INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LTD

Corporate Plan

2022/23 - 2024/25

April 2022

OFFICIAL SIGN-OFF

MINISTER'S FOREWORD

The Corporate Plan identifies the outputs, output indicators and targets that an entity aims to achieve in the new financial year. The Executive Authority is responsible for providing direction on the development and implementation of policies and strategic priorities of entities in line with their respective mandates, and to ensure the Corporate Plan is aligned to government's priorities.

The environment in which the APPs and Corporate Plans of the Department of Trade, Industry and Competition (**the dtic**) and our entities have been formulated remains challenging, given the impact of the COVID-19 pandemic, the July 2021 unrest and more recently the Russia/Ukraine war. At the same time, determined efforts by the Administration has seen signs of economic recovery and greater investor confidence in economic prospects. In this light, Government's priority focus continues to be the recovery of growth, investment and employment, guided by the Economic Recovery and Reconstruction Plan adopted in 2020, and the tasks outlined by President Ramaphosa in the 2022 State of the Nation Address.

This Corporate Plan is expected to take forward the strategic shift initiated in 2021/2022 toward strengthened implementation and impact of **dtic's** work, through greater integration of efforts within the department and our entities, guided by shared, crosscutting outcomes and joint performance indicators. In this regard, the work of **the dtic** and the entities will be evaluated in relation to three over-arching Outcomes (which incorporate the previous "Joint-KPIs") namely **Industrialisation**; **Transformation**; and **Capable State** (Implementation/ Effective Delivery). In this way these Outcomes more deliberately and directly inform respective outputs and KPIs of the department and entities.

In turn, the scope of the outputs collectively still encompass the identified **dtic's** priorities, which include among others, the work of sector masterplans, initiatives to boost levels of investment and localisation in the economy, expanding trade within the continent, enabling better local economic development, supporting the growth of new industries (in the green economy and through beneficiation) and building a capable state, in particular addressing red tape as prioritised by the President in the 2022 State of the Nation Address.

Every entity in the **dtic** has been requested to align their Plans to the three outputs, it being recognised that a particular entity's core business links more clearly and strongly to one or the other of the overarching Outcomes, than to others.

This Corporate Plan represents the outcome of the work done by the Industrial Development Corporation. Following the tabling of the APP by the **dtic** itself, each entity of the Department will be expected to consider such additional refinement and additions to be made and following completion of the review, such an addendum to this Corporate Plan may be submitted in due course after the tabling.

This Corporate Plan is therefore not about many new objectives but rather on a new way of implementation, with the focus on integration, to enhance the development impact of the work.

I accordingly table the Corporate Plan for 2023-2027 in accordance with the request by the Speaker.

I wish to thank the management and governance structures for the work done and wish them well in executing the Corporate Plan and aligning their work to government's overall programmes and priorities.

EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

Signature: .....

Date: 14 April 2022

BOARD CHAIRPERSON AND CHIEF EXECUTIVE STATEMENT

The following Corporate Plan for the period 2022/23 – 2024/25 was prepared by the management of the Industrial Development Corporation and approved by the Board for submission to the Shareholder on 10 March 2022.

For businesses and governments worldwide, the Covid-19 pandemic brought about unprecedented challenges—and in many cases worsened issues that existed pre-pandemic. As economies are looking to rebound and resuscitate from these after-effects, the need to recover dynamic, inclusive, and sustainable growth to address both the legacy of the pandemic and long-standing social needs has never been more acute. The South African economy was already in a weak position when it entered the pandemic. Structural challenges, including high unemployment, weak economic growth and infrastructure backlogs have undermined progress in reducing poverty which has been heightened by the pandemic. These challenges however, present an opportunity to redress the structural deficiencies and place the economy on a new trajectory towards increased growth and job creation. Against this context, the Corporate Plan for 2022/23 seeks to reemphasize the IDC's development mandate and intensify execution in strategic initiatives to drive industrialisation. The following summarises the key focus areas for the upcoming year:

1. **Job creation and employment:**
   - Supporting sectors with immediate impact on job creation e.g., agriculture and agro-processing, automotive and steel industries, and escalate opportunities for localisation in priority sectors;
   - Sector specific interventions for sectors significantly affected by the operating environment e.g., Clothing, Textiles, Footwear, Leather (CTFL) and tourism sectors;
   - Promote industrial development of township economies through support programmes and targeted interventions;
   - Intensify implementation of industry master plans, CTFL, poultry, sugar etc.

2. **Transformation:** Amplify funding support and create an enabling environment for non-financial support for Black, Women and Youth businesses.

3. **Environment, Social and Governance (ESG) and the Green Economy:** The Corporation will focus on supporting environmental sustainability and ESG in its own operations as well as supporting investments in these areas and encouraging responsible ESG practices at its clients.

In addition to the above focus areas, the Corporation will prioritise opportunities arising from the implementation of AfCFTA, execute catalytic projects like the Social Employment Fund and ensure the sustainability of key subsidiaries.

To achieve this, the plan advocates a deliberate focus on project implementation, enhancing the organisational culture and capabilities, and strengthening the financial sustainability of the organisation.

Throughout the Plan, the strategy is to prioritise industrial development and increase development outcomes whilst remaining financially sustainable.

MR TP NCHOCHO

CHIEF EXECUTIVE OFFICER – IDC

Signature: .....

Date: 10 April 2022

MS BUSISIWE MABUZA

BOARD CHAIRPERSON – IDC

Signature: .....

Date: 20 April 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY AND CORPORATE IDENTITY 5

1 CORPORATE IDENTITY 7
1.1 Group Structure 7
1.2 Business Activities 8
1.3 Funding Model 9

STRATEGIC CONTEXT 10

2 OPERATING ENVIRONMENT 11
2.1 External Environment 11
2.1.1 Economic Analysis 11
2.1.2 Economic Projections 12
2.2 Internal Environment 14

STRATEGIC PRIORITIES 15

3 STRATEGIC OVERVIEW 16
3.1 Strategic Mandate 16
3.2 Investment philosophy (Twin Pillar Approach) 16
3.3 Strategic Overview 17
3.3.1 Implementation of the 2021/22 Priority Initiatives 18
3.4 Emerging Priority Initiatives and Key Programmes for 2022/23 19
3.5 Long-term Goals 23
3.6 Key risks to implementation of the strategy 24
3.7 Subsidiaries 25
3.7.1 Foskor (Pty) Ltd 25
3.7.2 Small Enterprise Finance Agency SOC 26
3.7.3 Cast Products South Africa (Pty) Ltd 26
3.7.4 Grinding Media South Africa (Pty) Ltd 27
3.7.5 Thelo Rolling Stock Leasing (Pty) Ltd 27
3.7.6 Prilla (Pty) Ltd 28
3.7.7 Sheraton Textiles (Pty) Ltd 28

STRATEGIC OUTCOMES 29

4 FINANCIAL PLAN 30
4.1 Capital Allocation 30
4.2 Financial Projections 30
4.3 Risk Appetite 31

5 PERFORMANCE INDICATORS 33

SUPPORTING MATERIAL 37

Executive Summary and Corporate Identity

EXECUTIVE SUMMARY

The Corporate Plan for the period of 2022/23 to 2024/25 reemphasises the twin pillars of development effectiveness and financial sustainability that underpins IDC's strategic priorities.

For 2022/23, the plan stresses the need to improve delivery utilising the base that was built with the implementation of the IDC's Long-Term Sustainability Plan (LTSP). Key to this delivery is increasing the impact that the IDC will have on development of the country. Throughout the Plan, guidance is taken from the Joint-KPIs developed by the dtic, with IDC's overall development outcomes linked to these policy priorities.

The IDC will continue to drive jobs rich industrialisation in its priority sectors with a focus on several flagship initiatives such as the implementation of the various Industry Master Plans, programs to support township economies, and the Social Employment Fund. To promote deeper levels of localisation, the Corporation will inject additional investment into building local industrial capacity for the domestic market and for export markets. As part of its comprehensive approach to address environment, social and governance (ESG), the Corporation will focus on supporting environmental sustainability and ESG in its own operations as well as supporting investments in these areas and encouraging responsible ESG practices at its clients. In addition, the Corporation will continue supporting Renewable energy funding focusing on supporting black and community participation in projects, implementing the IDC's Green Hydrogen Action plan, and supporting the country's Green Hydrogen Commercialisation Strategy. IDC will also be partnering with businesses to take advantage of export opportunities for South African products through the implementation of the AfCFTA.

Given the challenges within the economic environment, and the development needs of the country, the Corporation will identify other initiatives to increase the role it plays in response to these challenges. The target scenario included in this Corporate Plan will be influenced by improved economic conditions.

IDC plans to disburse R107 billion over the next five years. Over the next three years, this should result in 111 199 direct jobs being created or saved. IDC is targeting to facilitate investment of R18.8 billion over the next three years towards companies owned and managed by Black Industrialists. It is envisaged that black-owned companies will benefit from R30.0 billion in investment facilitated with women-entrepreneurs receiving R8.9 billion and youth entrepreneurs R3.9 billion. Investment towards localisation efforts will be increased to R30.6 billion over three years from R24.0 billion in the previous planning period.

The Corporation will continue to place greater emphasis on developing a higher quality deal and project pipeline in its effort to migrate the current portfolio (skewed towards high risk) to one that is predominantly of a medium risk profile. The IDC will continue to carry through on the 'Clean, Fix and Manage Strategy' to optimise portfolio performance. Greater emphasis will be placed on executing the individual subsidiary turnaround strategies to ensure effective performance management thereof.

The Corporation is continuing to build on the initiatives implemented in the LTSP to create a culture of high performance. Initiatives planned for the year include focused training programmes and on the job coaching. A planned project to implement new IT systems will drive efficiencies to improve turnaround times and the customer journey experience. The Corporation will amplify its external profile through targeted media campaigns to increase awareness of the Corporation and its objectives.

1 CORPORATE IDENTITY

PURPOSE	VISION	VALUES
Grow sustainable industries, support entrepreneurs, improve lives	Create globally competitive industries realising Africa's potential	Passion Partnership Professionalism

CUSTOMER VALUE PROPOSITION

The IDC combines **industry insights and partnerships** to provide **customised, value-adding funding and advisory solutions**, enabling **innovative entrepreneurship** that advances **inclusive industrial development**.

The Industrial Development Corporation (IDC) of South Africa Limited was established in 1940 through an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940) and is fully owned by the South African Government. The IDC's priorities are aligned with the national policy direction as set out in the National Development Plan (NDP), industry Master Plans, and other relevant policies. The Corporation's mandate includes proactively maximising its development impact through effective and sustainable industrial development, not only in South Africa but across Africa. At the same time, the IDC needs to ensure its long-term sustainability through prudent financial and human capital management, whilst safeguarding the natural environment and positioning itself as a forerunner in development finance in South Africa and the continent.

1.1 Group Structure

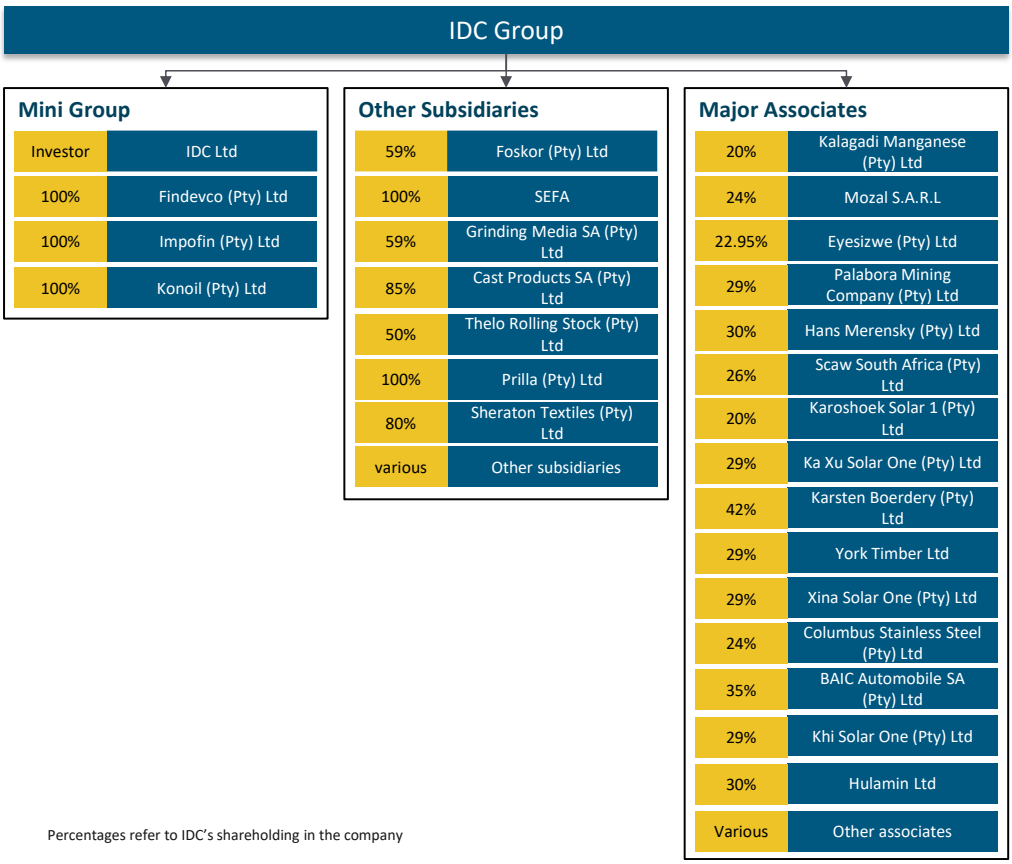


Figure 1: IDC Group Structure

IDC creates its value by funding entities that play a significant role in a range of productive sectors of the economy, resulting in majority and/or significant shareholding in some of these entities. Figure 1 shows the IDC Group structure in so far as its operational subsidiaries and major associates. Subsidiaries are companies over which IDC exercises control. This would typically mean more than 50% shareholding. Associates are companies over which IDC has significant influence. These are typically companies in which IDC holds between 20% and 50% shareholding. Listed in Figure 1 are material subsidiaries and associates in which IDC had an exposure of more than R500 million as at 31 March 2021.

