,377)	(4,495)	(4,648)
Net cash from operating activities	**4,463**	**5,323**	**4,948**	**5,347**	**5,694**
Cash flows from development activities	**(1,744)**	**(3,459)**	**(6,602)**	**(5,017)**	**(4,465)**
Development loan disbursements	(12,920)	(11,769)	(14,000)	(14,500)	(15,030)
Development loan repayments	11,308	8,236	6,713	8,880	10,139
Net increase in equity investments	(69)	341	994	895	725
Grants paid	(76)	(135)	(309)	(292)	(300)
Net advances on National Mandates	12	(132)	-	-	-
Cash flows from investment activities	**(22)**	**(2)**	**(133)**	**(183)**	**(234)**
Purchase of PPE & intangible assets	(60)	(83)	(150)	(200)	(250)
Proceeds from PPE	-	-	-	-	-
Movement in FMA	39	81	18	17	16
Cash flows from financing activities	**(3,585)**	**(2,084)**	**(112)**	**(12)**	**(887)**
Capital raised	-	-	-	-	-
Financial market liabilities repaid	(13,338)	(4,180)	(8,961)	(12,556)	(10,047)
Financial market liabilities raised	9,753	2,095	8,848	12,544	9,160
Net increase / (decrease) in cash & cash equivalents	(888)	(222)	(1,899)	135	108
Effect of exchange rate movements on cash balances	(101)	232	-	-	-
Movement in cash & cash equivalents	**(989)**	**9**	**(1,899)**	**135**	**108**
Cash & cash equivalents beginning of the year	**8,979**	**7,990**	**7,999**	**6,100**	**6,235**
Cash & cash equivalents end of the year	**7,990**	**7,999**	**6,100**	**6,235**	**6,343**

Dividend policy

The DBSA and National Treasury (the shareholder) have been engaged in a process that will crystallise an appropriate dividend policy for the DBSA. The purpose of the dividend policy will be to set out guidelines for the DBSA to follow when allocating a portion of its earnings towards key developmental projects identified by the shareholder. The DBSA will consider the following in making the appropriate allocation:

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

The initial proposal was that the DBSA will allocate an amount equivalent to 3% of sustainable earnings, with reference to the most recent audited annual financial statements. Further engagements on refining the dividend policy will be planned for final approval at the Annual General Meeting in 2023.

Procurement Policy

In line with the requirements of the Public Finance Management Act (1999), the Bank has developed and implemented procurement policies and procedures that also address the BEE requirements set out in government policy and relevant legislation. The DBSA also strives to promote Exempt Micro Enterprises and Qualifying Small Enterprises through its preferential procurement practices. The Bank will continue to monitor developments pertaining to amendments to the Preferential Procurement Policy Framework Act and incorporate these into its policies, to the extent required.

Materiality and Significance framework

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

Materiality	Proposed Framework	Resulting figures for 2023/24
Materiality Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements, financial information and non-financial information. Materiality depends on the size and nature of the omission or misstatement.	Quantitative: 1% of Total Assets Qualitative: All losses as a result of Criminal conduct, irregular and fruitless and wasteful expenditure are material. The DBSA has zero tolerance on all acts of criminal conduct.	R 1 billion
Significant		
Section 54(2) of the PFMA states that the accounting authority for a public entity must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of any of the following qualifying transactions:		
(a) Establishment or participation in the establishment of a company.	All transactions	-
(b) Participation in a **significant** partnership, trust, unincorporated joint venture or similar arrangement.	1% of the value of total assets	R 1 billion
(c) Acquisition or disposal of a **significant** shareholding in a company.	1% of the value of total assets This excludes transactions in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes	R 1 billion

Materiality	Proposed Framework	Resulting figures for 2023/24
	transactions within the powers and objects of the Bank as stipulated in the DBSA Act.	
(d) Acquisition or disposal of a **significant** asset	1% of the value of total assets. Significant acquisition and disposal of assets excludes all assets acquired or disposed in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within the powers and objects of the Bank as stipulated in the DBSA Act. Exclusion examples include equity investments, financial instruments, development loans.	R 1 billion
(e) Commencement or cessation of a **significant** business activity.	1% of the value of total assets	R 1 billion
(f) Change in the nature or extent of its interest in a **significant** partnership, trust, unincorporated joint venture, or similar arrangement.	1% of the value of total assets	R 1 billion
(g) Regardless of the above significant threshold, the following transactions are also considered significant; Any transaction that: 2. Results in the DBSA acquiring or disposing of a shareholding of at least 20% in any entity or structure; 3. Regardless of the percentage holding, any transaction that results in a direct equity investment exceeding 1% of total assets (as per the 2021/22 financial year) of the Bank. 4. Results in the DBSA being deemed to have control over any entity regardless of the shareholding acquired.	All transactions 1% of total assets All transactions	R 1 billion

9.3. ANNEXURE C: CORPORATE GOVERNANCE FRAMEWORK

Governance Structure

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

The DBSA has embraced King IV Code on Corporate Governance and has completed an assessment of its practices against the 16 applicable principles. The Application of King IV Principles 2021 included in the 2023 DBSA Annual integrated report provides details of the measures that were taken to meet the prescribed governance outcomes.

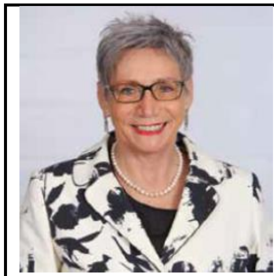
DBSA Board

The constitution and business of the Board of directors is governed by the DBSA Act and its regulations, as well as the relevant provisions in the PFMA and the Companies Act. The Board currently consists of 13 directors, 11 of whom are independent non-executives, and 2 are executive directors. The Chief Executive and the Chief Financial Officer are the only executive directors. The Board charter does not distinguish fiduciary responsibilities of shareholder representatives from that of independent non-executive directors. The Board is the focal point of corporate governance in the DBSA as it is ultimately accountable and responsible for the performance, affairs, and behaviour of the Bank.

Board of Directors

			
Prof Mark Swilling (62) Chairman: DBSA Co-Director, Centre for Complex Systems in Transition, Stellenbosch University	**Mr. Patrick Dlamini (52)** Chief Executive and Managing Director	**Ms. Boitumelo Mosako (44)** Chief Financial Officer	**Ms. Patience Nosipho Nqeto (64)** Director of companies
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 6 August 2021	DBSA staff member and CEO effective 1 September 2012	DBSA staff member and Group Executive effective: 1 April 2018 Executive Director as from 1 June 2018	Independent Non-executive Director effective: 1 August 2017
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	**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	**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	**Academic qualifications:** • MBA, University of Charles Sturt, Australia • Honours (Economics), University of South Africa • BCom, University of Transkei

Board of Directors (continued)

			
Ms. Martie Janse van Rensburg (65) Director of companies	**Ms. Anuradha Sing (51)** Executive: Strategic Business Operations MTN Group	**Dr. Blessing Mudavanhu (51)** Founder and President of Dura Capital Ltd	**Mr Bongani Nqwababa (56)** Director of Companies
Independent Non-executive Director effective: 1 January 2016	Independent Non-executive Director effective: 1 August 2014.	Independent Non-executive Director effective: 1 August 2017	DBSA Non-executive Director as from 2 October 2020
Expertise: Finance, treasury, project finance, infrastructure delivery and strategy	Expertise: Finance, business investment and strategy	Expertise: Banking, director risk management, business management and development finance	Expertise: Financial management, risk management operations and strategic leadership
Academic qualifications: • Executive Programme in Strategy and Organisation, Stanford University Business • Chartered Accountant (SA) • BCompt Hons, UNISA • BCom, UFS	**Academic qualifications:** • Advanced Management Programme, Insead • MBA, Wits Business • BSc Eng. (Mechanical) University of Natal (Durban)	**Academic qualifications:** • Ph.D. Mathematics, University of Washington, USA • M.S. Financial Engineering, University of California at Berkeley, USA • M.S. Applied Mathematics, University of Washington, USA • B.S. Honours Mathematics, University of Zimbabwe	**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

Board of Directors (continued)

	
Dr Gaby Magomola (78) Deputy Chairman: DBSA Director of Companies	**Mr Petrus Matji (56)** Managing Director of Lion Infrastructure Africa
DBSA Non-executive Director as from 2 October 2020	DBSA Non-executive Director as from 2 October 2020
Expertise: Credit risk, project finance and strategic leadership	**Expertise:** Project management, project finance, infrastructure delivery and management.
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	**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

		
Ms Dinao Lerutla (42)	Mr Ebrahim Rasool (60)	Mr Kenneth Brown. (60)
DBSA Non-executive Director as of 30 November 2022	DBSA Non-executive Director as of 30 November 2022	DBSA Non-executive Director as of 30 November 2022
	Expertise Socio-Economic Development- (Social) and Strategic Ledership	Investment Banking and Public Sector (Intergovernmental and Procurement
Academic Qualifications • Chartered Financial Analyst (CFA) • Master's in Development Finance - Stellenbosch Business School • Bachelor of Business Science (Honours)	**Academic Qualifications** • Doctorate of Public Service, Honoris Causa from Chatham University in Pittsburgh, PA. • Honorary Doctorate of Humane Letters, Honoris Causa- Roosevelt University in Chicago, USA • Bachelor of Arts and a Higher Diploma in Education- University of Cape Town	**Academic Qualifications** • Master of Science (Public Policy)-University of Illinois at Urbana Champaign • Bachelor of Arts Honours (Economics)-University of the Western Cape • Bachelor of Arts- University of the Western Cape Primary Teachers Diploma- Perseverance Training College

Directors' appointment and induction

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

Board Charter

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

- Ensure that the Bank achieves its mandate as defined by the shareholder through the Bank's founding statute (the DBSA Act);
- Responsible to the broader stakeholders, which includes the present and potential beneficiaries of the DBSA's products and services, clients, lenders and employees, to achieve continuing prosperity for the Bank;
- Exercise leadership, enterprise, integrity and judgement in directing the Board to achieve continuing prosperity and to act in the best interests of the Bank while respecting the principles of transparency and accountability;
- Provide strategic guidance to management in the formulation and review of corporate strategy, and approve major plans of action, governance policies, appropriate procurement and provisioning systems, annual budgets and business plans;

- Ensure that the technology and systems used in the Bank are adequate to run the business properly for it to compete through the efficient use of its assets, processes and human resources;
- Ensure that the shareholder's performance objectives are achieved and that the same can be measured in terms of performance of the Board. In this regard, the Board shall annually conclude a shareholder compact as required in terms of the Public Finance Management Act (PFMA) to document key performance areas;
- The Board members shall develop and put in place a Code of Ethics outlining the values, ethics, and beliefs that guide the behaviour of the Board and define the ethical standards applicable to it and to all who deal with it;
- Board members shall monitor the social responsibilities of the Bank and promulgate policies consistent with the Bank's legitimate interests and good business practices.