Section 3.7 on page 25 contains an overview of the material subsidiaries.

1.2 Business Activities

The IDC is not revising its business and funding activities, products, sectors, and regional involvement. Within this broad range, the organisation is increasing its focus on advisory and value-adding technical support to key stakeholders, including government, and business partners. Our activities correspond to the key activities of a development finance institution, namely: funding aimed at the development of enterprises; playing a catalytic role to attract industry players and develop ecosystems to promote industrial capacity development and addressing gaps in the market. IDC prioritises labour-intensive industrialisation whether created directly through its funding of companies or through the unlocking of downstream activities.

Through the businesses that we support, we drive key development outcomes. Ultimately, these outcomes aim to drive equitable economic growth to create and sustain jobs. In turn, achievement of these outcomes are key economic development policies and strategies. For the IDC and other dtic entities, alignment with these policies and strategies is achieved through contribution to the Joint-Key Performance Indicators (J-KPIs).

IDC's emphasis is on providing seamless access to finance and customised products and offering support through a differentiated approach to different business segments. The Corporation continues to enhance its offerings to emphasise development activities that go beyond funding activities. These include the development of enabling environments, business support and capacity building as well as new capabilities such as syndication and lead arranging to facilitate greater leveraging of IDC's balance sheet.

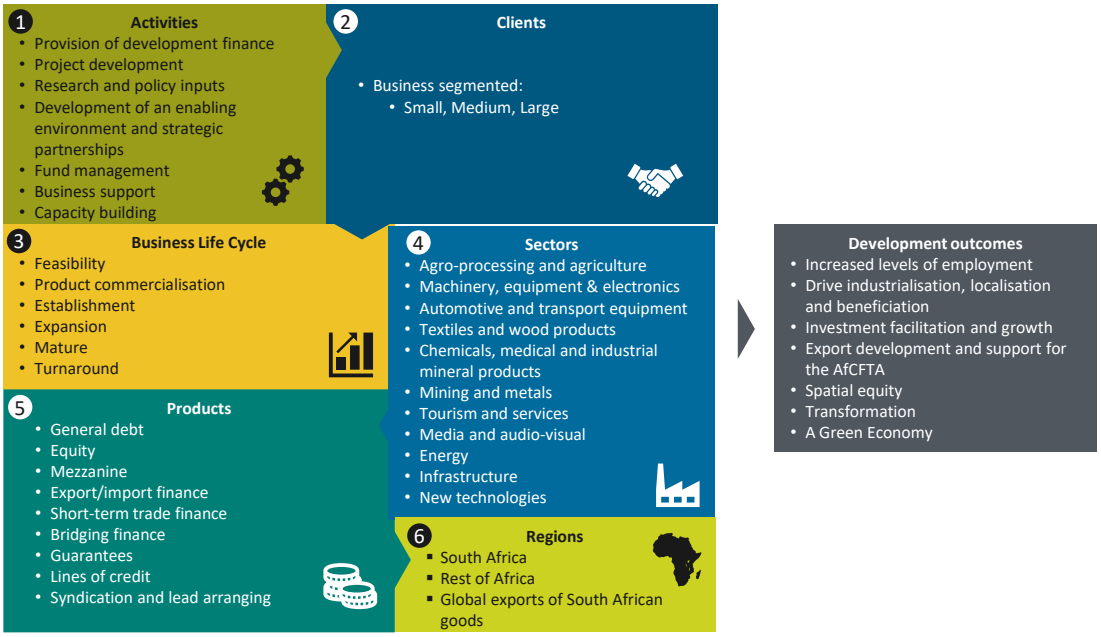


Figure 2: IDC's business and funding activities

1.3 Funding Model

The IDC finances the bulk of its activities through borrowings on the domestic and international markets, divesting from mature equity investments, and profits generated from its lending and investment activities. The funds are used to provide loans and invest in businesses that support the county's development objectives. Interest and capital payments from loans provided, and dividends and capital realisations from equity investments are used to cover our costs and grow our balance sheet which in turn leverages our capacity to fund future development activities.

The IDC is increasingly sourcing funds from other partners, including government, to co-invest with IDC in projects that target specific industrial and development outcomes.

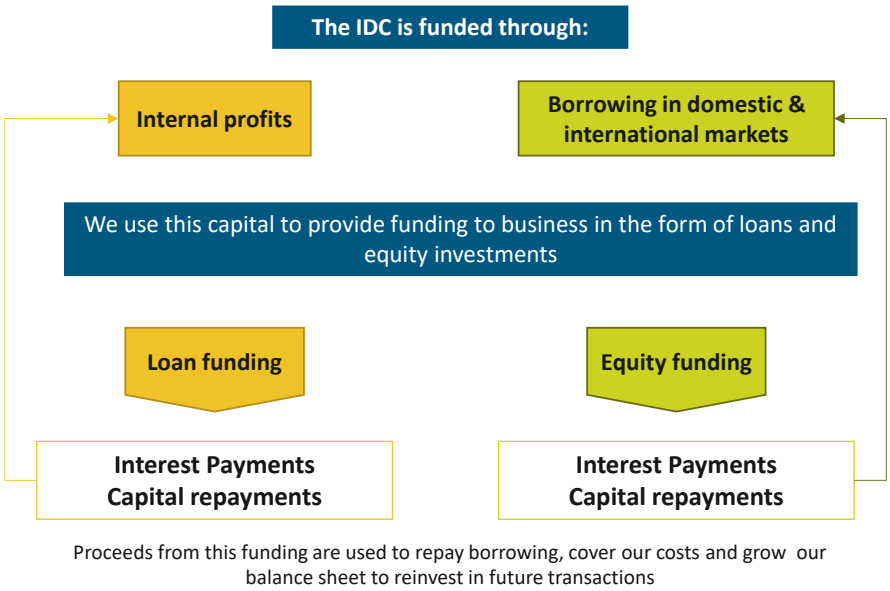


Figure 3: IDC's funding model

Strategic Context

2 OPERATING ENVIRONMENT

2.1 External Environment

2.1.1 Economic Analysis

The recovery of the South African economy from the Covid-19 induced crisis gathered momentum during the first six months of calendar year 2021. An excellent maize crop and generally favourable climatic conditions were reflected in the agriculture sector's strong performance. The solid increase in mining output was underpinned by strong global demand for mineral resources and high prices. A steep rise in value added by the transport and communications sector in the second quarter of the year was linked to a robust export performance, with more goods transported to ports and harbours, as well as to increasing demand for connectivity and telecommunications. The manufacturing sector posted a poor performance, while the construction sector continued to face numerous challenges in a weak investment environment.

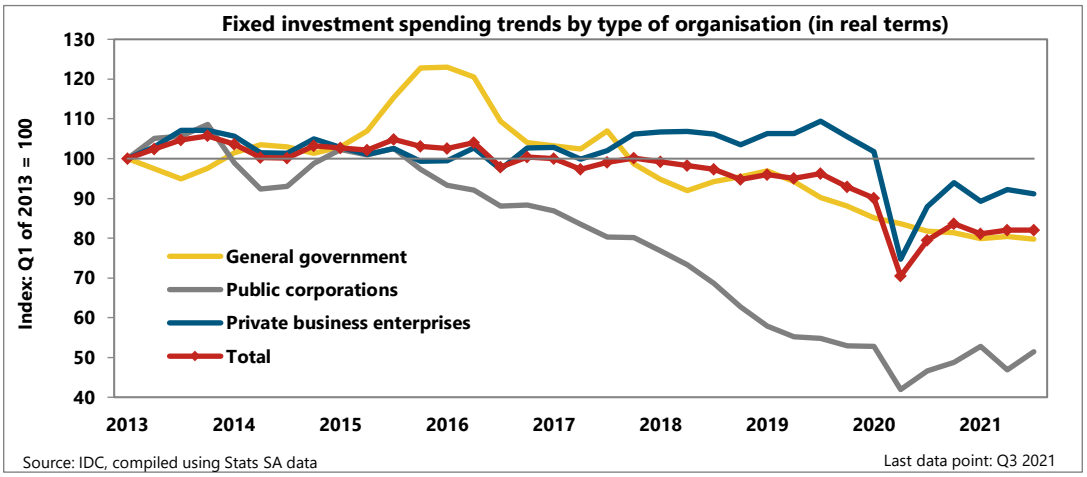
The economic recovery process experienced a temporary setback in the third quarter of 2021. Gross domestic product (GDP) declined by 1.5% in real terms on a quarter-on-quarter basis, as several of the main sectors of economic activity recorded lower output levels. Contributing factors included the violent unrests, looting and destruction of property in parts of KwaZulu-Natal and Gauteng in July, problems at Durban port, load-shedding, industrial action in the steel and engineering sectors, as well as disruptions in global supply chains. Such adverse developments affected business and consumer sentiment.

Agricultural GDP declined sharply in the third quarter of 2021 mainly due to lower production of field crops and animal products, although high base effects were also at play. A challenging consumer environment was reflected in lower output in the trade and accommodation sector, with households having cut back spending under difficult conditions, rising unemployment and low consumer sentiment. The manufacturing sector remained under significant pressure, with its overall output in November 2021 still being 3.4% below the level recorded in December 2020. Real GDP in the mining sector declined by 0.9% as lower commodity prices, softer demand and energy supply constraints took a toll.

The final quarter of calendar year 2021 is likely to have witnessed a rebound based on preliminary data for several key economic variables. Retail trade sales recorded a solid performance and manufacturing production also exhibited a significant recovery. The mining sector's output, however, is likely to have been lower than in the previous quarter.

Fixed investment activity in the economy has remained at very low levels, affected by unfavourable operating and domestic trading conditions that have been denting business and investor confidence. Fixed investment expenditure is estimated to have increased by only 1.1% in real terms in 2021, following several years of contraction and a sharp 14.9% decline in 2020. Weak investment activity not only affects economic growth in the present and near-term, but also has detrimental implications for the economy's future growth potential.

Figure 4: Weak investment spending in the economy given a challenging environment



Of major concern is the fact that subdued growth over a prolonged period has reduced the labour-absorption capacity of the South African economy. The crisis induced by the Covid-19 pandemic aggravated the situation, with the economy being unable to provide sufficient employment opportunities for new entrants into the labour market. The unemployment rate reached an all-time high of 34.9% in the third quarter of 2021, with more than 7.6 million people unable to find a job.

On the positive side, South Africa benefitted substantially from the robust global economic recovery in 2021. The steep rise in world trade volumes lifted demand for a wide variety of goods, extending well beyond mining and mineral products. Total merchandise exports increased by 30.3% in nominal value terms in 2021, with exports of mining products rising by 48.8% to R868.2 billion and manufactured exports increasing by 17.1% to R813.0 billion. The surplus on the balance of trade widened to a record high of R438 billion.

A steady rise in consumer price inflation since the start of 2021, fuelled by substantially higher petrol, food and electricity prices, led the Monetary Policy Committee (MPC) of the South African Reserve Bank to raise the repurchase (repo) rate by 25 basis points at each of its November 2021 and January 2022 meetings to 4.0% at present.