Board Committees

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

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

- **Audit and Risk Committee (ARC)**

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

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

- **Board Credit and Investment Committee (BCIC)**

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

South Africa	MS1 – MS10	MS11 – MS13	>MS13
Public Sector	R1 000 million	R500 million	BCIC
Private Sector	R500 million	R250 million	BCIC
State Supported Programmes			BCIC

Rest of Africa	MS1 – MS10	MS11 – MS13	>MS13
Low and medium risk countries	R1 000 million	R300 million	BCIC
High risk countries	BCIC	BCIC	BCIC

*Link to country rating

Project Preparation	IC	BCIC
South Africa and Common Monetary Area	<R30 million	>R30 million
International (Outside Common Monetary Area)	BCIC	BCIC

- **Human Resources and Remuneration Committee (HRC)**

This committee supports the Board in the execution of its duties with respect to 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. The Board established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters.

- **Nominations Committee (NOMCO)**

The Board has established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters. This responsibility was previously delegated to the Human Resources, Remuneration and Nomination Committee of the Board. The NOMCO has adopted appropriate formal terms of reference as its NOMCO Charter and has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

- **Infrastructure Delivery and Knowledge Committee (IDKC)**

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

- **Social and Ethics Committee (SEC)**

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

Composition of DBSA Board and Board Committees

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

DBSA Board	Audit and Risk Committee	Board Credit and Investment Committee	Infrastructure Delivery and Knowledge Committee	Human Resources and Remuneration Committee	Social and Ethics Committee	Nominations Committee
Prof Mark Swilling		X	X	X	Chair	Chair
Mr. Patrick Dlamini (CEO)		X			X	
Ms. Martie Janse van Rensburg	Chair	X	X			
Mr. Bongani Nqwababa	X	X		X		
Mr. Petrus Matji		X	Chair	X		
Ms. Patience Nqeto			X	Chair	X	X
Mr. Gaby Magomola		X	X			X
Dr. Blessing Mudavanhu	X	X				
Ms. Anu Sing	X	Chair		X		
Ms. Boitumelo Mosako (CFO)		X				
Ms Dinao Lerutla	X	X				
Mr Ebrahim Rasool		X	X		X	
Mr Kenneth Brown.			X	X	X	

Corporate Secretariat

The Bank through its corporate secretariat function facilitates the development and execution of the annual Board programme through the coordination of meetings of the Board and its sub-committees. The Corporate Secretariat Unit also serves as the critical linkage between the DBSA and the shareholder.

Internal control and the Internal Audit function

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

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

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

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

Combined assurance

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

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

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

Ethics management and fraud prevention

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

Executive Management

In addition to the two executive directors, the DBSA executive management team is comprised of the following members:

			
Mr. Ernest Dietrich (59)	**Ms. Bathobile Sowazi (50)**	**Ms. Catherine Koffman (50)**	**Mr. Michael Hillary (52)**
Group Executive: Treasury DBSA staff member as from: 2 January 2001 Group Executive as from: 1 January 2016 **Academic qualifications** • CFA Charter • MBA, University of Cape Town • MSc (Mathematics), University of Western Cape • HDE, University of Western Cape	**Company Secretary** DBSA Company Secretary 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	**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	**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

Executive Management (continued)

		
Mr. Mohan Vivekanandan (49)	**MR. Chuene Ramphele (48)**	**Ms Sheila Motsepe (53)**
Group Executive: 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	**Group Executive: Infrastructure Delivery** DBSA Staff Member as from: 1 June 2010 Group Executive as from: 1 November 2018 **Academic qualifications** • MBL, UNISA Graduate School of Business Leadership • Advanced Management Development Programme, University of Pretoria • Baccalaureus Technologiae: Public Management, UNISA • National Diploma: Public Management and Administration, Technikon Northern Transvaal	**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

Executive Management (continued)

	
Ms. Zodwa Mbele (51)	**Mr. Mpho Kubelo (45)**
Group Executive: **Transacting** DBSA Staff member as of 10 October 2016 and Group Executive as from 1 October 2017 **Academic qualification** • Advanced Management Programme, Harvard Business School • Executive Development Programme, University of Stellenbosch Business School • Management Advanced Programme, WITS Business School • Certificate in International Treasury Management ACT (UK) • Chartered Accountant (SA) • Bachelor of Accounting Science Honours Unisa • Baccalaureus Paedonomia University of Zululalnd	**Group Chief Risk Officer** DBSA Staff member as from 1 November 2007 Group Executive as from 6 October 2017 **Academic qualifications** • MS Risk Management, Stern Business School (New York University) • Executive Development Programme, GIBS • MBA, University of Witwatersrand: Business School • CFA Charter • Post Graduate Diploma in Business Administration, University of KwaZulu Natal • BSC Electrical Engineering, University of Witwatersrand

9.4. ANNEXURE D: EMPLOYMENT EQUITY PLAN

In support of the overall DBSA Vision, the Employment Equity (EE) vision is to build a transformed and high performing workforce that is representative of the demographics of the country. The three-year EE Plan was developed, and implementation came into effect 1 April 2021 to enhance the achievement of the EE vision.

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

In establishing the numerical goals for the DBSA for the period 2023 - 2025, the key challenges, lessons learnt, potential growth rate of the DBSA, benchmarks and the B-BBEE scorecard were taken into consideration in setting the targets for 2023/24 – 2025/26. The key focus is to ensure consistent improvement in shifting DBSA towards a demographically representative workforce, in line with South Africa's economically active population profile.

Occupational Level	EE TARGET (BLACK)	BLACK				EE TARGET BLACK FEMALE	BLACK FEMALE			
		BASE	FY 2023	FY 2024	FY 2025		BASE	FY 2022	FY 2023	FY 2024
Top Management	70%	70%	70%	70%	70%	50%	30%	30%	40%	50%
Senior Management	68%	65%	67%	67%	68%	37%	24%	30%	35%	37%
Professionally Qualified	72%	72%	72%	72%	72%	36%	35%	35%	36%	36%
Skilled Tech	84%	85%	85%	85%	84%	59%	61%	60%	59%	59%
Semi-Skilled	N/A	98%	98%	98%	98%	N/A	45%	45%	45%	45%
Unskilled and defined decision making		100%	100%	100%	100%		81%	81%	81%	81%
TOTAL		82%	82%	82%	82%		46%	47%	49%	51%

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

The Bank will henceforth focus on increasing its female representation at the top three levels to 50% over the next three 3 years, which would translate to an increase of 20% at the Top Management, 15% at Senior Management and 5% at Professionally Qualified Middle Management. The above will be achieved through opportunities such as vacancies and retirements (for appointment and promotion), supported by definitive talent development programmes.

The Bank will also focus its efforts anew on People with Disabilities as well as opportunities for permanent employment. The Employment Equity and Skills Development Committee identified Barriers and Affirmative Action (AA) measures through a consultation process with Bank employees. The key focus for the committee was to ensure that these barriers are addressed, and AA measures are implemented. To realize this, the committee has developed an action plan to address the barriers identified and meet on a quarterly basis to track progress. The first key focus area for the second year of the EE Plan will be to ensure that the numerical targets are adhered to in recruitment and other talent management processes. The second key focus area is the monitoring and tracking of the implementation of the AA measures to address the barriers.

9.5. ANNEXURE E: FRAUD PREVENTION PLAN[2]

Introduction and definitions

Prevention and detection of any financial crime, fraud and corruption in particular, is about understanding risks, both internal and external, as well as recognising that the environment created by an organisation is the most significant factor in determining how much of a target the organisation will be viewed as by any criminal.

Given the requirement for an organisation to protect its assets and to prevent fruitless, wasteful and irregular expenditure, there is a requirement for an Executive Management team to ensure that internal controls are adequate and operating effectively.

In this Fraud and Corruption Prevention Plan, and where the context lends itself thereto, the term "fraud" relates to include all Financial Crime typologies, which includes fraud, theft, corruption, forgery, uttering, cybercrime and any other irregular behaviours involving dishonesty and deception.

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

The DBSA is committed to establishing and applying appropriate standards of regularity and propriety, including applying appropriate cultures and behaviors. DBSA will not condone any form of fraud, corruption or other financial crime. The DBSA guards against the perception of impropriety as well as the reality thereof.

There are essentially four pillars to a world-class fraud and corruption prevention plan:

- Creation of a zero-tolerant environment;
- Understand and manage the risks;
- Be proactive in defence; and

[2] This is a summarised version of the Fraud Prevention Plan. The detailed plan to be submitted separately.

- React swiftly and efficiently to the appearance or allegations of crime and irregularities.

These pillars provide the framework of the DBSA Fraud and Corruption Prevention Plan (“the Plan”).

Any reference to the term “employee” should be read as to include all permanent, temporary and contract staff, DBSA Directors, DBSA Board Members (Non-Executive Directors), independent contractors, fixed term consultants, contracted service providers and contracted sub-contractors, all of whom are to comply with the DBSA Fraud and Corruption Policy and its underlying plans and directives.

Any reference to the term “client” should be read to include all recipients of funding from the DBSA, in whatever form. Any bidder for tenders issued by the DBSA or awardees of tenders issued by the DBSA is expected to comply with both the word and spirit of the DBSA Fraud and Corruption Prevention Policy.

This Plan gives effect to the preceding and overarching DBSA Fraud and Corruption Prevention Policy. This Plan operates within the confines of the Internal Audit Forensics Terms of Reference and works in conjunction with other DBSA Policies; more specifically, but not limited to, the DBSA Recruitment Policy, the DBSA Disciplinary Code, the DBSA Code of Ethics, the DBSA Gifts and Hospitality Policy, the DBSA Conflicts of Interest Policy and the DBSA Whistleblowing Policy.

Purpose and scope

The DBSA has no reason to believe that fraud and corruption is currently a serious problem but is vigilant about the risk of fraud and corruption and have appropriate policies and plans in place. The purpose of the Fraud and Corruption Prevention Plan is to ensure that all employees are aware of their responsibilities to counter fraud and corruption. Within this context employees have a critical role in assisting the DBSA to combat the risk of fraud and corruption.

Establishing a Zero Tolerance Environment

Zero-tolerance is a fundamental aspect of the plan and will be cemented into place through appropriate policy, procedures and management support. This is inclusive of the proverbial “Tone at the Top” – which includes regular communication from the DBSA Executive and Management confirming the Zero Tolerance stance.

Such Executive and Management Level communication of the Zero Tolerance stance will take place on a regular basis, not only during internal meetings with employees, but during external meetings as well, such as those with suppliers, clients and business partners.

This Fraud and Corruption Prevention Plan, reflects the DBSA’s zero tolerance for fraud, corruption, financial mismanagement and other forms of financial crime in its operations, including malpractice by employees, consultants, contractors, clients and bidders. This stance will be communicated to relevant stakeholders.

Any breach of the DBSA Fraud and Corruption Plan can result in disciplinary measures being taken against employees in conjunction with the DBSA Disciplinary Code and accompanying procedures, including termination of employment and civil litigation and/or criminal case reporting to the SAPS being undertaken.

Insofar as suppliers, clients, bidders or other business partners, any action on their part that can be considered a breach of the DBSA Fraud and Corruption Prevention Plan may result in, amongst other responses, the withdrawal of business from the supplier, client or business partner and reporting of criminal cases to the SAPS.

Saying that the DBSA has adopted a policy of ‘Zero Tolerance’ towards Fraud and Corruption means that all instances of known or suspected Fraud, Corruption and any other Financial Crime will be investigated, disciplinary processes followed as contained in the DBSA Disciplinary Code and Procedures, and if required, criminal charges initiated where appropriate, or as required by law.

Fraud Reporting Mechanisms

Any employee who suspects or becomes aware of any fraud, corruption or other incident of dishonest irregular behaviour is obliged to report his/her suspicions. The reporting process and hierarchy as detailed in the DBSA Whistleblowing Policy should be followed. In summary, the first level of reporting is an employee’s line manager. If for some reason the employee believes that reporting the allegation or incident to the line manager would result in it not being properly dealt with or compromise the investigation, the next level of reporting would be the employee’s Group Executive (and higher if the employee has similar concerns in respect of their Group Executive). The DBSA Whistleblowing Policy details the escalation policy for reporting of incidents and allegations.

Employees can also report matters anonymously through the DBSA Tip Off's Anonymous hotline (Administered independently by "Whistleblowers"), on 0800 20 49 33 or dbsa@whistleblowing.co.za). An escalation protocol, as in the DBSA Whistleblowing policy, is also applicable to the hotline.

Employees are encouraged not to discuss the information pertaining to the allegations with colleagues as this might prejudice the success of any investigation. And they should not approach or confront the suspected individual/s and should also not endeavour to locate or remove records and documents relevant to the suspicion.

All reports should be made in good faith. False and/or malicious allegations made by employees will not be tolerated and appropriate action shall be taken against employees in such cases. Reporting and actions taken should be in line with the relevant prescripts of the Protected Disclosures Act and Companies Act, as amended.

If a supplier, client, bidder or other external third-party suspects fraud, corruption or other financial crime, they are encouraged to report such suspicions through the Tip Off's Anonymous Hotline – 0800 20 49 33 or dbsa@whistleblowing.co.za.

Tip Off's Anonymous Hotline

The fraud Hotline is in place at the DBSA in order to facilitate the anonymous reporting of potential incidents of fraud, corruption and related incidents of dishonest irregular behaviour. The existence of this facility, provided and managed through an independent external service provider "Whistleblowers", is regularly communicated to employees.

The Hotline contact number and email address are visible via posters throughout the DBSA building as well as on promotional items and the DBSA Intranet and Internet pages - (0800 20 49 33 and dbsa@whistleblowing.co.za").

Regular initiatives will be embarked upon to ensure third party suppliers, clients, bidders and recipients of DBSA funding in any form, are aware of DBSA's zero tolerance to fraud and corruption and that any suspicions can be reported to the DBSA

Tip Off's Anonymous hotline; this will include the advertising of the facility in DBSA contracts, tender documents, invoices and agreements, as well as on the DBSA internet site.

The DBSA shall actively promote the DBSA Fraud and Corruption Prevention Plan and involve all stakeholders (internal and external). We will continue this publicity in various forms, periodically, including giving exposure to:

- The DBSA Fraud and Corruption Policy;
- The DBSA Fraud and Corruption Prevention Plan and its initiatives;
- Disciplinary Actions and Prosecutions instituted and their outcomes post finalisation and within the prescripts of relevant legislation; and
- Recoveries of losses from acts of Fraud and Corruption.

The DBSA will assess the degree of publication required (internal and/or external) on a case-by-case basis, taking cognisance of confidentiality and privacy issues, inclusive of POPIA and GDPR where appropriate.

A summarised version of the DBSA Fraud and Corruption Prevention Plan, including the Internal Audit Forensic Investigations Terms of Reference, specifically excluding any sensitive information that may hamper fraud and corruption detection, prevention and investigation activities, will be made publicly available on the DBSA Website (www.dbsa.org).

In addition to making the DBSA Fraud and Corruption Prevention Plan publicly available, DBSA Internal Audit, in conjunction with DBSA Corporate Communications, will from time to time publish fraud and corruption related scam alerts on the DBSA Website.

The Bank will internally publicise the significance of adherence to the DBSA Code of Ethics Policy, the DBSA Conflicts of Interest Policy and the DBSA Whistleblowing Policy and communicate this to all employees.

The Bank will conduct familiarisation workshops/training on the DBSA Code of Ethics, Conflict of Interest and Whistleblowing Policies, as coordinated by the Ethics Officer and DBSA Corporate Secretariat.

The Bank will, on a regular basis, review the efficiency of the current whistle-blowing hotline and campaign to encourage use thereof. This includes highlighting the fact that it vigorously safeguards the identity of whistle blowers, encouraging employees and other stakeholders to report Fraud and Corruption without the fear of reprisal or victimisation.

Effective and efficient Fraud Risk Management starts with employees. For this reason, all personnel will receive ongoing formal awareness training in, amongst other fraud related topics, the following:

- The legal aspects of various Financial Crimes, focusing on Fraud and Corruption;
- Conflicts of Interest as the "Gateway" to Corruption;
- The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 ("PRECCA");
- "Lessons Learnt" through previous forensic investigations and audit reviews;
- Fraud risk indicators and "red flags";
- The DBSA Fraud and Corruption Prevention Plan and Response Plan;
- The DBSA Whistleblowing Policy;
- The DBSA Code of Ethics;
- The DBSA Gifts and Hospitality Policy;
- The DBSA Conflict of Interest Policy;
- The DBSA Fruitless, Wasteful and Irregular Expenditure Policy;
- Relevant Sections of the PFMA; and
- The Protected Disclosures Amendment Act, Act 5 of 2017 ("the PDA").

All new appointees will be made aware of the Bank's Fraud and Corruption Prevention Policy, Plan and Response Plan as part of their induction course.

Financial Crime Typologies

- **Corruption**

It is important to note that Corruption is termed Bribery in other jurisdictions, including those in which the DBSA has formed contractual relationships. Snyman (Snyman Criminal Law 2014 (403)) defines corruption simply as **accepting** any gratification from anybody else or **giving** any gratification to anybody else in order to influence the receiver to conduct themselves in in a way which amounts to an unlawful exercise of any duties, commits corruption.

From a legislative perspective, the general offence of corruption, as reflected in the Prevention and Combating of Corrupt Activities Act ("PRECCA") (Act 12 of 2004), is similarly defined as:

Any person who. directly or indirectly –

- accepts or agrees or offers to accept any' gratification from any other person, whether for the benefit of himself or her\elf or for the benefit of another person, or
- gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person in order to act. personally, or by influencing another person so to act, in a manner that amounts to:
- the illegal, dishonest, unauthorized, incomplete, or biased, or
- misuse or selling of information or material acquired in the course of exercise, carrying out or performance of any powers, duties or function arising out of a constitutional, statutory, contractual or any other legal obligation that amounts to:
    - the abuse of a position of authority
    - a breach of trust, or
    - the violation of a legal duty or a set of rules
    - designed to achieve an unjustified result, or
    - that amounts to any other unauthorized or improper inducement to do or not to do anything.

Is guilty of the offence of corruption.

The definition reflected above covers the general definition of the crime of corruption and is not exhaustive in terms of actual corruption related crimes created through PRECCA; therefore, PRECCA should be consulted for a full listing.

It is however prudent to highlight **Section 34 of PRECCA**, which creates the following reporting obligation:

*Any person who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed one of the offences below, involving an amount of **R100 000** or more, must report such knowledge or suspicion to any police official, failing which he or she commits an offence carrying a maximum sentence of 10 years imprisonment.*

Any of the corruption offences (including attempt, conspiracy etc.); or the offence of theft, fraud, extortion, forgery or uttering a forged document.

There is therefore an obligation on the DBSA to report any such matter as reflected above (given reasonable knowledge or reasonable suspicion).

- **Theft**

According to Snyman (Snyman Criminal Law 2005), theft is the unlawful appropriation of movable corporeal property which belongs to and is in the possession of another, provided that the intention to appropriate the property includes an intention to permanently deprive the person entitled to the possession of the property.

- **Fraud**

Fraud is the unlawful and intentional making of a misrepresentation which causes actual or potential prejudice to another. Fraud can be committed through an act, or an omission (failing to act).

- **Cybercrimes**

Cybercrime is criminal activity that either targets or uses a computer, a computer network or a networked device. In a South African context, the Cybercrimes Bill was assented to and signed into law by the President on 1 June 2021.

The Cybercrimes Bill does not provide a singular definition for "cybercrime" but rather creates a number of offences which we can refer to collectively as "cybercrimes". Some examples of such offences are as follows:

  - Unlawful access – which includes the unlawful and intentional access to data, a computer program, a computer data storage medium or a computer system (commonly referred to as “hacking”);

- Unlawful interception of data – which includes the acquisition, viewing, capturing or copying of data of a non-public nature through the use of hardware or software tools;
- Unlawful acts in respect of software and hardware tools – being the unlawful and intentional use or possession of software and hardware tools that are used in the commission of cybercrimes (such as hacking and unlawful interception);
- Unlawful interference with data, computer programs, storage mediums and computer systems – being the unlawful and intentional interference with data, a computer program, a computer data storage medium or computer system; and
- Cyber fraud – being fraud committed by means of data or a computer program or through any interference with data, a computer program, a computer data storage medium or a computer system.

DBSA Response to Fraud and Corruption

The DBSA Fraud and Corruption Response Plan, which is an essential annexure to the Fraud and Corruption Prevention Plan, provides detailed guidance to the appropriate personnel once a crime has been uncovered, either upon receipt of a report on suspicions of fraudulent/corrupt activity or if there is an appearance/other red flag indicator of the commission of a crime or fraudulent/corrupt activity.