Real GDP growth in 2021 is now estimated at 4.9% (IDC estimate), a significant recovery from the 6.4% contraction recorded during the 2020 recession year. The pace of economic expansion is, however, projected to moderate considerably 2022.

2.1.2 Economic Projections

The South African economy is expected to remain on a steady recovery path, although a substantial growth moderation is projected for 2022 following a relatively strong rebound in 2021. A modest uptick in real GDP growth is anticipated towards the latter part of the outlook horizon, with an average annual expansion rate of 2.3% forecast over the period 2022 to 2026.

Table 1: Projections for key performance indicators of the South African economy

Variable (% change or % of GDP)	2016	2017	2018	2019	2020	2021e	2022f	2023f	2024f	2025f	2026f
Real GDP growth and its components:											
Household consumption expenditure	0.7	1.7	2.4	1.1	-6.5	5.2	2.0	2.3	2.8	2.9	2.8
Government consumption expenditure	2.0	-0.3	1.0	2.7	1.3	0.4	0.0	0.7	0.8	0.9	0.9
Gross fixed capital formation (GFCF)	-1.9	-2.0	-1.8	-2.4	-14.9	1.1	3.2	3.3	3.5	4.0	4.5
Exports	0.4	-0.3	2.8	-3.4	-12.0	9.5	3.1	3.2	2.9	2.9	2.7
Imports	-4.1	1.5	3.2	0.5	-17.4	8.2	2.6	3.5	3.7	3.7	3.2
GDP	**0.7**	**1.2**	**1.5**	**0.1**	**-6.4**	**4.9**	**2.2**	**2.0**	**2.3**	**2.5**	**2.6**

Consumer price inflation	6.3	5.3	4.6	4.1	3.3	4.5	4.7	4.4	4.5	4.5	4.2
Current account balance (% of GDP)	-2.7	-2.4	-3.0	-2.6	2.0	4.0	0.0	-1.1	-1.6	-2.1	-2.8
GFCF as % of GDP	17.4	16.4	15.9	15.3	13.7	13.0	13.3	13.6	13.9	14.1	14.4

Source: IDC, compiled using SARB data, IDC forecasts

Consumer spending is projected to increase at a rather modest pace in real terms over the medium-term. A growth rate of 2.0% is projected for 2022, taking household consumption expenditure to a level that is only slightly higher than the pre-pandemic total in real terms. Several factors are likely to constrain household spending in the shorter term, including high levels of consumer indebtedness and consequently weak demand for and/or limited access to new credit; record high unemployment and concerns over job prospects; modest increases in disposable incomes; inflationary pressures and rising interest rates.

Public finances could show a gradual improvement as revenue collection may still benefit from relatively favourable conditions in commodity markets in the short-term. However, tax receipts from the mining sector are likely to fall well short of the levels recorded in fiscal year 2021/22, as global demand moderates and commodity prices potentially adjust downwardly. Nonetheless, gradually higher levels of overall economic activity going forward should result in increased fiscal revenues. If accompanied by restraint on the expenditure side, as per government's commitments, this should translate into progressively narrower fiscal deficits over the forecast period. Even though credit rating agencies are expected to maintain South Africa's sovereign ratings unchanged for the time being, the fiscal performance will be closely monitored.

A recovery in private sector fixed investment activity is anticipated during the outlook period, initially dominated by capital spending on maintenance and technology upgrading, but subsequently also of an expansionary nature as existing production capacity is increasingly utilised across several industries and new investment opportunities emerge. The latter include renewable energy and embedded electricity generation, infrastructure-related public-private partnerships (PPPs), telecommunications, hydrogen, the green economy and agriculture.

Constrained finances will continue limiting infrastructure investment by the public sector, in the process affecting many supplier industries which are reliant on such capex spending. Nevertheless, private sector participation in infrastructure development is anticipated by means of capital funding and through PPPs.

Following a strong rebound in 2021, South Africa's export performance is expected to moderate over the outlook period, taking it to an average annual growth rate of around 3.0%. World trade is expected to remain reasonably strong in 2022, but the rate of increase in global import demand is projected to moderate over the remainder of the outlook period, potentially affecting South Africa's exports.

Domestic demand for imports is expected to increase steadily over the outlook period, given the relatively high import-intensity associated with fixed investment activity and consumer spending in South Africa. A gradual improvement in the economy's performance going forward is likely to result in higher demand for imported capital goods for fixed investment purposes, whilst demand for consumer-related items may rise as household spending expands at a faster pace, especially towards the latter part of the outlook period. The successful implementation of localisation and import substitution initiatives may result in a progressive reduction of the economy's import-reliance over time, but the replacement process is likely to be gradual.

The Rand will remain susceptible to factors such as the pace of monetary policy tightening abroad and domestically; international investor sentiment towards emerging market assets; developments regarding the terms of trade and South Africa's balance of payments; the fiscal performance and the evolution of related risks; the general performance of the domestic economy and its political landscape. A fair amount of currency volatility may be expected in the shorter term, particularly as the normalisation of monetary policy gathers momentum internationally and locally. However, the Rand is projected to depreciate gradually over the outlook horizon, largely in line with inflation differentials.

Considering a slight worsening of the inflation trajectory, the MPC is expected to react decisively to contain inflationary pressures by hiking interest rates quite aggressively over the next 12 to 18 months, followed by a more gradual tightening in monetary policy.

2.2 Internal Environment

Internally, and as depicted in Table 2 below, the Corporation is set to face strong headwinds during the planning period despite opportunities to support economic recovery. In line with advancing sustainable industrial development and economic inclusion, the IDC will also continue to build on its success of developing black industrialists and support to youth and women entrepreneurs and black-owned companies.

The Corporation undertakes an assessment of risks on an annual basis. Included in the threats below are the IDC's twelve key strategic risks. More information on the strategic risks can be found in Annexure K.

Table 2: Summary of Strengths, Weaknesses, Opportunities and Threats

STRENGTHS	WEAKNESSES
• Knowledge and networks • Strong reputation with funders/sources of capital • Industry research capacity and capability • Strong corporate governance • Reputation as an effective organisation • High calibre of professionals and dedicated support • Increased financial capacity following a recovery in its balance sheet after the impact of Covid-19	• Portfolio concentration in resource-based sectors and single counters resulting in volatility and income concentration • Proportion of high-risk clients in portfolio and difficulty turning around underperforming subsidiaries and significant investments • High level of impairments and non-performing loans • Sub-investment grade credit rating
OPPORTUNITIES	**THREATS**
• Increased cooperation by social partners to drive economic recovery • Contribution to the development and implementation of industry Master Plans to drive development of priority industries • Further integration of SA businesses into continental and global supply chains as companies all over the world seek to diversify sources of supply of input products • Import replacement and localisation in the domestic market, especially on the back of infrastructure investment • An increased awareness of the importance of environmental sustainability giving impetus to greening of industries providing opportunities for investment in the Green Economy • Increasing our role in other sustainability funding • Increasing investment by private firms in electricity generation capacity • Investment in infrastructure development to build a strong base for industrialisation • Contributing to spatial equity initiatives to improve economic development in the country's poorer areas • Acceleration in the uptake of the digital revolution • A worldwide imperative to reducing inequality and continued emphasis domestically to address transformation of the economy • Altering patterns of globalisation, opening up space for a greater degree of regionalisation, localisation and local beneficiation • Closer cooperation with other DFIs, SOCs and other economic development entities • Increasingly building a high-performance culture in the IDC • Proactively demonstrating IDC's impact on the country's development to improve the organisation's reputation	• Growing instances of civil unrest resulting in lower levels of investor confidence • Rising unemployment rate and development deficit means IDC needs to further increase its impact • 4IR challenging existing business models • Unreliable electricity supply and other infrastructure deficits impacting on development agenda • Expectations for IDC's potential impact outweighing resources • Clients not being able to meet obligations to IDC contributing to liquidity challenges for the corporation • Non-compliance with legislation and regulations

Strategic Priorities

3 STRATEGIC OVERVIEW

3.1 Strategic Mandate

The IDC mandate is to proactively maximise its development impact through effective and sustainable industrial development, not only in South Africa but across the continent. Core to this mandate of supporting economic growth is to create sustainable direct and indirect employment through industrialisation and contributing to an inclusive economy. Inclusivity efforts include funding Black Industrialists, black-owned companies, women, and youth-entrepreneurs as well as broad-based empowerment. IDC achieves this by leveraging on and supporting implementation of government's industrial policy.

As part of government's integrated drive to support industrialisation, the dtic, in 2021, developed seven joint-KPIs with the aim to coordinate activities of its agencies towards the common goals that industrial and trade policy aims to achieve. The IDC directly contributes to the implementation of several of these policies. The joint-KPIs have since been reconfigured into three broad categories as shown in Table 3 below. The majority of indicators are already catered for in the IDC's existing scorecard. Any additional indicators that apply to the Corporation will be accommodated in the quarterly reporting to the dtic.

Table 3: Revised J-KPIs

A) Industrialisation	B) Transformation	C) Delivery/capable state
i) Sector Partnerships: Master Plans ii) Localisation outcomes iii) Beneficiation initiatives iv) Covid industrial production v) African and Global Exports vi) Green economy initiatives vii) Investment expansion/promotion	i) BEE promotion and review (black industrialists, women, youth) ii) Worker empowerment measures/outcomes, where appropriate iii) Structure of economy: addressing economic concentration and/or SME promotion iv) Township economy: measures to promote opportunities in the Township economy v) District Model Reporting: key outputs and outcomes of an entity to be reported in the framework of the 52 spatial units, to the extent possible. Such reports to also include work that may affect SEZs and Industrial Parks, where relevant. vi) Integrated Delivery: entities to identify and implement measures to integrate their work with that of other public institutions in the 52 districts	i) Building the entity staffing and governance capacity and quick-response ii) Shared-services with the dtic or between entities iii) Integration of work and mandates across relevant dtic-institutions iv) Rationalising functions between the department and entities v) Addressing red tape and compliance in internal processes, including targets on turnaround times vi) Review of legislation and regulations affecting an entity to identify possible reforms to improve the ease of use to external users and create more agile institutions vii) Coordinating with other parts of the state to ensuring effective outcomes on mandates and the industrialisation/transformation agenda

While fulfilling its developmental mandate, the IDC needs to ensure its long-term sustainability through prudent financial and human capital management, whilst safeguarding the natural environment.

3.2 Investment philosophy (Twin Pillar Approach)

IDC is focusing on contributing to economic growth, industrial development, and economic empowerment through its financing activities. IDC generally operates within the traditionally prescribed DFI role, which is to provide development finance to address market failure, encourage private sector development and at times provide financial products that are not readily available in the market or supporting entrepreneurs that cannot access financial products through conventional channels. It thus typically takes higher risk than

other financiers. DFIs play this catalytic role while maintaining a balance between the developmental outcomes and financial returns achieved through their funding activities.

3.3 Strategic Overview

The focus of IDC is to intensify execution on its development mandate in the period covered by this Corporate Plan.

In 2020/21 the implementation of the Corporation's strategy was disrupted by Covid-19 as the IDC had to reposition itself to deal with the pandemic's impacts. The original plan was centred around the Government's commitments outlined in the *National Development Plan* (NDP). The *Economic Reconstruction and Recovery Plan* (ERRP), developed during the high of the pandemic along with the NDP and industrial policy continue to provide a planning framework for the Corporation for the implementation of economic strategies in South Africa to reshape the economic landscape for better developmental outcomes.

Figure 5: Continuously Strengthen IDC's Twin Pillars of Financial Sustainability and Development Effectiveness

This LTSP was informed by a need to accelerate execution of interventions that are necessary to turn around the economy and address the structural challenges of inequality, high unemployment, and poverty.

The focus for the 2021/22 financial year was to create a culture of execution to drive tangible outcomes in terms of the strategic priorities highlighted above. To this end, a Transformation Project Management Office (TPMO) was established, to drive execution with rigour and vigour, using project management principles.

Figure 6 shows a summary of the six priority areas that the IDC aimed to address in 2021/22. Implementation progress is discussed in section 3.3.1.

The IDC's strategic priorities (see Figure 5) remains relevant. The Corporation will continue to strive to be more effective in delivering its development outcomes by continuing to build a capable organisation with the financial capacity to deliver on its development mandate. Despite overall strategic priorities remaining relevant, there are some emerging priorities that the IDC will address in its strategy for 2022/23. This is discussed in section 3.4.