The Bank will ensure that it has the resources to investigate an actual or suspected crime, either through in-house forensic auditors or through the appointment of external forensic specialists, on an as required basis.

It should be specifically noted that DBSA makes use of data analytics tools, including the use of 3rd party databases in its fraud and corruption prevention and detection activities.

Understanding the Risks

The Bank has an enterprise-wide risk management process in place, encompassing, *inter alia*, a risk framework and a risk responsibility matrix. The risk framework does include certain key fraud risk indicators, more specifically linked to conduct risk.

In support of the enterprise-wide risk management framework as managed by the DBSA Risk Management Unit, as well as to direct Internal Audit fraud and corruption prevention efforts, Internal Audit will on an annual basis conduct a fraud and corruption risk assessment, supplemented during a 24 month cycle, with a fraud and corruption risk assessment performed by an external firm of forensic/legal experts that are adequately skilled and experience to perform such a risk assessment. The fraud and corruption risk assessment will identify the nature and extent of the risks to which the DBSA is exposed, including the DBSA's vulnerabilities to internal and external fraud and corruption.

Information obtained from both risk assessments as well as lessons learnt from various audits and investigations will be fed back into risk management models and processes, enabling enhanced control recommendations to management as well as identifying areas of risk that require further investigation.

Proactive Defence Through Due Diligence Activities

Being proactive is an essential principle in combating fraud and corruption. The procedures set out below assist the Bank in identifying areas of risk and prevention of incidents of Fraud and Corruption.

Data analytics exercises are periodically carried out across DBSA's data. The purpose of data analytics is to identify patterns of potentially fraudulent behaviour, internal control implementation weaknesses and possible conflict of interest situations.

The Bank also has a formal conflict of interest and declaration of interest policy which requires all employees to declare their external interests and potential conflicts of interests, at a minimum, annually. Given that conflicts of interest are often a precursor to incidences of Fraud and Corruption, this is a key policy tool. Declaration data is incorporated into data analytic processes.

The Bank ensures comprehensive background checking is carried out on prospective employees, including, at a minimum, verification of previous employment details, academic qualifications, identity confirmation, Politically Exposed Persons (PEP) Checks as well as criminal record and credit checks where appropriate and in accordance with the DBSA Recruitment Policy; with the Bank acting within relevant legal prescripts in this regard.

Internal Audit are superusers for the Lexis Nexis suite of Governance Products, including the ProcureCheck database, against which all prospective employees, consultants and suppliers are checked in order to identify potential conflicts of interest and other fraud and corruption related red flags. The DBSA Compliance Unit also performs PEP Checks. The results of such checks are shared with the SCM and Human Capital where appropriate and as required for internal policy and procedure purposes.

The Bank embraces a “KYC - know your client (and supplier)” culture, which minimises fraud in the lending and procurement environments and simultaneously makes the Bank’s zero tolerance culture towards fraud visible to service providers.

The DBSA performs due diligence reviews on clients it decides to enter into commercial relationships with in order to not only comply with KYC type legislation, but to ensure it only enters into business relationships with reputable third parties. Due diligence reports are compiled by a team of employees with relevant expertise and then presented, scrutinised and approved or rejected on a committee basis.

The Bank has a reporting database for the recording of all incidences and allegations of fraud, corruption and associated irregular conduct – whether losses occurred or not. At all times we consider the privacy and confidentiality of this information and access to the database is therefore on a limited and restricted basis. The database is also a tool which assists in identifying any Fraud and Corruption trends and assists in the formulation of lessons learnt activities.

Internal Control Policies, Systems and Procedures (Level 1 - 3) are actively monitored and in most instances reviewed by Internal Audit, reviewed/updated as required by the relevant Division/Department/Unit, and approved by DBSA EXCO. Furthermore, audits which test prevention measures are performed on a regular basis.

Where feasible, access to information and third-party audit clauses are included in legal agreements with clients having approved facilities. This best practice promotes transparency and accountability in all business activities, as well as access to information (audit, technical and financial) to ensure compliance with contractual, regulatory, legislative and policy obligations.

DBSA Employees are encouraged to speak out when they have concerns. The “Whistleblowers” fraud and corruption reporting hotline (0800 204 933) is in place and advertised widely to employees, suppliers and business partners. Regular “Tip Off’s

Anonymous" activities include the placement of topical articles in appropriate internal media as well as guest speakers where appropriate.

Regular fraud awareness campaigns amongst DBSA employees and stakeholders. The promotion of strong and ethical Corporate Culture through the various culture enhancement initiatives undertaken by Human Capital, encouraging employees to always act ethically, responsibly and in the best interests of the client and the DBSA.

The DBSA will ensure that all agreements and contracts (including General Conditions of Contract and Tender Conditions) entered into with clients, suppliers, bidders, tender awardees and recipients of DBSA funding in whatever form, shall include clauses giving effect to the following:

- That the entity the DBSA contracts with or with whom the DBSA has a formal signed agreement, shall adhere to the DBSA counter fraud and corruption policies and procedures in place and as amended from time to time, and;
- That provides the DBSA has access to bidder/contractor/supplier/client records relating to bids, contracts, projects, funding or awards from the DBSA, in the event that this is needed to support the investigation of complaints of fraud, corruption or related financial crimes.

During the normal course of its operational activities, the DBSA accesses funding for its activities from various external funders. It should be noted that information pertaining to any fraud, corruption or other financial crime investigation and the outcome thereof, that is linked to funding received from an external funding partner to the DBSA (including but not limited to, the Global Environmental Facility ("GEF") and the Green Climate Fund ("GCF")) will be shared with the relevant external funding partner.

DBSA Business Processes supporting the Prevention of Fraud and Corruption

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

- Strong and effective internal controls, including rigorous approval processes and the regular assessment of fraud and corruption risks, inclusive of appropriate remedial actions;

- Furthermore, the DBSA regularly assess all significant business processes for control and procedural weaknesses and implements remedies. Where absolutely necessary, the DBSA will consider implementing “forensic controls”, taking current legislation and regulations and policy into consideration;
- Strong culture of best practice Corporate Governance, driven by DBSA Corporate Secretariat, including visible Executive Management support for counter fraud and corruption initiatives;
- A strong Code of Ethics which is regularly communicated to all employees through the Ethics Officer and clearly stipulates the Bank’s stance on Corporate Values, Compliance Issues, Conflicts of Interest, Business Gifts, Use of Corporate Resources and the consequences of dishonest behaviour;
- The implementation of a register to advise of Business Partners, former Employees/Contractors or Service Providers/Vendors/sub-contractors who have been implicated in acts of fraud/corruption/other irregular dishonest conduct as well as the reporting of such individuals/entities to National Treasury for inclusion on the National Treasury restricted list of suppliers;
- The implementation of a cooling-off period clause through the DBSA Conflict of Interest Policy;
- Lessons Learnt processes, providing investment officers and other employees with best practice information from previous audits and investigations on how to avoid/mitigate areas of potential risk;
- The implementation of probity checks on suppliers/contractors/sub-contractors to be appointed by the DBSA in order to determine their bona fides and whether there are any conflicts of interests or other significant issues which may impact on their ability to deliver on contractual obligations:
- The application of compliance database tools in order to identify any politically exposed person (“PEP”), prominent influential persons (“PIP”) or sanctioned persons in accordance with relevant legislation, regulations and policy directives, which enable decision making committees to apply their minds during investment and other critical authorization processes;
- A strong, independent and effective Board Audit and Risk Committee that has been in existence for many years;
- Strong and independent internal audit, compliance and risk functions;

- Independent external auditors; and
- Ethical, equitable and thorough employment practices and policies.

Governance, Monitoring and Review

Cognizance is taken of Financial Crime risks, specifically Fraud and Corruption risks in all policy, systems and procedure implementations and changes, through reviews of internal controls in place to identify and manage fraud and corruption risk.

The DBSA undertakes to the monitoring and review the DBSA Fraud and Corruption Prevention Plan on an annual basis, to ensure compliance with legislative and regulatory changes in fraud and anti - corruption policies and procedures in order to identify any issues as they arise, and to make improvements where necessary. A full review will be done every three (3) years.

To this end the DBSA takes cognizance of the ISO 37001 standard in respect of Anti-Bribery Management Systems. The standard is designed to assist organizations in implementing and maintaining specific measures which assist them in preventing, detecting and addressing bribery across the organization and its business activities. The DBSA states its desire to commence a journey that will result in the implementation of the ISO 37001 standard. This will subsequently enable the use of external specialists/verification agencies to independently evaluate the effectiveness of the DBSA Fraud and Corruption Prevention Plan and Anti-Bribery/Corruption controls put in place at the DBSA.

The custodian of this policy is the Chief Internal Auditor, who is responsible for issuing, implementation, administration, revision, interpretation and application of this policy, which will be fully reviewed every three years and revised as required on an annual basis. This Fraud and Corruption Prevention Plan also forms an integral annexure to the annual Shareholder Compact.

Any alteration to this policy is subject to final approval by the DBSA Executive Committee and the DBSA Board Audit and Risk Committee.

Policy Enforcement and Sanctions

Failure by any DBSA employee to comply with this policy may result in disciplinary action being taken in terms of the DBSA Disciplinary Code. Without detracting from the general nature of this statement, misconduct involving dishonesty such as fraud, theft and corruption is a dismissible offence in terms of the DBSA Disciplinary Code.

9.6. ANNEXURE F: FUNDING PLAN AND BORROWING PROGRAMME

INTRODUCTION

The purpose of this annexure is to outline the Bank's borrowing programme for the 2023/24 financial year.

KEY POINTS ON THE DBSA FUNDING STRATEGY

The focus during 2023/24 financial year will continue to be on:

- The diversification of the Bank's funding sources to achieve an optimal funding mix at the lowest cost possible to promote long term financial sustainability.
- Restoring domestic market investor confidence in the face of the prolonged Landbank default which will be paramount both to normalising the Bank's funding operations and driving down borrowing costs to pre-pandemic levels.
- Issue a sustainable bond under the new Sustainable Finance Framework and to access the growing global impact investor universe.
- Continue to explore offshore bond markets for potential issuance when opportune.
- Optimising funding costs through balancing sources and tenors relative to the inherent refinancing risk.
- Maintaining prudential liquidity sufficient to withstand the potential impact of a prolonged liquidity squeeze.

FUNDING RAISED 1 APRIL 2022 – 31 December 2022

Net borrowings of R1.6 billion for the period are well within the Board approved limit for the current financial year. The bulk of the funding sourced was through bi-lateral facilities concluded with commercial banks and DFI's.

The Bank's policy is to manage minimum liquidity levels equivalent to 10% of outstanding liabilities, in addition to Basel III based liquidity risk parameters including 30-day Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Charts 1 and 2 below depict the Bank's funding by currency and source, respectively, as of 31 December 2022.