3.3.1 Implementation of the 2021/22 Priority Initiatives

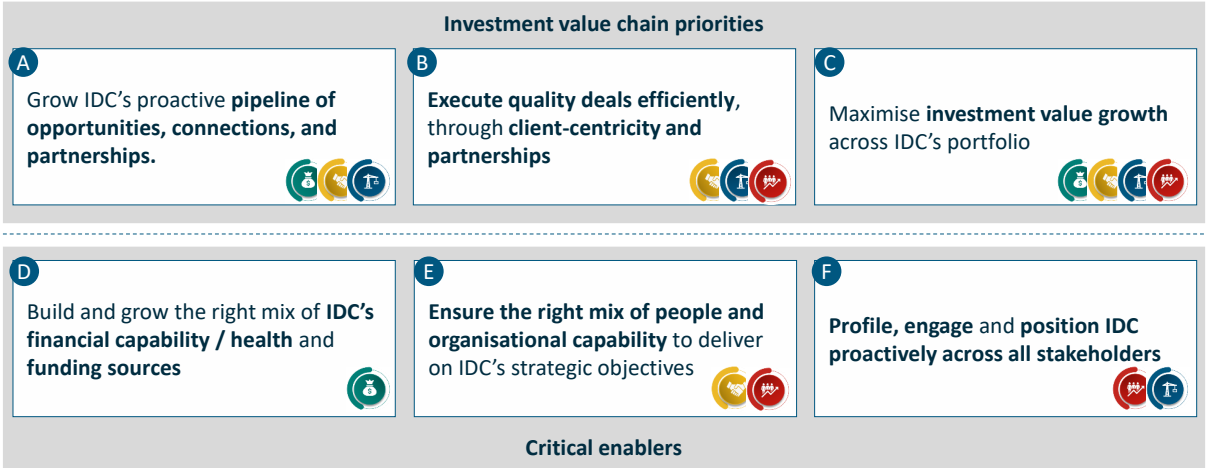


Figure 6: Priority initiatives for 2021/22

As mentioned above, six implementation priority areas were identified in 2021. Table 4 shows some of the key outcomes achieved. The implementation of these initiatives has addressed many of the shortcomings that existed within the organisation that were impeding its ability to realise its full potential in making a material impact in economic development.

Table 4: Implementation progress of priority initiatives

Priority initiative	Progress to date
Grow IDC's Proactive Pipeline of Opportunities, Connections and Partnerships	• Reorganisation of the client-facing divisions to increase capabilities to deliver on project development, industry planning, and proactive deal sourcing resulted in an increasing portion of the IDC pipeline of potential transactions being proactive. • The IDC completed development of several industry development plans to support implementation of the industry Master Plans and other industry priorities. These include plans for the poultry, steel, renewable energy components, hydrogen value chain, and automotive industries. Implementation of these plans are underway and impact on developmental outcomes will be realised in the 2022/23 financial year. • Increased dealflow in the third quarter of 2021/22 (R6.3 billion approved in Q3 2021/22 vs. R5.3 billion in Q2). • A significant improvement in the pipeline of deals and project to be funded resulting from a dedicated market coverage capacity (deal pipeline (deal development and due-diligence phases) consisted of 220 applications to the value of R27 billion). • Strong alignment to support priority industries (Funding committed and facilitated for IDC priority sectors and Master Plans as at 21 January 2022 stood at R18.1 billion). • Increase jobs outcomes – to a large extent driven by significant activity for Post-Unrest Business Recovery (16 500 jobs expected to be created and saved by funds committed from April 2021 to January 2022). • The increased focus on project development has already resulted in approval of investment in one project with project development funds approved for several more (total project pipeline as at the end of January 2022 consisted of 51 projects to the value of R38 billion).
Execute Quality Deals Efficiently driving client centricity and partnerships	• Deal Making Excellence focused primarily on the streamlining and improvement in the deal development process to enhance the customer experience. To this end, a project to streamline processes to remove red tape was executed, with some positive results already visible. Initial outcomes show an improvement in

	turnaround times and an improvement in the organisation's operational maturity in terms of client experience. • Changes in processes for applications considered under the PUB-RF (Post Unrest Business Recovery Fund) resulting in significant improvements in turnaround times to assess and execute transactions (approved 96 funding requests since the launch of the fund in August). Learnings from these are being applied to other IDC processes to improve responsiveness throughout the organisation. • Additional initiatives focusing on digitalisation will continue in 2022/23.
Maximise Investment Value growth across IDC's portfolio	• Portfolio Value Creation made significant strides in cleaning and fixing the IDC portfolio, resulting in close to R1.4 billion cash inflows during the first seven months of the financial year. • In addition, clients with exposures totalling R1 billion, who were facing financial difficulties, have improved after successful turnarounds and restructurings.
Build and growth the right mix of IDC's financial capability/ Health and Funding Sources	• A detailed business case was completed for Balance Sheet optimisation and implementation thereof is currently underway. • Recommended solutions include a diversification strategy, optimal asset mix strategy and detailed funding options for IDC, most of these recommendations have been approved and are at various stages of implementation.
Ensure the right mix of people and organisational capability to deliver on IDC's strategic objectives	• In the People Capability theme, key leadership interventions such as structured thinking and EQ Personal Mastery training was conducted, early indications show that the training has yielded some positive results especially with the structured thinking training, which has resulted in better quality credit submissions and as a consequence, better decision making. Strides are also being made in the organisational culture project, with a number of interventions being implemented. Employee engagement has improved significantly through targeted interventions throughout the financial year. These efforts will be accelerated in the new financial year.
Profile, Engage and position IDC proactively across all stakeholders	• Proactive positioning and stakeholder engagements have resulted in a marked improvement in IDC's overall brand sentiment which has consistently improved over the last year from a positive sentiment of 26% in Q2 to a 43% sentiment in Q3 and continues to improve in Q4. Focused internal communications and engagements were also successful.

3.4 Emerging Priority Initiatives and Key Programmes for 2022/23

The strategic focus areas defined in our strategic framework remain highly relevant for the IDC. Implementation of initiatives in 2021/22 has built the base for the IDC to significantly increase its impact going forward. Priority initiatives and programmes therefore emphasize delivery against IDC's industrial development mandate and national priorities such as the Economic Reconstruction and Recovery Plan. There is however a need to continuously review and identify areas where additional improvements can be made, and impact can be increased. This section outlines these focus areas for 2022/23.

Development Effectiveness

The IDC's development model is driven by industry development. To this end, the IDC has reviewed the priority industries that it will focus on to support the implementation of policies to drive development impact. These industry focus areas are at the centre of IDC's drive to increase development effectiveness. In supporting the development of these industries, the IDC will deliver on key development outcomes identified in J-KPIs. Some outcomes such as transformation are cross-cutting and addressed across all these industries.

Figure 7 shows the priority industries that IDC has identified considering several factors including government priorities, opportunities for job creation, growth forecasts, emerging industries, localisation and a need to support industries through difficult economic conditions. It also shows how these industries support various policy priorities.

The initiatives highlighted below emphasise the key priorities that the organisation will focus on over the next year to ensure a step-change in its development effectiveness.

1. ***Job creation and employment***: The IDC will continue to drive jobs rich industrialisation in its priority sectors (figure 7). A focus will also be on the following flagship initiatives to boost jobs impact:

   a. **Master Plans:** Ramp up support for the implementation of Industry Master Plans. This includes implementing a bespoke intervention to ensure stabilisation and growth in the clothing, textiles, leather and footwear industry; continued support for the poultry industry by assisting new entrepreneurs to establish themselves and grow their presence in the industry; working with other stakeholders to use sugar cane as a feedstock in other products to alleviate pressure on sugar producers that have been facing declining demand; implementation of a project to produce direct reduced iron that will reduce input costs for the steel industry as well as other initiatives in the steel value chain; and continued support for localisation and transformation in the automotive value chain.

      Where IDC is considering its role in the development of the industries prioritised in the Master Plans, it takes a view of the full value chain with an aim to improve competitiveness of the value chain, this includes consideration of new technologies where South Africa has a competitive advantage.

   b. **Township Economy**: Implement a comprehensive programme to support the development of township economies. This will include coordination of different role-players to improve access to finance, introduce policies to lower the barriers of entry for SMMEs operating in townships, and de-risking SMMEs through effective business support. The initiative aims to bring together DFIs, government, private sector funders, and NGOs to provide this support. Internally, the Corporation will review the sectors it invests in, in order to expand on any other potential township investment sectors and also prioritise internal resources and processes to support this.

   c. **Social Employment Fund**: The Fund is an initiative of the Presidential Employment Stimulus (PES) which was created to counter job losses and create opportunities for growth and renewal. The fund seeks to contract non-state actors to create and deliver part-time work that serves a common-good purpose. These will be jobs that support the Sustainable Development Goals or that improves the quality of life in communities, with a focus on poor, marginalised and disadvantaged communities and groups.

2. ***Transformation****:* Continue to support Black Industrialists, black-owned companies, women-entrepreneurs, and youth-entrepreneurs. In addition, the IDC will improve its service offering for broad-based groups to take meaningful ownership stakes in businesses. A new framework to increase the participation of women in the manufacturing sector has been developed and will be implemented in 2022/23.

3. ***The Green Economy and ESG***: Various opportunities exist for IDC to increase its role in decarbonising the South African economy. As part of its comprehensive approach to address environment, social and governance (ESG) in its investments, some specific initiatives which also promote industrialisation include:

   a. **Renewable energy:** Continued support for the funding of projects forming part of the Renewable Energy Independent Power Producers Programme (REIPPP), with a focus on supporting black and community participation in projects. The Corporation will also increase the support to private sector businesses in the industrial and commercial sectors to establish their own generation

capacity. The Corporation will further promote the local manufacturing of components for the renewable industry.

b. **Hydrogen economy:** Implementing the IDC's Green Hydrogen Action Plan. The plan aims to support South Africa's ambition to produce at least 4 million tonnes of hydrogen per annum by 2050 and consists of the following components: (i) Industry leadership through strategy planning and co-ordination; (ii) Project Development (at this stage nine projects have been identified for development); (iii) Business Development around localisation opportunities; (iv) Partnerships (such as the relationship with KfW, CSIR and others) (v) Policy and Regulatory Advocacy to facilitate an optimal regulatory environment.

c. **Alternative manufacturing technologies:** Implementation of a project that will introduce a new more environmentally friendly process to refine platinum, one of South Africa's major export commodities. Assist businesses to introduce new technologies that will support the decarbonisation of IDC's portfolio.

d. **Other Environmental, Social and Governance (ESG) Initiatives:** As a purpose-driven driven organisation, the IDC has been supporting environmental sustainability and ESG in its own operations as well as supporting investments in these areas and encouraging responsible ESG practices at its clients. There is however an opportunity for IDC to position itself more centrally as a financier in the broader ESG space and increase its role to develop the Green Economy. This will require the development and implementation of an all-encompassing ESG strategy. Opportunities for IDC to raise capital through Green Bonds and Sustainability Bonds to finance relevant projects will also be enabled.

The IDC's current position on coal investments entails a balanced perspective between short- to medium-term developmental objectives to ensure strategic supply to Eskom aligned to the IRP 2019. The Corporation's current exposure to coal mining projects is c. R3.8 billion (of which R2.4 billion is linked to Eskom supply) which represents 9 % of the total mining book and 3% of the total IDC exposure. The exposure to coal has declined from c.22% in 2020 following exits and cancellations and is expected to increase to 12% of the mining portfolio until 2025, remain constant until 2030 and thereafter decline to meet 2050 net zero targets (i.e., the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere). The coal investment strategy is reviewed on a continual basis.

4. ***Agriculture and agro-processing:*** Apart from support for the Master Plans highlighted above related to the poultry and sugarcane Master Plans, the IDC is pursuing several projects in this labour-intensive sector. These include projects using agricultural commodities as feedstock in industrial processes (e.g., Sugar-based Bio-jetfuel, Bioplastics), high-value horticulture (e.g., seedless lemons, horticulture around the lower-Orange river), and community forestry projects.

5. ***AfCFTA:*** IDC will be partnering with businesses to take advantage of export opportunities for South African products, input sourcing for SA value chains and broader regionalisation as a result of the implementation of the AfCFTA.