Chart 1: Funding Split by Currency - 31 Dec 2022

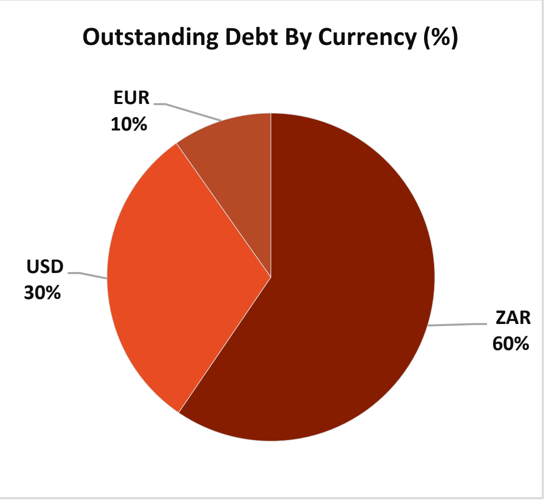
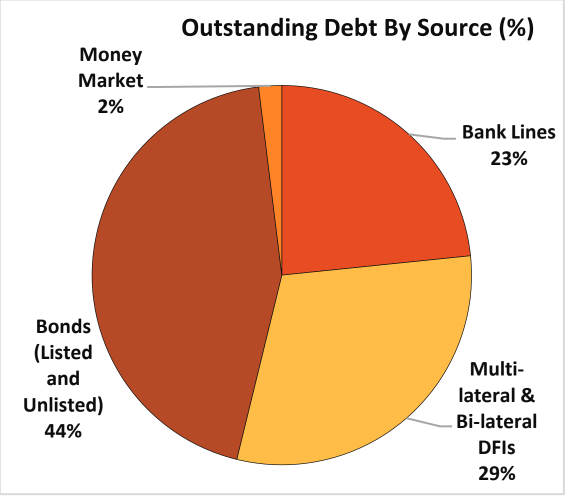


Chart 2: Funding Split by Source - 31 Dec 2022



BORROWING TERMS AND CONDITIONS

The Bank's domestic bonds / commercial paper are issued under the JSE listed Domestic Medium-Term Note (DMTN) Programme which captures the terms and conditions of the bond funding. The DMTN Programme has been updated to align it with the latest Debt Listing Rules.

Bilateral facilities both from DFIs and commercial banks and private Investors are executed under terms and conditions typical of international loan agreements with many of the Bank's lenders adopting or approximating the standards of the Loan Market Association (LMA). Green Bonds issued are governed by the Bank's Green Bond Framework which is premised on the Green Bond Principles of the International Capital Market Association (ICMA), the prevailing global market standard.

Conditions include, but are not limited to:

- The requirement that the SA government retains control and ownership of the Bank;
- Compliance with the Bank's leverage cap of 250%;
- Maintaining credit ratings at defined minimum levels; and
- Various information undertakings in terms of projects financed.

PROPOSED BORROWING PROGRAMME FOR THE 2023/24 – 2025/26 FINANCIAL YEARS

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

- Projected loan disbursements.
- Contractual loan interest and capital receipts (cash inflows).
- Contractual debt service and repayments (cash outflows).
- Operational expenses.
- The projected prudential liquidity level required.
- The projected exchange rates for USD / ZAR and EURO / ZAR.
- Buffer of 20% to cash shortfalls to cater for FX volatility and unplanned disbursement requests.

A request for an increase in the Approved Borrowing Limit, shall be made to Board, in the event that borrowing requirements exceed that provided for in the limit. The projected cashflow forecast and resultant borrowing requirements for the next three financial years is reflected in Table 1 below.

Table 1: Projected Borrowing Requirement for FY 2024 to 2026

	FY24 - Foreca				FY25- Forecast				FY26 - Forecast			
FX rates	**1.00**	**18.30**	**19.14**	**Total**	**1.00**	**18.26**	**19.65**	**Total**	**1.00**	**18.19**	**20.79**	**Total**
Cashflows	**ZAR**	**USD**	**EUR**	**ZAR**	**ZAR**	**USD**	**EUR**	**ZAR**	**ZAR**	**USD**	**EUR**	**ZAR**
Capital received	3,338	173	40	7,286	5,133	191	50	9,602	6,293	195	50	10,881
Interest received	8,545	94	21	10,684	9,072	97	18	11,203	9,637	98	14	11,707
Disbursements	9,000	190	80	14,000	9,300	196	82	14,500	9,630	188	94	15,000
Capital repaid	7,023	102	17	9,218	10,261	119	19	12,813	3,990	308	62	10,893
Interest paid	3,243	17	52	4,540	3,330	22	48	4,661	3,462	30	39	4,835
Other inflows	1,253	0	0	1,253	1,180	0		1,180	1,053	6		1,167
Other outflows	2,252	0	0	2,252	2,391	0		2,391	2,563	35		3,200
Total	**8,381**	**41**	**87**	**10,786**	**9,897**	**49**	**81**	**12,380**	**2,662**	**264**	**131**	**10,174**
Borrowing Limit Requirement	**10,080**	**49**	**104**	**12,979**	**10,000**	**59**	**97**	**12,979**	**2,700**	**316**	**157**	**11,714**
FX debt balance		**1,658**				**1,698**				**1,818**		
FX debt balance in ZAR		**30,355**				**30,999**				**33,067**		
Plus buffer (20%)		**36,426**				**37,199**				**39,680**		

FOREIGN CURRENCY BORROWING REQUIREMENT

Foreign currency borrowings stood at R24.9 billion as at 31 December 2022 against a foreign currency borrowing limit of R29.3 billion. The breakdown of the borrowings to date is disclosed in foreign currency and translated to ZAR in the table below.

All foreign currency borrowings are approved by the South African Reserve Bank (SARB) prior to loan drawdowns.

Table 2: Foreign Currency Borrowings - 31 December 2022

Counterpart	EUR	USD	All in ZAR
DFI	(208,805,737)	(79,166,667)	(5,218,396,748)
DFI		(286,956,522)	(4,904,259,130)
DFI		(200,000,000)	(3,418,120,000)
DFI	(49,888,603)	(145,224,614)	(3,405,508,624)
Commercial Bank	(70,000,000)	(50,000,000)	(2,150,363,000)
Commercial Bank		(125,000,000)	(2,136,325,000)
Commercial Bank		(120,000,001)	(2,050,872,012)
DFI		(96,759,852)	(1,653,683,920)
		Total ZAR	**(24,937,528,434)**

Table 3: Forecast on FX Utilisation

	Forecast on FX		
	FY2024	**FY2025**	**FY2026**
FX debt balance in USD	1,658	1,698	1,818
FX debt balance in ZAR	30,355	30,999	33,067
Plus buffer (15%)	**36,426**	**37,199**	**39,680**

Table 4: Projected Currency Funding Split to FY 2026

	FY24			FY25			FY26		
	ZAR	**USD**	**EUR**	**ZAR**	**USD**	**EUR**	**ZAR**	**USD**	**EUR**
Disbursements	64%	25%	11%	64%	25%	11%	64%	23%	13%
Funding	78%	7%	15%	77%	8%	15%	23%	49%	28%

Based on the forecast in Tables 1 and 3, the projected foreign currency borrowings are expected to amount to:

- For the financial years 2023/24 – R36.4 billion;
- For the financial year 2024/25 – R37.2 billion; and
- For the financial year 2025/26 – R40 billion

The projections in Table 1 incorporate a buffer of 20%. This is required to cater for the following scenarios:

a) Assessing the variation of the of the USD/ZAR exchange rates over the period 1 April 2022 to 31 December 2022, reveals a variation of 28% in the exchange rate with a low of R14.46 and a high of R18.46. The 20% buffer incorporated therefore falls well within the aggregate exchange rate movement; and

b) Should local investors' appetite remain subdued for SOE paper over the next 3 years, the funding split set out in Table 4 would need to be revised, increasing the Bank's borrowings in USD and potentially requiring a Foreign Currency Borrowing Limit in excess of that reflected in Table 1.

AVAILABLE FUNDING SOURCES

As of 31 December 2022, a total of R5.1 billion funding can still be accessed through committed facilities.

Table 5: Committed Facilities

COMMITTED AVAILABLE FACILITIES					
Lender type	**Facility type**	**EUR**	**USD**	**ZAR**	**Total - ZAR**
DFI	Line of Credit	200	-	-	3,747
DFI	Line of Credit	22	-	-	412
DFI	Line of Credit	50	-	-	937

EURO / ZAR *18.7365*

FUNDING SOURCES

The Bank returned to the domestic bond market in October 2022, where pricing levels were reduced by an average of 45bps over 3- and 7-year tenors issued. The Bank has also, managed to conclude a number of funding arrangements with select bi-lateral lenders. In addition to the funds raised through this strategy over the past financial year, the Bank has a healthy pipeline of funding sources at different stages of negotiation in ZAR, EUR and USD.

Table 6 below depicts potential funding sources for FY2023/4. The conclusion of any new facilities will be subject to the size and timing of funds requirements, near term projects/loans pipeline, and reaching agreement on key terms and pricing.

Table 6: Potential sources of funding

FACILITIES UNDER NEGOTIATION					
Lender	**Lender type**	**Facility type**	**Currency**	**Amount in currency**	**Amount in ZAR**
DFI	DFI	Line of Credit	ZAR	2,200	2,200
DFI	DFI	Line of Credit	USD	100	1,719
DFI	DFI	Line of Credit	USD	250	4,296
International Bank	Commercial Bank	Syndicated Loan	EUR	100	1,874
				Total in ZAR Equivalent	**10,088**

USD / ZAR *17.1851*
EURO / ZAR *18.7365*

Table 7 projects potential funding sources split across different instruments. Actual split may differ from these projections.

Table 7: Projected Funding per Instrument

	FY24			FY25			FY26		
FX Rates	**ZAR**	**USD & EURO 18.30/19.14**	**Total**	**ZAR**	**USD & EURO 18.26/19.65**	**Total**	**ZAR**	**USD & EURO 18.19/20.79**	**Total**
1. DOMESTIC BORROWINGS									
a. Bonds	7,056	-	7,056	7,000	-	7,000	2,700	-	**2,700**
b. Bank loans	-	-	-	-	-	-	-	-	-
c. Commercial paper	-	-	-	-	-	-	-	-	-
d. Money market paper	1,008	-	1,008	1,000	-	1,000	-	-	**-**
e. DFI	2,016	-	2,016	2,000	-	2,000	-	-	**-**
f. Syndicated loans	-	-	-	-	-	-	-	-	-
g. Govt loan	-	-	-	-	-	-	-	-	-
h. Other	-	-	-	-	-	-	-	-	-
2. FOREIGN BORROWINGS	-	-		-	-		-	-	-
a. Bonds	-	-	-	-	-	-	-	-	-
b. ECAs	-	450	450	-	1,826	1,826	-	2,729	2,729
c. Syndication programmes	-	1,998	1,998	-	-	-	-	2,729	2,729
d. DFI/Multilateral agencies	-	450	450	-	1,965	1,965	-	3,118	3,118
e. Other	-		-	-	-	-	-	-	-
TOTAL BORROWINGS			**12,979**			**13,791**			**11,275**

MARKET RISK MANAGEMENT

When sourcing new funding, the Bank takes into consideration the inherent interest rate and currency risk exposures. These risks are managed in line with the Board approved risk parameters. Where possible, new funding is structured to achieve the desired interest rate, currency and maturity profiles. Undesired residual risk exposures are brought within tolerance levels using offsetting derivatives positions. Hedging transactions are effected through permitted instruments, transacted with approved counterparties.

CREDIT RATINGS

The Bank is rated by Standard and Poor's (S&P's) and Moody's. Key considerations taken into account during the ratings review process include financial sustainability, prudential liquidity, adequacy of impairments and provisioning, and risk adjusted capital which cushions the bank in the event of severe financial distress. In addition, the ratings agencies make assumptions of the expected strength and likelihood of shareholder support in the event of distress. Credit ratings as of 31 December 2022 were:

Table 8: Credit Ratings

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

RECOMMENDATION

As set out in Table 1 above, it is recommended that the Board approves the following:

Borrowing Limit:

As reflected in Table 1, the projected funding requirement for the 2023/24 financial year amounts to R13 billion (including a buffer of 20% to provide for potential foreign exchange rate volatilities, loan disbursements exceeding target levels and market driven changes in liquidity requirements). The Board is hereby requested to approve an aggregate Borrowing Limit for the FY2023/24 of R13 billion.

Foreign Borrowing Limit:

Based on the Bank's total outstanding foreign currency debt as at 31 December 2022, together with projected Foreign Currency cash flow requirements (including both debt service and projected new loans and investments), as reflected in Table 1**,** the Bank's forecasted Foreign Currency debt for FY23/24 to FY25/26 (including a buffer of 20% to provide for potential FX volatility) amount to:

- For the financial years 2023/24 – R36.4 billion;
- For the financial year 2024/25 – R37.2 billion; and
- For the financial year 2025/26 – R40 billion.

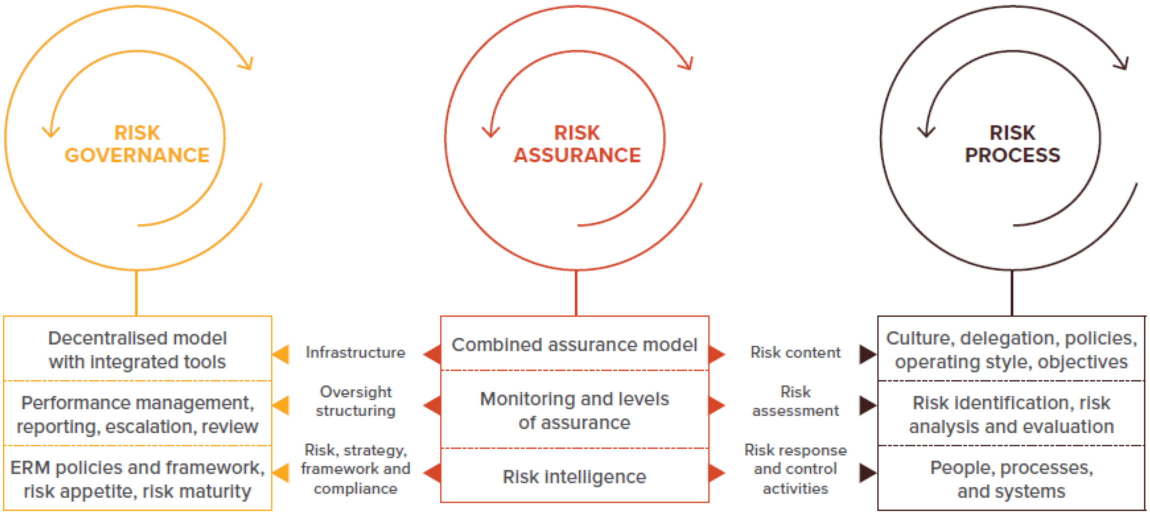
It is hereby requested the Board approve for submission to the Minister of Finance the request for Foreign Currency Borrowing Limits as set out above.

9.7. ANNEXURE G: RISK REGISTER[3]

Risk management

1. Framework

The nature of our business, as a developmental bank, requires risk management as a key capability in managing the trade-off between our development impact focus and maintaining financial sustainability. DBSA's Enterprise Risk Management Framework contains the elements depicted below and is outlined in detail as an internal policy document.



1.1 Risk Governance

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

1.2 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.

1.3 Risk process

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

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

2. Roles and responsibilities

Function	Role	Responsibility
Business unit	1st line of defence	Management of risk, controlling and monitoring operations
Assurance functions	2nd line of defence	Develop policies, monitor adherence
Internal and External Auditors	3rd line of defence	Provide independent assurance
Executive Committee	4th line of defence	Provide oversight, ensure implementation
Board	5th line of defence	Set strategy and ensure performance

3. Risk Categories

DBSA's risk universe is categorised into 4 main categories and several sub-categories.

Strategic Risk

- Strategy and operating model
- Reputation
- Capital
- Sustainability

Business Risk

- Credit default
- Credit concentration
- Country
- Infrastructure implementation
- Development results

Financial Risk

- Liquidity
- Market
- Treasury counterparty

Operational Risk

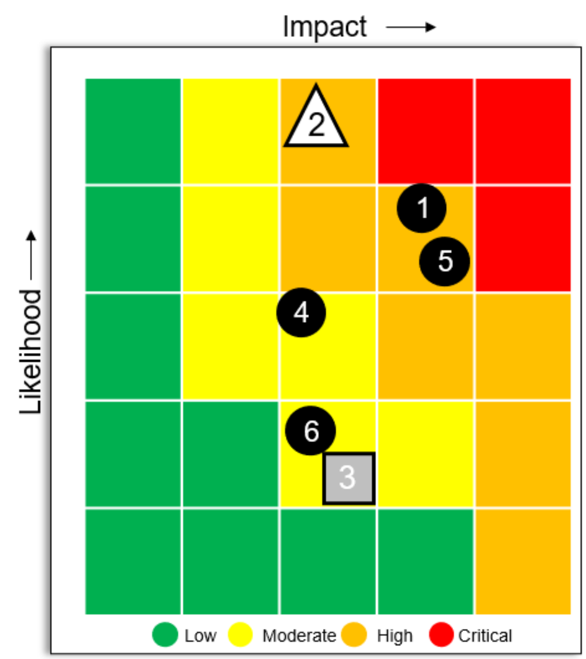
- People
- IT systems, data and security
- Supply chain
- Legal
- Compliance
- Conduct
- Process
- Occupational Health and Safety
- Business continuity

4. Principal Risks

PRINCIPAL RISK HEATMAP

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

Principal risk	Themes			
1 Credit risk	F			
2 Cyber risk	F	O		
3 Liquidity risk	F	O		
4 Reputation risk	F	O	S	E
5 Business environment & operations	F	O		E
6 People and culture risk		O		



Velocity	Extremely rapid (△)	Rapid (□)	Slow (●)
	• Impact evident within a **month**	• Impact evident within a **quarter**	• Impact evident within a **year**

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

Inclusive economic recovery	✓	Strategic Rest of Africa lens	✓	Doing things differently	✗

Risk Owner/s	GE:Fin Ops, CRO

○ Changes

Key drivers

- Possible material loss arising from the possible non-performance of a single large credit exposure or multiple exposures that are closely correlated
- There is an increasing trend of prepayments by clients which lessens this risk but may present a financial sustainability issue down the line

Key impacts

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

Response (Due date/status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite	Moderate

Risk rating scale: Critical | High | Moderate | Low

MoF = Ministry of Finance

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

Inclusive economic recovery ✓ | Strategic Rest of Africa lens ✓ | Doing things differently ✓

Risk Owner/s: CFO

○ Changes

Key drivers

- Increasing number and sophistication of cyber attacks in general

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

Response (Due date/Status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite: Low

Risk rating scale: Critical | High | Moderate | Low

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

Inclusive economic recovery ✓ | Strategic Rest of Africa lens ✓ | Doing things differently ✗

Risk Owner/s: GE: Treasury, CFO

○ Changes

Key drivers

- Currency volatility
- Increase in the cost of funding
- Contagion impact of other SOE's (e.g., Landbank)
- A reduction in funding options due to ESG performance or considerations

Key impacts

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

Response (Due date/Status)

- Engaging with key investors to understand funding requirements and funding strategy
- Meeting quarterly with internal clients to understand their disbursement needs or requirements
- Developed a full year schedule of disbursements by currency, split into Committed vs Uncommitted transactions (On-going)
- Rolling over of maturing liabilities (although terms may change as a result of market conditions e.g., amounts and pricing may change) (On-going)
- Pursuing additional facilities with other lenders (On-going)
- Existing operational hedging instruments against interest rate and currency risk swaps (On-going)
- Raising long term funding through bond issuances and long-term bilateral loans (Ongoing)
- Regular monitoring of prudential limits (On-going)
- The bank has secured an increase in the Foreign Currency Borrowing limit for FYE 22 and 23 (In progress)
- Regular cash flow forecasting (On-going)
- Unutilised facilities in place (On-going)
- Access to the repo market (On-going)

Inherent Risk Rating	Residual Risk Rating	Appetite
High	Moderate	Moderate

Risk rating scale: Critical – High – Moderate – Low

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

Inclusive economic recovery ✓ | Strategic Rest of Africa lens ✓ | Doing things differently ✓

Risk Owner/s	CE

○ Changes

Key drivers

- DBSA may be perceived to be unable to make adequate counter-cyclical investments in support of socio-economic recovery in response to the pandemic and may be seen as "irrelevant"
- DBSA's involvement with key programmes such as the Infrastructure Fund and District Delivery Model etc. increase reputational risk exposure if they fail
- Insufficient deal flow may negatively affect overall development impact
- Perceived misalignment to the global standards and sustainable development goals (e.g., 350Africa.org petition against funding Karpowership deal in RSA)