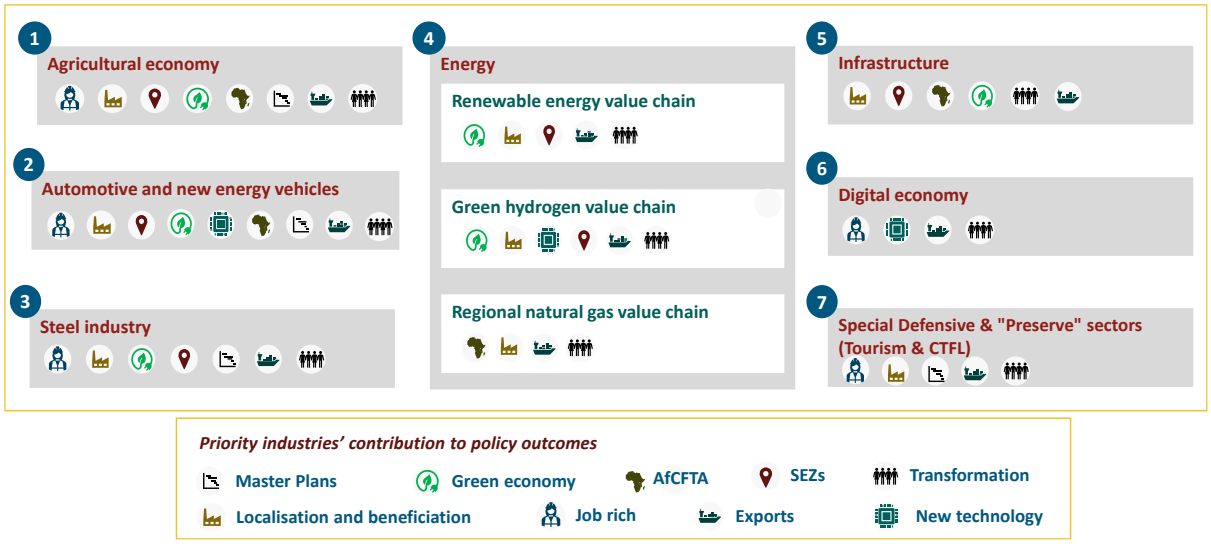


Figure 7: IDC priority value chains as a model to deliver on development outcomes

Portfolio Value Creation

IDC's post investment support division, Client Support and Growth (CSG) will continue to embed its new ways of work and ensure that impairments are managed through the continued focus on cleaning and fixing the IDC Portfolio. These initiatives will also focus on the IDC's subsidiaries with the objective of turning these investments around. Furthermore, a differentiated and focused approach to managing the Rest of Africa portfolio is being developed to improve the overall risk profile of this portfolio.

Since commencement of the implementation during 2021, efforts to turn around portfolio performance are starting to show results. As mentioned above, the initiatives are premised on a three-pronged approach that consists of:

i) "Cleaning" investments through sales of IDC's equity stakes in the business or settlement by the business of existing loans;
ii) "Fixing" businesses that can be turned around and returned to profitability; and
iii) "Managing" performing investments with the objective to optimise value creation going forward.

Implementing this initiative has gone hand-in-hand with a review of the processes, structures, and capabilities required to more effectively manage the portfolio in the future.

More detail on efforts to improve the performance of major subsidiaries are discussed in section 3.7 below.

Financial Health

This strategic theme will primarily focus on the IDC's diversification strategy to reduce volatility and concentration risk on IDC's balance sheet. Some of the interventions to achieve this diversification strategy will include reducing the IDC's concentration risk from a few sectors (predominantly chemicals, mining, and metals); reducing the volatility level of the IDC in line with acceptable market volatility levels and stabilising the dividend income of the IDC through a diversified portfolio.

People and Other Organisation Capabilities

This strategic theme will continue with the implementation of various initiatives such as the enhancement of the performance management architecture, continuous leadership improvement interventions, enhanced rewards, and recognition framework and most importantly the implementation of the Organisational Culture project. In addition to the aforementioned, talent management and succession planning will be a key emerging priority for this strategic theme. A key focus of the current period is the

building of capacity in middle management to support succession to senior management in the years to come and enhance delivery against the IDC mandate. These interventions include upskilling in both key business development and strategic competencies, 'on the job' coaching to build on existing skills in middle management to further boost productivity and communication.

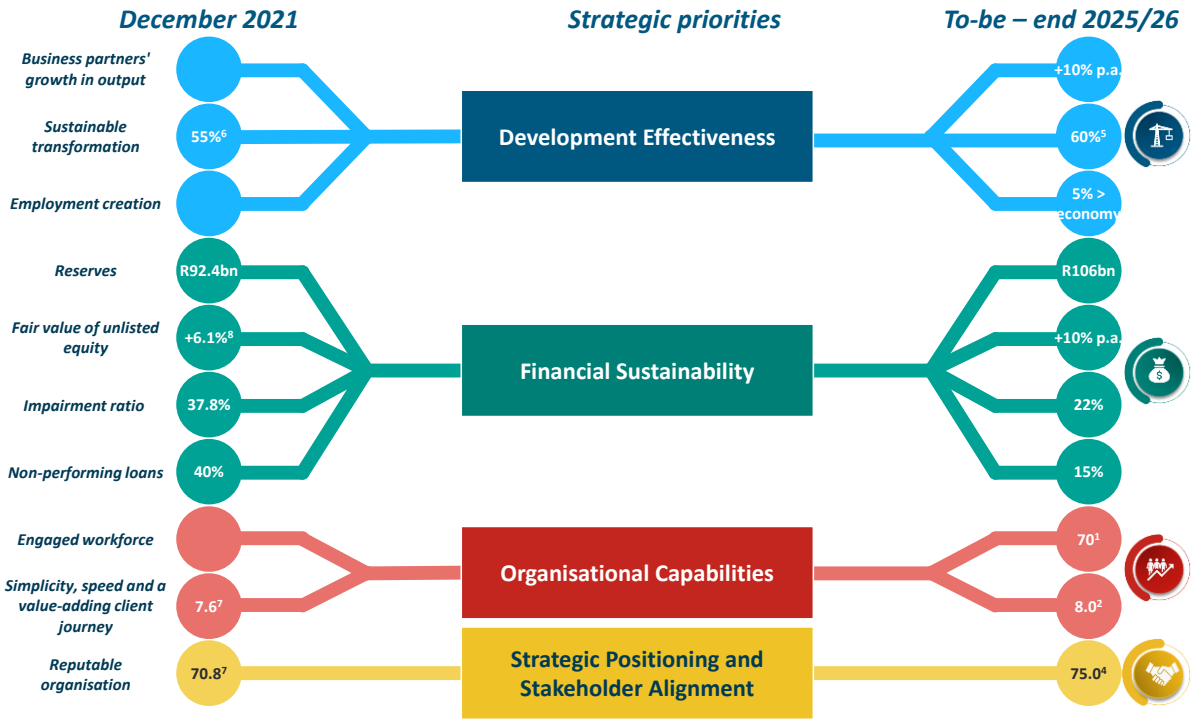
Other organisational capabilities will focus on the review and optimisation of the IDC's operating model to ensure that the Corporation has adequate capabilities to drive strategy execution. The digital transformation project will continue to leverage on technology to drive growth capability and improve efficiency.

Proactive Positioning and Engagement

This strategic theme will continue to focus on improving stakeholder engagement with specific focus on alignment with the shareholder and improving the IDC equity story. There will also be a strong focus on change management across all strategic priorities to ensure that a culture of execution is embedded in the organisation.

3.5 Long-term Goals

In the 2021/22 Corporate Plan, the IDC committed to achieving a range of long-term goals that it aims to achieve by 2025/26.



[1] Net promoter score; [2] Customer satisfaction index; [3] Avg. for surveys 2016 to 2020; [4] Reptrak survey; [5] Share of number of clients in portfolio in targeted groups; [6] Includes targeted groups plus companies with black shareholding of more than 50%; [7] 2020 figures; [8] 31 March 2021 to 31 January 2022

Figure 4: Five-year aspirations as per 2020/21 Corporate Plan

Although only parts of the year have passed, there has been some positive development on some of the financial indicators with the value of reserves as well as the value of the unlisted equity portfolio improving. Other financial indicators such as the impairment ratio and non-performing loans have not started to trend positive yet; however, we are expecting some improvements by year end as the implementation of approved interventions take effect.

3.6 Key risks to implementation of the strategy

Risk	Description	Potential impact	Mitigation
Further downgrade of IDC credit rating	An additional ratings downgrade for IDC over and above the two downgrades in 2020.	This will increase the cost of funding for IDC and put pressure on it to increase pricing to its customers. This will lower its ability to reduce the risk profile of its portfolio by attracting medium-risk clients. It could also reduce its ability to raise funding.	IDC's financial position has improved significantly compared to a year ago when the corporation was downgraded. Ongoing stakeholder management with lenders.
Weak global and domestic growth	Lacklustre recovery in macro-economic conditions.	Downward trend in business confidence continuing. This could result in partners delaying implementation of projects and lower demand for funding for expansions of capacity.	Focus on industries alleviating some of the risks e.g., renewable energy and maximising development impact from those investments through localisation to increase development outcomes. Leveraging of other infrastructure investments to increase dealflow and development impact. Increased proactive project development to build a strong pipeline of internally developed projects. General focus on proactive deal development, improving development impact, and contributing to the implementation of policies aimed at addressing unemployment and poverty.
Social unrest	Further social unrests related to service delivery and poverty.		
Electricity availability	Continued high frequency of power cuts.		
Disengaged Employees	Employees remain disengaged due to ongoing trust issues within the organisation.	Targets not being met	Greater emphasis on change management and engagement throughout the organisation to improve trust and consequently achievement of desired outcomes.
Supply chain disruptions	Supply chain disruptions caused by Covid –19 continue to hold back recovery of the economy.	IDC not directly impacted, however IDC clients who are dependent on imports might pay higher prices and face supply constraints which in turn affects profitability.	Continuous portfolio management to identify clients who are facing difficulties.
Hyper Inflation Environment	Periods of extremely high inflation wherein prices rise more than 50% for at least a month.	Further downturn in the economy which would delay projects and investment.	Focus on playing a counter cyclical role, increasing investments into localisation efforts and sector diversification
Share price performance	Volatility in share prices.	Breaching prudent debt/equity levels and loan covenants.	Implementation of a diversification strategy for the listed equity portfolio. Strategies to improve the value in the unlisted portfolio to have a more diversified overall portfolio with less reliance on the performance of listed shares.
Inefficient collections	Reduced collections.	Increasing levels of non-performing loans and impairments. Reduction in cash inflows and liquidity.	A comprehensive pre- and post-investment strategy that gives better control of the quality of deals as well as the collection of payments due.
Deteriorating Impairment levels	Higher impairment levels than expected.	Negative impact on financial sustainability	

3.7 Subsidiaries

IDC obtains a controlling stake in companies from time to time mainly resulting from:

a) Project development activities where it takes a controlling stake in a company to establish the project
b) Restructurings of funding facilities where debt is converted into equity resulting in a controlling stake for IDC.

It is never IDC's intention to hold a controlling stake in these companies for an extended period of time, however the IDC must also consider the value that can be realised from these investments before exiting.

Over the past number of years, many of these companies have faced financial difficulties. These stem from various factors including an inability to compete, outdated equipment and challenging economic conditions. IDC has been working closely with the board and management of these businesses to develop and implement strategies to turn the companies around and retain the industrial capacity and associated jobs. Where relevant, these strategies, most of which form part of the IDC's "clean and fix" activities outlined above are summarised in the sections below.

The subsidiaries listed below are companies over which IDC exercises control and to which it has an exposure of R500 million or more. It does not include subsidiaries forming part of the mini-group i.e. Findevco (Pty) Ltd., Impofin (Pty) Ltd., or Konoil (Pty) Ltd., which form an integral part of IDC's funding operations.

3.7.1 Foskor (Pty) Ltd

IDC established Foskor in 1951 and currently owns 59% of the company, with a foreign shareholding of 15% and the balance of 26% being held by management, workers and B-BBEE investors. Foskor's main activities involve producing and exporting phosphate-based fertilisers and phosphoric acid. The company employs about 1 800 people at its phosphate mining operations in Phalaborwa and its phosphoric acid production plant in Richards Bay. Foskor plays a strategic role in the South African agricultural sector as the only integrated phosphoric acid operation in the country and creates valuable linkages to the fertiliser industry.

Foskor has been making losses for several years, and technical problems at the Richards Bay plant continue to have a negative impact on Foskor's cashflows. This has also been exacerbated by volatile market conditions. Over the last five years, the IDC has disbursed about R3.7 billion in support of turnaround efforts and operational improvements. By March 2021, the revenue from Foskor increased by 10% from the previous year to R4.5 billion. This was mainly driven by the turnaround plan that was developed and approved in early 2020. The company however still posted a loss of R2.2 billion compared to a similar loss posted in 2020.

The IDC has been providing most of the funding required since Foskor's establishment. To date, minority shareholders have either not been able to provide additional capital or have chosen not to assist Foskor. It was therefore important for the IDC board to approve the turnaround and begin a process of introducing a Strategic Equity Partner (SEP) into Foskor.