Key impacts

- Loss of stakeholder goodwill
- Increasing oversight by the Shareholder
- On-going negative mainstream and social media coverage

Response (Due date/Status)

- Exco Steerco to drive the climate change initiative
- Outline transition periods for gas and oil
- Develop business cases for new growth opportunities from green hydrogen, biodiversity assets and carbon markets
- Pursue PFMA exemption (DBSA as implementing agent)
- Utilization of development subsidy to enable IDD unlock municipal projects
- Undertake 10-year review of benefits unlocked from DBSA support to municipalities (lending and non-lending)
- Public relations and stakeholder management to communicate mandate and performance outcomes (On-going)
- Utilising the Development Position and related Development Index to align stakeholder expectations regarding DBSA's contribution and performance (On-going)
- Infrastructure Fund, the District Delivery Model, non-financial support to under-resourced municipalities and the High Impact Investment Fund.
- Adoption of a Climate-aligned Integrated Energy Investment Framework that will enable the Bank to support the Just Transition (On-going)
- Adoption of Task-force on Climate related Financial Disclosures recommendations in progress
- Development of a Net Zero emissions strategy (On-going)

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Appetite: Moderate

Risk rating scale: Critical | High | Moderate | Low

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

Inclusive economic recovery	✓	Strategic Rest of Africa lens	✓	Doing things differently	✓

Risk Owner/s	CFO, GE:Fin Ops, CRO, Chief Economist

○ Changes

Key drivers

- The business is growing rapidly in the frontline divisions in order to implement DBSA's strategic initiatives such as the Infrastructure Fund, District Delivery Model etc without similar growth in the middle and back-office functions
- Depressed deal pipelines in RSA and the region
- High debt: GDP ratio in key markets
- Increasing inflation globally
- Increasing interest rates locally and in the region
- Low consumer and business confidence
- Increased bouts of loadshedding
- Social unrest locally
- Slow implementation of structural reforms – Operation Vulindlela
- ○ Disbursement pipeline forecast (as at Aug 2022) only at R12,2 Bn, below the annual forecast of R13,5 Bn

Key impacts

- Adverse impact on financial performance of the Bank
- Inability to achieve social-economic growth goals
- Adverse impact on the ability to raise capital

Response (Due date/Status)

- Investigate business case to develop advisory capabilities for the Bank
- Investigate business case for trade finance
- Scale up new products e.g., High Impact Investment Portfolio
- Increasing focus on the non-core lending aspects of the business i.e. Breakthrough agenda initiatives, Infrastructure Delivery Division, District Development Model etc. (On-going)
- Investigating options to reshape the loan book from fewer larger deals to increased volumes of smaller deals (On-going)
- Strengthening partnerships and increased collaboration with other DFI's
- Increasing digitalization in operations (On-going)
- Improving the effectiveness of learning and development initiatives to build adequate skills (On-going)
- Improving strategy alignment and execution through an enhanced Balanced Scorecard process (On-going)

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite	Moderate

Risk rating scale: Critical, High, Moderate, Low

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

Inclusive economic recovery ✓ | Strategic Rest of Africa lens ✓ | Doing things differently ✓

Risk Owner/s: CE, CRO, CIO, GE:HC

○ Changes

Key drivers

- Disruption in work practices/routines occurred as a result of Covid19 lockdown creating instant pressure to manage a dispersed workforce.
- Longer working hours experienced to accommodate home schooling and baby-sitting activities
- Employee burnout
- Several divisions have raised risks around "keyperson" dependencies and unclear succession planning

Key impacts

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

Response (Due date/Status)

- Adopt a Hybrid Working Model (3 days in the office per week)
- Organisational review
- Clarify and align training policy with talent management
- Assess capability across all units and the feasibility of moving staff
- Assess corporate culture
- Integrated digital strategy / framework
- Develop a senior succession plan
- Contingency plans relating to succession for critical skills (On-going)
- Periodic communications take place from the CEO via DBSA Briefs ("Message from Patrick").(On-going)
- Access to the Employee Wellness Provider (EWP) in order to support employees

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Appetite: Low

Risk rating scale: Critical, High, Moderate, Low

9.8. ANNEXURE H: BUSINESS CONTINUITY AND ORGANISATIONAL RESILIENCE

The DBSA is committed to a structured systematic and integrated approach to BCM in accordance with the current approved BCM Policy, industry standards and best practice. The BCM reports into the risk governance structures to provide assurance to the Board. All group executives have joint accountability for the implementation of BCM in their divisions.

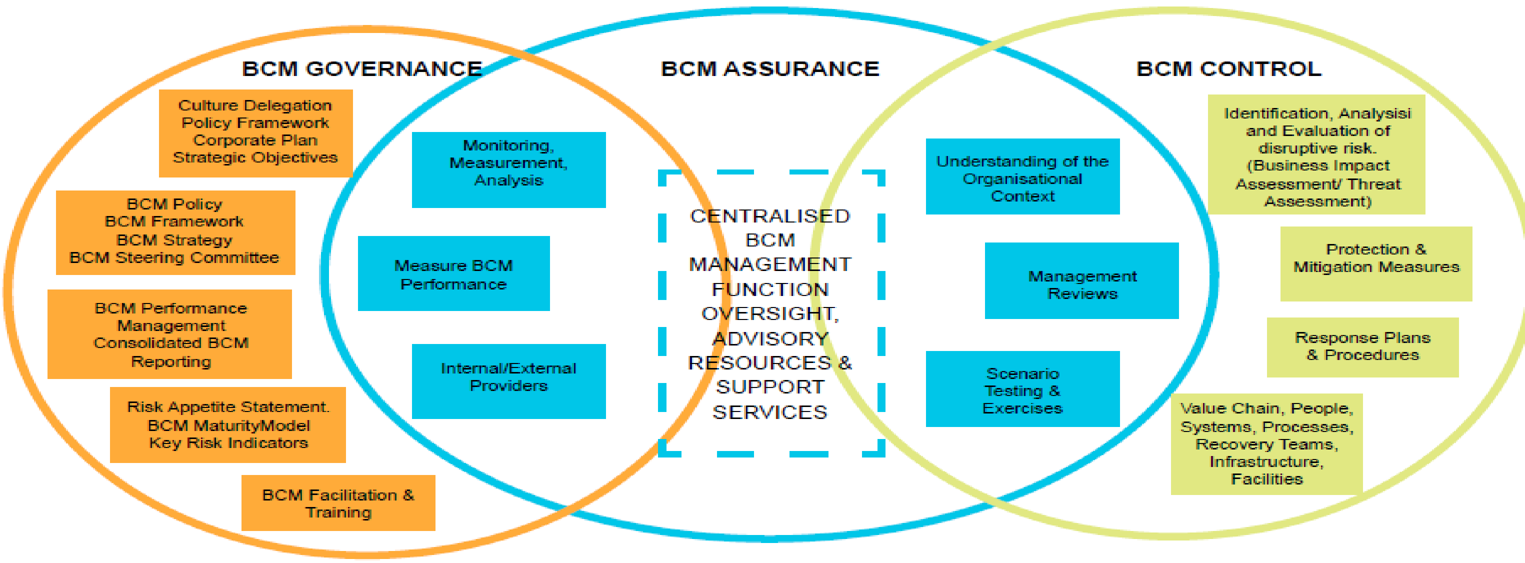
To ensure a certified business continuity capability, the DBSA has aligned to the ISO standard 22301 and the Business Continuity Institute's (BCI) Good Practice Guidelines (GPG). The objective is to provide ongoing management, coordination, and governance to ensure that all BCM activities are conducted and implemented to build a resilient organisation.

Objective of the BCM Framework

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

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

Overview of the BCM Framework



Continuity Assurance Framework

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

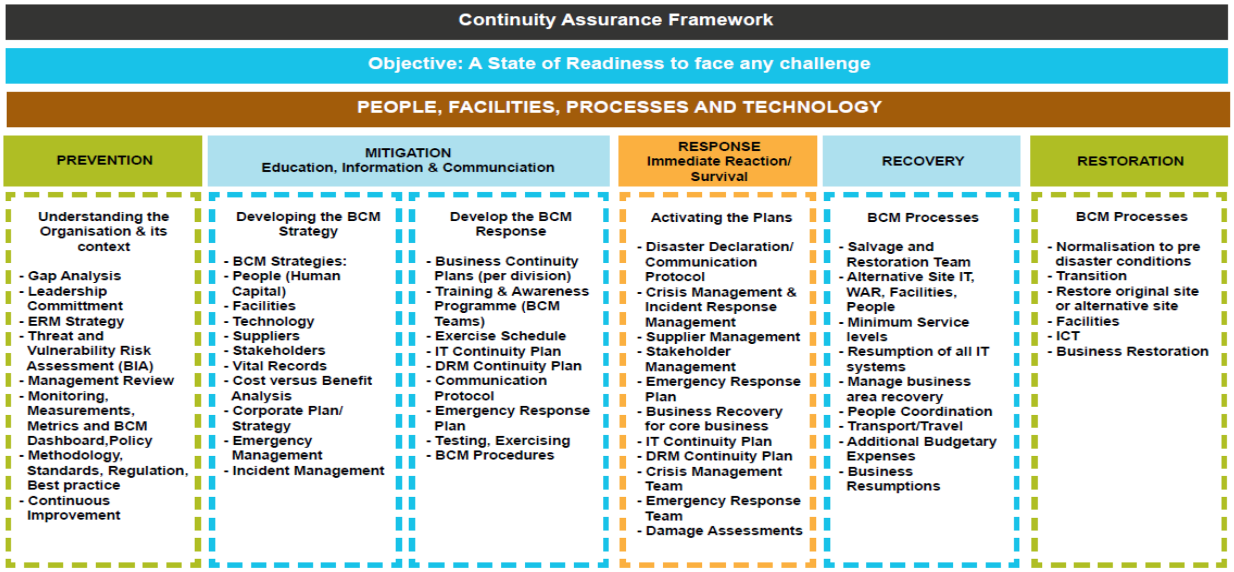
The CAF provides management with an evaluation of the enterprise's preparedness in the event of a major business disruption and assists with the identification of any issues that may limit interim business processing and restoration.

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

COVID 19 Pandemic Risk Response

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

Continuity Assurance Framework



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

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

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

- Workforce unavailability due to ill employees.
- DBSA Campus unavailability due lockdown or exposure to the virus.
- General duty of care principles found to be lacking may cause reputational risk.
- Noncompliance with the Occupational Health and Safety Act and the Disaster Management Act.

- Business disruption of essential services.
- Business disruption to the DBSA mandated sectors.
- Financial sustainability of the DBSA
- Cyber Attacks become prevalent during times when an organisations focus is on the potential threat.
- Damage to the DBSA brand and reputation.