In April 2020, the IDC Board approved a turnaround plan for Foskor with the view of increasing production in both the mine and the plant as well as to generate cost savings. The services of a foreign shareholder on the acid plant and a consulting service provider on the mine have been enlisted to drive the turnaround plan. The IDC provided funding for the turnaround plan with some positive results emerging as a result thereof.

3.7.2 Small Enterprise Finance Agency SOC

The Small Enterprise Finance Agency (sefa) was incorporated on 1 April 2012 in terms of Section 3(d) of the Industrial Development Act as a development finance institution with a mandate to provide financial support to SMMEs and Co-operatives. The institution was formed through a merger of Khula Enterprise Finance and the South African Micro Apex Fund (SAMAF). sefa is a wholly-owned subsidiary of the IDC and reports to the Minister of Small Business Development, its Executive Authority. sefa functions as both a wholesale lender, capacitating SMME financial intermediaries, and as a direct lender to SMMEs and Co-operatives, in support of government economic policy.

sefa continues to under-perform financially and on its development mandate. The reason for the poor performance is due to a multitude of factors, the most significant being the riskiness of the sector in which sefa operates. The impact of Covid-19, lockdown restrictions and subdued economic performance also weighed heavily on sefa clients during the 2021/2022 financial year. In addition to these factors, the recent violent protests in KwaZulu-Natal and Gauteng adversely affected the SMMEs and informal traders with stock losses, damage of property and business interruptions.

In 2020, the department of Small Business Development had indicated to the IDC that it was considering consolidating Seda, sefa and NEF and in August 2021, Cabinet took a decision to merge sefa and Cooperative Banks Development Agency (CBDA) into the Small Enterprise Development Agency (SEDA) with effect from 1 April 2022. The rationale behind the proposed single agency is that it will provide both financial and non-financial support to these businesses. By pooling all the resources together, it is envisioned that the agency will be more impactful and accessible in all the districts and metros. To this end, the department has established a Joint Oversight Forum (JOF) to provide political and commercial oversight and management over the undertaking and implementation of the merger and/or consolidation of the business and operations of CBDA, Seda and sefa to form one Small Business Development Agency (SBDA) (interim name).

The focus of the IDC regarding sefa post the transfer of shareholding and strategic oversight, is to contribute meaningfully to the JOF to ensure the successful integration of the sefa, CBDA and seda into the SBDA.

3.7.3 Cast Products South Africa (Pty) Ltd

Cast Products South Africa (CPSA) started operating as a standalone business on 1 March 2018 following the unbundling of Scaw. In this regard, Scaw was divided into three separate companies, with CPSA being one of them. CPSA is a key local supplier of wheels, locomotive frames, and wagon build components to Transnet Freight Rail and Eskom. Furthermore, it plays an important part in South Africa's industrial capacity in the metals and engineering value chain. The strategic rationale behind the investment was to preserve industrial capacity in the steel sector.

The company is currently owned 85% by the IDC and the other 15% by Amsted Rail, the Strategic Equity Partner (SEP). In June 2021, Amsted announced its decision to terminate its seconded management agreement with CPSA. In addition, Amsted will not be participating in any future shareholder funding required by CPSA and is in the process of re-negotiating its technical support to the business.

In December 2021, as a result of financial distress, the board of CPSA resolved to restructure the company under the protection of business rescue. The situation was exacerbated by production inefficiencies due to loss of skills and the instability experienced in key management positions. Following the business rescue resolution, IDC approved a Post Commencement Funding (PCF) facility of R84.9 million. Business rescue practitioners (BRPs) were identified, and terms agreed. During January 2022, CPSA filed the resolution to put the company into business rescue resulting in the business rescue process commencing shortly thereafter.

3.7.4 Grinding Media South Africa (Pty) Ltd

Grinding Media South Africa (GMSA) was also established during the process of unbundling of Scaw and comprises of two divisions: high chromium media and forged media balls. Similarly to CPSA, the strategic rationale behind the investment was to preserve industrial capacity in the steel sector. GMSA is the leading producer and market leader in the supply of high chrome and forged grinding media in Africa for the platinum, gold, ferrochrome, base metals, power generation and cement industries. GMSA is one of the few grinding media operations globally with the capability and intellectual property to produce both high chromium and forged grinding media.

The IDC successfully introduced an SEP, Maggotteaux in GMSA during August 2018. Maggotteaux took over management with an initial shareholding of 15% with an option to increase the shareholding to 51% within four years from 1 August 2018 depending on achieving certain milestones. The current shareholding comprises of IDC's at 59%, BEE at 26% and the SEP at 15%.

Maggotteaux started implementing initiatives to improve the performance of GMSA. However, the performance has been impacted by i) intense competition from imports specifically on high chrome media in the first two and a half years after Maggotteaux took management control, ii) business slowdown as a result of the Covid-19 pandemic in FY2021 and iii) unprecedented increase in key input costs (scrap and ferrochrome), in the last quarter of FY2021 which continued through the first two quarters of the current FY2022, and the challenges of time lag to pass on the costs to its customers. The above challenges resulted in GMSA under-performing compared to its budgets during the period. GMSA successfully applied for import duty on high chrome media, which was approved and implemented by the dtic in September 2021. It also re-negotiated special price increases outside the contract arrangement which became effective in September 2021 resulting in improvements in its financial performance. The company is currently experiencing a surge in demand for its products following the production uptake in the mining sector.

The projected performance for FY2022 is forecasted to be behind budget primarily because of the weak performance in the first half. However, the company started experiencing a recovery in performance in the third quarter. GMSA's subdued performance to date will cause a delay in the plan to reduce IDC's shareholding in GMSA.

3.7.5 Thelo Rolling Stock Leasing (Pty) Ltd

Thelo owns rolling stock (i.e. locomotives, wagons and rail cars) and leases them out to other rail operators. Thelo commenced business in 2012 with its formation a response to the increasing need for reliable rolling stock in Sub-Saharan Africa. The company fills this market-gap by also offering financing solutions, thus alleviating constraints faced by rail operators (private and public) and freight owners (such as mining houses, agricultural and oil companies) in securing/allocating scarce financial resources to procure rolling stock. The IDC has a 50% shareholding in Thelo, with the investment seen as transformative in a capital-intensive sector. At inception, the IDC's involvement was conditional to a maximum of 10 years invested or once Thelo became financially independent.

Over 9 years, with the IDC's support, Thelo was able to develop and finance its operational plan and is deemed to be financially independent. The company is continuing servicing its obligations to the IDC.

Considering the above, the IDC has played its developmental role in this investment and is considering options of a partial exit or substantial reduction in its shareholding. This is also in response to Thelo's desire to restructure the company's shareholding by way of introducing B-BBEE partners directly into Thelo. If implemented, the company's black shareholding will increase from the current 50% to 90%. It is envisaged that this will be a significant competitive advantage for the company as it tries to secure further contracts.

3.7.6 Prilla (Pty) Ltd

Prilla is a cotton spinning mill which was established in 1975 and is situated in Pietermaritzburg. The raw material (cotton) is mainly sourced from Zambia, Zimbabwe, and South Africa. The relationship between IDC and Prilla was initiated in 1992 when IDC provided funding to the company. Prilla is the only independent cotton yarn supplier in the country, spinning 100% cotton yarn for both knitting and weaving applications and yarn trading. It employs 300 people and supplies yarn to local weavers and knitters estimated to collectively employ 2 400 people.

Prilla's poor financial performance continued in 2020/21 with current years losses weighed against profits achieved in the previous years. Low-capacity utilisation at towelling and knitting manufacturers which was impacted by the slowdown in the retail sector, is one of the major reasons for the poor financial performance. The current uncertainty in the global markets coupled with the consequences of the Covid-19 pandemic further compounded the situation.

Consultants, together with the IDC and Prilla have developed a turnaround plan which is under consideration by management.

3.7.7 Sheraton Textiles (Pty) Ltd

Sheraton is a manufacturer of home textiles from two factories in Cape Town and Pietermaritzburg. The IDC acquired 80% of Sheraton's shares in 2009 as part of a rescue plan and the additional 20% was taken over at the request of the minority shareholder in 2016 in settlement of its obligations to the IDC.

The company has performed reasonably well under trying economic conditions in the past few years, posting profits annually up until March 2019.

The company was affected by the lockdown during the Covid-19 pandemic which led to both reduced orders from retail clients as well production losses. The company was also impacted by the civil unrest in June 2021, resulting in lost orders, lost manufacturing days as well as disruptions to the companies supply chain. In this regard, IDC assisted the company with working capital funding of R15 million from the Post Unrest Business Recovery fund.

IDC together with the Sheraton board, approved a Value Creation Plan aimed at growing revenues, achieving greater efficiencies thus increasing profitability, ensuring long term sustainability, and ultimately creating a higher value for Shareholders. Shareholder funding during 2020 and 2021 has assisted Sheraton to purchase and revamp a new state of the art manufacturing facility in Cape Town. The new facility will alleviate current inefficiencies as well as rectify any health and safety concerns at the current premises. More streamlined production will create the potential for higher production capability. New customer acquisition as well as increased market share remains at the forefront of the sales strategy which will be supported by the increased production capability.

In contrast, the plant in Pietermaritzburg factory has seen a decline in its contribution to the revenue and profitability of the company with increasing productivity and efficiency challenges. These challenges have contributed to the decision to shut down the Pietermaritzburg plant as the cost to upgrade the site would far outweigh the benefits that could be accrued.

Strategic Outcomes

4 FINANCIAL PLAN

4.1 Capital Allocation

Capital Allocation is a process of distributing and allocating the capital available to IDC amongst Strategic Business Units to facilitate and ensure the achievement of the overall Corporate and sectoral strategic objectives. In the current Corporate Plan, these aim to increase development effectiveness and improve financial sustainability.

Over the next 5 years the IDC plans to disburse funding totalling R107 billion from its own balance sheet. The capital allocation is in line with IDC's strategy to emphasise the balance between financial sustainability and development effectiveness. Agro-processing, infrastructure and energy have a positive short to medium term outlook and can deliver aggressive development impact.

The Corporation continues to place greater emphasis on developing quality deals and projects' pipeline in its effort to migrate the current portfolio (skewed towards high risk) to one that is predominantly of a medium risk profile. IDC is enhancing its capacity to leverage and facilitate investments to ensure developmental outcomes and resultant benefits are achieved.

A breakdown of the capital allocation for funding directly from IDC's balance sheet per Strategic Business Unit (SBU) is provided in the table below.

Table 5: Capital allocated to different sectors

SBU	Historical approvals (5-years)		Allocation				
			2022/23	2023/24	2024/25	3 years total	% of total
Agro-processing and Agriculture	3 998	5%	1 981	2 159	2 664	6 805	9%
Media and Audio-Visual	1 226	2%	602	894	1 082	2 578	3%
Tourism and Services	3 869	5%	802	1 190	1 403	3 395	4%
Automotive and Transport	5 357	7%	2 069	2 155	2 490	6 714	9%
Chemicals, Medical Products & Industrial Mineral Products	15 055	19%	2 125	2 451	2 836	7 412	10%
Machinery, Equipment & Electronics	5 389	7%	1 303	1 573	1 888	4 764	6%
Textiles and Wood Products	3 529	4%	1 064	1 233	1 432	3 729	5%
Energy	5 662	7%	3 874	4 016	4 727	12 616	16%
Infrastructure	5 522	7%	3 291	3 766	4 454	11 511	15%
Mining and Metals	26 006	32%	2 738	3 744	4 568	11 051	14%
Industry Planning & Project Development	3 18/8	4%	886	1 390	1 892	4 169	5%
Small Business	2 423	3%	458	773	934	2 165	3%
Total	**81 224**	**100%**	**21 194**	**25 344**	**30 370**	**76 908**	**100%**

4.2 Financial Projections

The financial projections consider the affordability of the IDC's planned activities, balancing this with the expected delivery on its mandate. The budget is based on an optimal level of investment while maintaining financial sustainability. With global economies expecting to grow at pre-Covid levels, and IDC's balance

sheet having shown significant resilience, the Corporation is in a much stronger position to fulfil its development mandate.

The IDC is budgeting disbursements of R105 billion over the next five years.