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

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

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

Despite the challenges several opportunities have been identified to enhance the Business Continuity Management Programme. A Hybrid Model to guide the new way of working is also being proposed by Human Capital going forward. The DBSA Campus offices are being revamped to accommodate the new way of working. Overall, the operations of the DBSA have continued with several work arounds in place and the DBSA employees have shown incredible resilience throughout this period

9.9. ANNEXURE I: DBSA ENVIRONMENTAL AND SOCIAL FRAMEWORK

The DBSA environmental and social sustainability framework is aligned to its mission and mandate. The Bank regards sustainable development as a fundamental aspect of sound business practice. It recognises that economic development needs to be compatible with human welfare and a healthy environment and that the sustainable development agenda is inter-linked with humanitarian, environmental restoration and responsibility, and social inclusivity. The DBSA acknowledges that the financial sector must play a critical enabling role to scale up efforts to limit global warming, ecosystem degradation, and marginalisation of people whilst simultaneously building resilience of society and ecosystems. It is committed to supporting the SDGs and to:

- Achieve positive social and environmentally sustainable development outcomes in DBSA operations to realise a green and inclusive economy.
- Communicate the Banks social, environmental and governance policies with our partners and participate in collaborative processes to incentivise and drive a green and inclusive economy.
- Pursue global environmental, social and governance policies and global good practices in the Bank's asset management and operational activities.
- Adopt a precautionary approach to environmental, social and governance in compliance with relevant legislation.
- Promote strategies and practices to address environmental degradation, social inequality, and climate considerations. In 2021, DBSA committed to decarbonise its portfolio to achieve net zero carbon emissions by 2050 and align with the Paris Agreement. DBSA is also committed to promote biodiversity restoration as per its IDFC position statement and promote no net loss (2030) and net gain (2050).
- Ensure that clients apply the DBSA social and environmental safeguard standards.
- Identify and quantify environmental and social risks, monitor and review environmental social and governance performance of all operations.
- Improve metrics of sustainability indicators, aligned to the SDGs and sharing relevant information with clients, stakeholders and partners.

- Continuously strive to improve environmental, social and governance performance.
- Promote transparency in processes, outputs and outcomes.
- Ensure meaningful public engagement that particularly helps empower vulnerable people.
- Promote gender equity (through improved policy, tools, capacity building and practices).

The DBSA's suite of ESG and sustainability policies, frameworks and tools that outline the DBSA's approach to environmental and social sustainability considerations and combine to form the DBSA Environmental and Social Management Framework (ESMF) are as follows:

- DBSA Climate Change Policy Framework
- DBSA Environmental and Social Safeguard Standards
- DBSA Integrated Energy Investment Framework (IEIF)
- Integrated Just Transition Investment (IJT) Framework
- DBSA Green Bonds Framework approved January 2021.
- DBSA Policy Framework for Situations of Fragility
- Integrated Sustainable Development Approach
- DBSA Statement on Net Zero : fossil fuel funding statement
- Green Deep Dive Evaluation
- Development Results Reporting Framework

These ensure that the DBSA's operations, programmes, and projects are socially responsible, environmentally sound, financially sustainable and in line with government requirements.

The DBSA has commenced work on the Integrated Sustainable Development Approach aimed at integrating sustainability and a Just Transition principles into the Bank's operations. A key component is the development of the Integrated Just Transition Strategy which includes short-term and intermediate targets to achieve Net Zero Emissions (NZE) by 2050 incorporating:

- all DBSA sectors;
- environmental, social, governance (ESG) and economic considerations; and
- the use of climate finance (instruments/ facilities/ partnerships/ credit lines) to advance the strategy.

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

Ensuring this synergy requires the development, revision and coherence of the relevant DBSA policies/ frameworks, projects, and tools to align with the just transition strategy to guide investment decision-making and provide clarity to stakeholders and partners, is a key part of the process. Work done to date includes a gap assessment and a high-level skills assessment which has informed a draft work plan and resource allocation to guide the process.

Additionally; the following activities in support of a just transition are already in progress:

- Revision and alignment of the Environmental and Social Management System (ESMS)
- Development of the Biodiversity Strategic Framework and Toolkit
- Revision of the Climate Change Policy, adaptation and mitigation accounting and toolkit
- Gender Policy and Marker Tool
- Green Building Guidelines
- Greening the DBSA Campus (Off grid project)

- Revision and alignment of the Development Results Reporting Framework (DRRF)

IMPLEMENTATION OF DBSA'S ENVIRONMENTAL AND SOCIAL SAFEGAURDS

The DBSA Environmental and Social safeguards (ESS) approved in November 2018 by the DBSA Social and Ethics Committee, outlines the DBSA's approach to environmental and social due diligence and assessment, mainstreaming and promoting environmental and social considerations in DBSA operations and managing ESG risks in projects funded by the DBSA. The DBSA ESS is available on request.

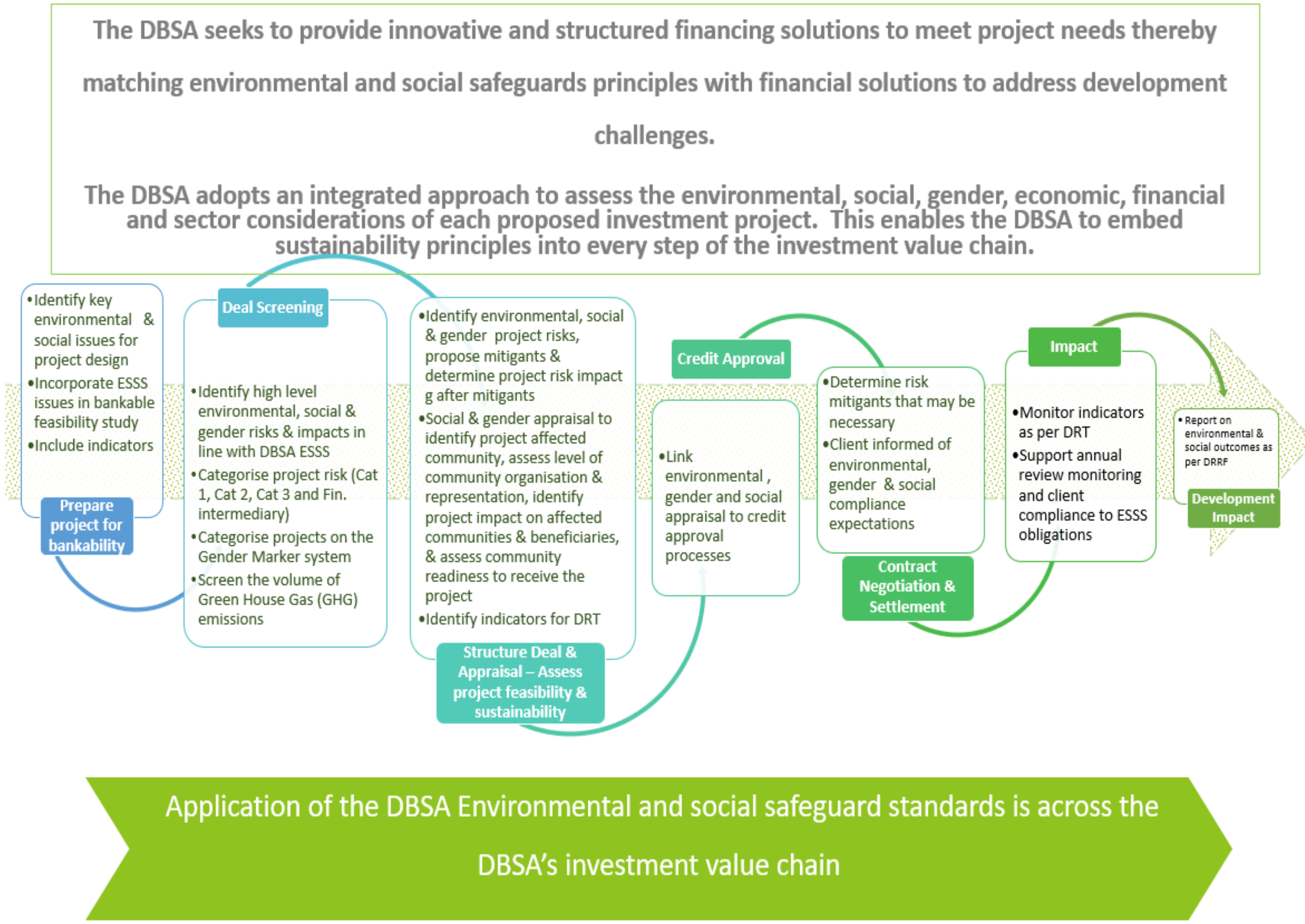
The DBSA ESS is informed by international best practice the DBSA development definition and position which articulates the DBSA's role in contributing to "a just transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories"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

The ESS builds on how DBSA can create opportunities for a green and inclusive economy especially within the context of a just and green economic recovery from the COVID-19 pandemic which is inextricably intertwined with global environmental issues of biodiversity loss, climate change, air and water pollution, and waste management; both in terms of its origin and the implications for environmental outcomes and the future well-being of societies around the world.

A green recovery will significantly enhance the resilience of economies and societies especially as they emerge from the current recession. DBSA is focusing on measures that can drive sustainability while boosting jobs, income, and growth, and helping to restore environments from damaging activities. Measuring and evaluating the environmental impacts of recovery policies over time is crucial, and a set of indicators, covering a broad array of critical environmental dimensions, is being continuously updated for all DBSA projects through its Development Results Reporting Framework[1].

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

The Bank's environmental, social and governance specialists implement the ESS. The safeguards promote consistency in supporting and enhancing the Bank's decision-making processes. They mitigate and manage environmental and social risk, while also ensuring increased development impact. The Bank strives to achieve net positive environmental and social outcomes; as well as net positive social and economic outcomes where opportunities present. The figure below highlights the key activities involved.



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

9.10. ANNEXURE J: BREAKDOWN OF DISBURSEMENT TARGET

	Target 2023/24	Target 2024/25	Target 2025/26
Total Disbursements in R million	**14,000**	**14,500**	**15,030**
Metro Top 5	**2,550**	**2,600**	**2,700**
M2/M3	**450**	**460**	**480**
Economic	**5,200**	**5,400**	**5,600**
Energy & ICT	**2,600**	**2,700**	**2,800**
Transport & Bulk Water	**2,600**	**2,700**	**2,800**
Social	**800**	**840**	**850**
Rest of Africa	**5,000**	**5,200**	**5,400**
SADC	**2,600**	**2,700**	**2,800**
Outside-SADC	**2,400**	**2,500**	**2,600**