Table 6: Financial Projections - IDC Mini-group

Mini Group R million	Estimate		Forecast		
Cash flows	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**TOTAL 3 years**
On-balance sheet advances (R'm)	7 961	20 000	20 080	21 416	61 496
External funds raised (R'm)	1 132	11 111	15 771	12 115	38 997
- of which foreign borrowings	830	3 161	4 071	3 415	10 647
Proceeds from sale of shares	918	485	393	3 635	4 513
Balance sheet	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**end-2024/25**
Financing at market values (R'm)	13 704	148 525	161 137	172 322	172 322
Borrowings (R'm)	37 838	45 067	54 881	61 257	61 257
Debt/equity (%)	35%	41%	48%	51%	51%
Impairments as % of portfolio at cost	34%	31%	29%	27%	27%
Total Assets	154 651	163 974	177 284	189 147	189 147
Income statement	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**TOTAL 3 years**
Dividend income	8 749	4 107	4 251	5 073	13 430
Interest and fee income	5 100	5 826	6 835	7 802	20 463
Borrowing costs	(2 113)	(2 641)	(3 444)	(4 461)	(10 547)
Impairments and bad debt write-offs	1 340	(2 044)	(1 739)	(362)	(4 145)
Profit Before Tax	10 343	2 992	3 546	5 588	12 126
Net operating income before capital realisations	9 797	2 891	3 362	5 211	11 464

4.3 Risk Appetite

The IDC's Risk Appetite refers to the aggregate level and type of risks the organisation is willing to accept to achieve its strategic objectives. A high-risk appetite will consume a much greater portion of the risk capacity, whilst a low-risk appetite will consume a smaller portion thus providing a greater buffer and reducing the vulnerability of the organisation's capital adequacy. The Corporation continues to effectively implement and monitor interventions to manage the approved Top Twelve Strategic Risks and other Operational Risks. These identified risks remain relevant and appropriate to the Corporation and adequately capture current and emerging challenges, both international and local.

The approved Risk Capital, Limits & Thresholds and Risk Appetite Metrics remain appropriate for the Corporation and are in line with the strategy to migrate to a medium to low-risk portfolio for the IDC.

Table 7: IDC Core Risk Appetite Metrics

Metric	Definition	Measurement Methodology	Threshold/ Limit
Average portfolio probability of default	The probability that a borrower/ group of borrowers will default	It is measured as an average probability of default based on the IDC internal risk grading model	<21%
Impairment Ratio	Level of cumulative impairments over the total portfolio at cost	Measured as a ratio of total balance sheet impairments over the total portfolio at cost (total impairments = cumulative expected credit losses (ECL's) on SPPI facilities plus negative fair value adjustments on non-SPPI facilities)	ECL ratio <27% Total impairment ratio < 29%
Non-performing loans Ratio	Loan book with capital more than 90 days past due over the loan portfolio at cost	Capital outstanding on loans that are more than 90 days in arrears, expressed as a percentage of the total loan book at cost	<15%
IFRS Non-Performing Loans Ratio	All stage 3 non- performing assets.	All stage 3 Solely Payment of Principal and Interest (SPPI) assets over the SPPI book	<25%

Metric	Definition	Measurement Methodology	Threshold/ Limit
Credit Loss Ratio	Level of actual credit losses incurred during the year as a percentage of the total portfolio	Measured as the ratio of the annual impairment charge per the income statement over the portfolio at cost	<5%
Write-off Ratio	Level of debt and equity written off during a financial year in relation to the capital base	Measured as a ratio of total write-offs post recoveries and expressed as a percentage of the IDC's capital	<0.75% of capital base
Debt to Equity Ratio	It measures the extent of the IDC's interest-bearing debt relative to its equity.	Ratio of total interest-bearing liabilities to the total equity.	60% + a 5% buffer for market volatility
Industry concentration limits	Industry concentration refers to concentrations in areas of the economy in which businesses share similar products or services and/or similar characteristics. The assigned limit considers the composite attractiveness model which considers the risk of the industry	The acceptable risk levels consider the probability of default as well as the loss given default of the portfolio.	Portfolio ECL capped at 30% of the Capital Base
Rest of Africa Portfolio limit	It measures the extent of the IDC's exposure outside South Africa.	The Rest of Africa portfolio limit is set at 30% of the IDC total capital	USD 1,735 million

Annexure K provides an overview of the IDC's strategic risks.

5 PERFORMANCE INDICATORS

IDC performance indicators for the coming period emphasise execution and support for key development outcomes while ensuring that the Corporation maintains a focus on its financial sustainability and addresses organisational capabilities and its reputation in the market. The indicators include both leading and lagging KPIs, mapping a path to achieve our strategic ambitions and the IDC that we aspire to. The indicators are aligned to the Joint-KPIs of the department of Trade, Industry and Competition.

To reduce the number of key indicators, KPIs have been divided into two groups. Table 8 shows the primary KPIs. These are the KPIs that form part of IDC's compact with the shareholder. These indicators focus on the IDC's twin-pillars of development effectiveness and financial sustainability. Development effectiveness focusses on key outcomes i.e. facilitating investment, addressing unemployment, and facilitating transformation.

Supporting indicators (Table 9) are indicators that IDC will monitor on an ongoing basis, will be included in divisional, unit and individual performance KPIs and, will form part of the Corporation's ongoing reporting to the Shareholder. Table 10 below expands on the KPIs that are related to the implementation of critical initiatives/projects which are aligned to the revised J-KPIs.

Table 8: Key performance indicators

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2022/23	Target 2023/24	Target 2024/25
Development effectiveness (60%)	a) Total investment flows facilitated	a) Total investment flows facilitated (R'm) (a1+a2+a3)	Measures the overall support of *Industrialisation* and *Transformation* groups of J-KPIs and in particular *Investment expansion*	42 242	48 019	54 926
	a1) IDC own balance sheet funding	a1) Value of on-balance sheet funding disbursed (R'm)		20 000	20 080	21 416
	a2) Managed development funds	a2) Value of off-balance sheet funding disbursed (R'm)		3 037	3 444	4 131
	a3) Co-funding leveraged/ syndicated/ catalysed	a3) Value of leveraged funding committed by other funders (R'm)		19 205	24 495	29 379
	b) Funds committed (financial close reached) and facilitated to support policy priorities: transformation	b1) Total funds committed and facilitated in support of transformation (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed funds). Transformation is broadly defined to include funding for Black Industrialists, black-owned companies, companies with broad-based ownership, trade union owned entities, women-entrepreneurs, and youth-entrepreneurs (R'm)	Measures contribution to J-KPIs for *BEE promotion and review (black industrialists, women, youth)* and *Worker empowerment measures/outcomes*. More detail on targets for specific groups contained in Supporting Performance Indicators	12 190	14 476	17 523
	b) Funds committed (financial close reached) and facilitated to support policy priorities: Localisation and beneficiation	b2) Localisation and beneficiation (R'm)	Measures contribution to J-KPIs for *Localisation* and *Beneficiation* outcomes	8 625	10 005	11 960
	c) Job creation and preservation	c) Number of jobs expected to be created/saved from committed funds (Number)	Measures the overall employment outcome of IDC's support of	32 353	36 778	42 068

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2022/23	Target 2023/24	Target 2024/25
			Industrialisation and *Transformation* groups of J-KPIs			
	d) Implementation of critical initiatives/projects	d) Achievement of milestones and outcomes for specific projects: • Township Economy Initiative • Social Employment Fund • Decarbonising the economy • Agriculture initiatives • Covid industrial production (see detail below)	Measures contribution to J-KPIs for *Township economy*, *Green economy*, some *Master Plan initiatives*, *SME promotion,* and *Covid industrial production*	90% of milestones/ outcomes achieved	90% of milestones/ outcomes achieved	90% of milestones/ outcomes achieved
Financial sustainability (40%)	e) Improve quality of the portfolio through i) managed exits of non-performing assets, ii) appropriate origination of quality deal flow, iii) turnaround actions	e1) Impairment ratio (total book) (%)	Financial indicators for IDC are an indication of a capable organisation. Although the dtic's guidance does not address financial outcomes, given the requirement on IDC to predominantly generate funding utilising its own resources and ensuring financially sustainable investment, these are measures of IDC's contribution to a *Capable state*	27.8%	25.9%	23.1%
		e2) Non-performing loans (NPIs) (%)		34%[1]	29%	24%
		e3) Achieve critical milestones in the turnaround plans for Cast Products SA, Grinding Media SA, Foskor and Kalagadi Manganese		**2022/23** Cast products: - September to March: Exceed BRP EBITDA targets by 5% Grinding Media SA: - R120 million EBITDA. Foskor: - Achieve R100 million EBITDA Kalagadi Manganese: - Lost Time Injury Frequency Rate (LTIFR) calculated per 200 000 workforce hours at zero - Increase volume production for 2022/23 by at least 10% to 132 000 tpm - Exceed baseline revenue and profit/loss by 5% as per base case model		
	f) Proactively driving and enabling the management of value increase of the IDC's unlisted portfolio	f) Appreciation in carrying value of unlisted investments (excluding listed assets) (y-o-y; %)[2]		Inflation + 3.25 percentage points	Inflation + 3.25 percentage points	Inflation + 3.25 percentage points
	g) Optimise the balance sheet for long term sustainability	g) Growth in the value of reserves (y-o-y; %)		Real GDP growth + inflation + 3.25 percentage points	Real GDP growth + inflation + 3.25 percentage points	Real GDP growth + inflation + 3.25 percentage points

Table 9: Supporting performance indicators

Perspective	Key performance area	Performance indicator	Alignment to dtic J-KPI	Target 2022/23	Target 2023/24	Target 2024/25
Development effectiveness	b) Funds committed and facilitated to support policy priorities: Transformation (Aggregate comprised of i)	b1.1) Black Industrialists	Measures contribution to J-KPIs for *BEE promotion and review (black industrialists, women, youth)* and *Worker empowerment measures/outcomes*.	5 200	6 200	7 400
		b1.2) Black-owned businesses		8 300	9 800	11 900
		b1.3) Broad-based ownership (including worker and trade union participation)		150	180	220
		b1.4) Women-entrepreneurs		2 500	2 900	3 500
		b1.5) Youth-entrepreneurs		1 100	1 300	1 500

[1] Board retains the discretion to reflect on the impact that interventions that has a material impact on the indicator in determining actual performance.
[2] Provide bi-annual reports to the Board on progress in optimising the unlisted portfolio

Perspective	Key performance area	Performance indicator	Alignment to dtic J-KPI	Target 2022/23	Target 2023/24	Target 2024/25
	IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed funds)					
	b2) Funds committed and facilitated to support policy priorities: Master Plans and IDC Industry Priorities (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed)	b2) Total: Industry Master Plans and IDC Industry Priorities	Measures contribution to J-KPIs for *Master Plans*	19 450	20 940	24 930
		b2.1) Agro-processing and agriculture (including Master Plan being finalised)		1 700	1 800	2 200
		b2.2) Automotive and new energy vehicles/Master Plan: Automotive industry		1 000	1 000	1 200
		b2.3) Steel industry/ Master Plan: Steel & metal fabrication		1 400	1 800	2 200
		b2.4) Energy		11 300	11 600	13 700
		b2.5) Infrastructure		1 400	1 600	1 900
		b2.6) Digital economy		150	200	250
		b2.7) CTFL/Master Plan: R-CTFL		700	800	900
		b2.8) Tourism		500	700	900
		b2.9) Master Plan: Poultry		150	170	200
		b2.10) Master Plan: Sugarcane		100	120	140
		b2.11) Master Plan: Chemicals		900	1000	1200
		b2.12) Master Plan: Plastics		200	220	240
		b2.13) Master Plan: Furniture		200	220	240
	b3) Funds committed and facilitated to support policy priorities: Regional/spatial development (Aggregate comprised of i) IDC own funds, ii) off-balance sheet funds and iii) leveraged/ catalysed funds)	b3.1) Special Economic Zones (R'm)	Measures contribution to J-KPIs related to *SEZs*	700	860	1 000
		b3.2) Value of funds committed per District Municipality for four priority districts (R'm) *(specific district municipalities to be identified)*	Measures contribution to J-KPIs related to the *District Development Model*	50 per district	55 per district	60 per district
	b5) Export development	b5) Marginal increase in exports generated for intra-regional and global trade through funds committed (R'm)	Measures contribution to J-KPIs for *African and Global Exports*	10 000	12 000	14 000
	b6) Support for SME development	b6) Number of SMEs supported (number approved)	Measures contribution to J-KPIs for *addressing economic concentration and/or SME promotion*	100	104	121
	d) Project development	d) Investment value of projects that graduated from preparation to the investment phase (R'm)	Measure of the support for *the Investment expansion* J-KPI	1 500	3 600	4 800
Financial sustainability	e) Improve quality of the portfolio through i) managed exits of non-performing assets, ii) appropriate origination of quality dealflow, iii)	e4) Risk profile of the portfolio (predominantly medium risk portfolio)	Measures for IDC's contribution to a *Capable state*	5 percentage point improvement from 31 March 2022 actual	5 percentage point improvement from 31 March 2023 actual	5 percentage point improvement from 31 March 2024 actual
		e5) Risk profile of new funding approved		50% of gross value (excl. funding to Foskor, Scaw, Kalagadi,	60% of gross value (excl. funding to Foskor, Scaw, Kalagadi, Cast Products,	65% of gross value (excl. funding to Foskor, Scaw, Kalagadi, Cast Products,

Perspective	Key performance area	Performance indicator	Alignment to dtic J-KPI	Target 2022/23	Target 2023/24	Target 2024/25
	turnaround actions			Cast Products, Grinding Media)	Grinding Media)	Grinding Media)
Organisational capabilities	h) Build an organisational culture that is characterised by individual excellence, cross-divisional team collaborations	h) Culture entropy score	This measure relates to the J-KPI measuring *Building entity staffing and governance capacity and quick-response*	30%	-	25%
	i) Achieve efficiencies in terms of end-to-end deal process to meet desired service standards and deliver the right products and solutions to clients	i1) Customer satisfaction index (scale of 1 to 10)	These measures relate to the J-KPI measuring *Building entity staffing and governance capacity and quick-response* as well as *Addressing red tape and compliance in internal processes, including targets on turnaround times*	8.0	8.0	8.0
		i2) Percentage of applications where the turnaround time from receipt of application to legal agreements having been signed is within the service standard of 64 business days (excluding projects and days between ECIC approval and BIC/Board submissions)		80%	80%	80%
Strategic positioning and stakeholder alignment	j) Enhance IDC's reputation and build trust amongst its stakeholders.	j) Reputation survey score (scale of 1 to 100)	Overall measure for IDC's effectiveness in *Delivery/Capable State*	73.0	-	75.0

Table 10: Outcomes being measured as part of indicator (d) in KPIs

Initiative	Outcomes for 2022/23
Township Economy Initiative	1) Implementation of the Township Economy Partnership Fund (Gauteng/IDC) – disburse 100% of the R400 million 2) Establish similar partnerships in three other provinces
Social Employment Fund	3) Support 50 000 beneficiaries minus the jobs created in 2021/22
Decarbonising the economy	4) Approval of funding scheme to support green energy solution to high risk emitters in carbon intensive sectors 5) Funding of at least one energy project with one or multiple existing IDC clients as off takers (or as own users) to assist with decarbonising IDC's portfolio (base) and three (stretch)
Agricultural initiatives	• Implementation of Poultry Master Plan 6) New hatchery capacity approved for 10 million day-old chicks per annum 7) New broiler capacity approved for 15 million birds per annum 8) New abattoir capacity approved for 35 000 tons • Uptake of the Agro-Industrial Fund 9) New commitments of R400 million 10) Disbursements of R300 million • Horticulture: 11) Approval value of R900 million for high-value crops/orchards 12) Approval for 700ha to be developed 13) 350ha of the developed land for land reform beneficiaries 14) Project scoping concluded for high impact agricultural project in under-developed province (10,000 hectares) including identification of funding opportunities
Covid industrial production	15) Establishment of the first end-to-end mRNA vaccine manufacturing facility in Africa, with a capacity of 10 million doses pa, as a first step towards the commercial roll-out. The facility will be able to manufacture different mRNA vaccines, commencing with a Covid-19 vaccine

Supporting Material

Observations	Implications
Global economy: • World economic conditions improved considerably in 2021, with the International Monetary Fund (IMF) estimating the rebound in global GDP at 5.9%. The recovery process benefitted from extraordinary fiscal and monetary policy support, particularly in advanced economies and several emerging markets. • The global economic recovery has, however, been highly unequal. Countries that have had relatively easy access to Covid-19 vaccines have performed significantly better than those which did not. The ability to remove mobility restrictions has been a significant factor in determining the pace of economic recovery. • World trade rebounded from the very weak levels recorded in 2020, with traded volumes estimated to have risen by 9.3% in 2021, according to the IMF. • Manufacturing activity globally is still expanding but certain headwinds persist, such as input supply shortages, rising costs and transportation challenges. • Global supply chain disruptions have been the source of production constraints and increased inflationary pressures, curtailing the economic revival to some extent. The impact of these disruptions has been felt across numerous industries, such as the automotive and electronic equipment industries, where the demand for semiconductors outstripped supply by a significant margin. • Significant shifts are, consequently, being witnessed in global production, with a trend towards regionalisation and localisation of production in order to enhance supply-chain resilience. • Inflationary pressures have been considerable world-wide, turning out to be more persistent than initially anticipated. Accordingly, the massive monetary stimulus provided by the leading central banks to counter the economic crisis is being unwound, and indications are that a gradual normalisation of interest rates is imminent. The tightening of monetary policy around the globe will alter investment flows, affecting financial markets (equity, bond and currency markets) in the process. • Several concerning developments have recently raised uncertainty and dented global optimism to some degree. These include concerns over the potential emergence of new variants of Covid-19; continued disruptions in global supply chains; persistently high inflationary pressures and expectations of more aggressive monetary policy tightening by major central banks; downward pressure on commodity prices; and escalating geopolitical risks. • The global industrial commodity price cycle has entered a consolidation pattern amid the recent emergence of a plethora of risks that have negatively impacted on investors' confidence. The tightening monetary policy bias and its consequential negative impact on the outlook for world growth have added to commodity price volatility. This has been compounded by geopolitical risks	• The expansion momentum anticipated for various regions and countries across the world should be supportive of South African companies wishing to expand their global footprint. Relatively sturdy import demand in numerous world economies should provide ample opportunities for export market development by local businesses. Sporadic interruptions in import demand may, however, occur due to Covid-induced restrictions and further supply chain disruptions. • The realisation by companies across the world of the importance of diversifying supply chains, especially in light the of supply disruptions and material/product shortages in recent times, may translate into increased investment activity in South Africa as global corporates endeavour to secure the sustainability of input supplies. • The fairly resilient outlook for world trade should continue to underpin South Africa's export performance over the next few years. • Ongoing trade tensions between major economic powers may provide export opportunities for South Africa-based companies to acquire and/or expand market share in these economies, as well as attract foreign producers wishing to secure their current access to these markets by investing in South Africa. • The normalisation of monetary policy in advanced economies and elsewhere in the world, including South Africa, is likely to have several implications for the IDC and its business partners, both current and prospective: the cost of borrowings will be higher in a rising interest rate environment; the Rand exchange rate may come under significant pressure due to capital outflows; listed equities could be impacted as stock market corrections ensue; and investment and consumption patterns could be altered, in the process providing new/alternative business opportunities. • Increasing risks in the geopolitical environment and the tightening bias in the monetary policy of advanced economies are weighing significantly on the near-term outlook for industrial commodity markets. Significant price volatility may be expected in industrial commodity markets that are in surplus, including platinum and steel-related raw materials. In contrast, the recent escalation of tensions over the Ukraine has had a beneficial impact on energy prices, including thermal coal. • Producers in the upstream domestic mining value chain continue to benefit from elevated commodity prices, despite increased price volatility more recently. The elevated operating margins and improved cashflow positions for many commodity producers raises prospects for the deployment of investment capital into new capacity development and, potentially, exploration investment. • Over the longer term, the commodities complex should continue to provide ongoing investment opportunities in specific segments, presenting a funding pipeline for the

that may impact negatively on commodity trade dynamics. Furthermore, China's zero-covid policies have constrained the country's manufacturing and industrial production, with detrimental demand implications for industrial commodities (China accounts for around 50% of global consumption of industrial commodities). However, downside risks could be curtailed by the easing of domestic monetary conditions by the Chinese authorities. • The IMF projects that global economic growth will moderate to 4.4% in 2022, slowing further to 3.8% in 2023. Such growth rates are, however, still above the long-term average. World trade volumes, in turn, are anticipated to increase by 6% in 2022. • The IMF expects advanced economies to post growth rates of 3.9% and 2.6% in 2022 and 2023, respectively, as extraordinary fiscal support measures are withdrawn and monetary policy is progressively normalised. The emerging and developing economies as a group are projected to record growth in the order of 4.8% in 2022 and 4.7% in 2023. • Global market sentiment remains mixed due to the uncertainty regarding inflation outcomes and monetary policy action going forward. This impacts on the perceived risk of emerging markets, as well as on worldwide portfolio and fixed investment flows.	IDC. Commodities that are geared towards infrastructure development and climate change mitigation (such as platinum, copper, aluminium) should be particularly attractive. • Certain developments are, however, likely to pose significant risk in specific commodity markets. As an example, amid higher electric vehicle penetration in global markets, potentially adverse implications may emerge for miners of PGMs (such as palladium and rhodium) that are predominantly reliant on automotive sector demand for the production of internal combustion engines. Coal mining companies, in turn, are expected to face an increasingly unfavourable trading environment due to global decarbonisation trends.
Regional economy: • Economic activity in Sub-Saharan Africa (SSA) continues to recover from the unprecedented downturn experienced in 2020. However, the ongoing expansion is moderate in historical terms, amid persistent threats of recurring Covid-19 outbreaks. • Reflecting a generally favourable external environment, including a robust rebound in commodity prices and the rolling back of stringent containment measures across the region, SSA's economy is estimated to have grown by 4.0% in 2021, according to the IMF. However, recurring Covid outbreaks, higher unemployment, inflationary pressures, as well as rising instability and insecurity, have limited the pace of recovery in several countries. • Growth in SSA is projected by the IMF to remain relatively firm at 3.7% in 2022 and 4.0% in and 2023, but with varying economic performances expected across countries and sub-regions. • Relatively buoyant market conditions for energy and other minerals, as well as for some metals and agricultural products will provide support to some of the region's commodity exporters. This should underpin a recovery in their respective extractive and agriculture sectors as well as improve their export earnings and tax revenues, thus easing fiscal pressures and external financing needs. • Elsewhere in the region, however, tight fiscal stances are expected over the next few years as pressure to improve debt sustainability increases, particularly in light of the expiry of debt moratoria and the expected tightening of financial conditions globally. • A very gradual recovery of tourism activity, as the pace of vaccinations slowly gathers momentum in tourism dependent economies, should add further impetus to the region's growth prospects over the medium- to long-term. However, generally low vaccination rates across the region and occasional travel restrictions in major	• Although expected to remain relatively modest in the short-term, demand conditions in SSA should improve gradually over the next few years, with positive implications for South African exporters. • Thee expected acceleration of regional growth and investment activity over the outlook period should support export growth and market development opportunities for various South African producers. These include suppliers of consumer goods and input materials for infrastructure and other investment projects, as well as service providers in, for example, the fields of engineering and construction services. • Considering the continent's enormous import requirements, there is a window of opportunity for South African producers to substitute global counterparts in other African markets as they seek to diversify their external sources of critical input materials, intermediate goods and end-products. • Gradual progress toward the full implementation of the AfCFTA should provide significant opportunities for intra-African trade and investment in the years ahead. Its effective roll-out has the potential to increase South African participation in regional infrastructure projects, with local companies also likely to benefit from investment opportunities associated with cross-border supply/value chain development. However, much will depend on the speed of tariff liberalisation and the extent to which non-tariff barriers are effectively addressed or removed. • Notwithstanding the fairly positive economic outlook and progress on regional integration efforts, several countries in the SSA region still face high debt levels and servicing costs. Furthermore, political instability and conflicts have been surfacing in parts of the region. Consequently, risk premiums have been on the rise. • Developments in commodity markets remain very important for the region's economic trajectory and

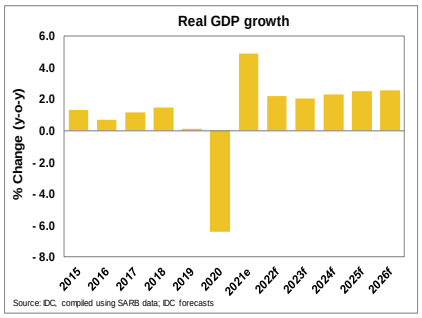
tourism source markets, including Europe, will continue to affect the recovery. • Rising internal tensions and conflicts in several parts of SSA could disrupt economic activity, increase uncertainty and hold back much needed private investment. • Progress toward the full implementation of the African Continental Free Trade Area (AfCFTA) agreement is gaining momentum as negotiations on Phase II of the agreement proceed, including protocols on investment.	require close monitoring. Investment opportunities associated with the global transition to a greener future are likely to arise in several African countries due to their resource endowments (e.g. copper in DRC and Zambia; platinum in Zimbabwe; rare-earth minerals, etc.).
South African economy: • Following four consecutive quarters of economic expansions, the performance of the South African economy disappointed in the third quarter of 2021 given a worse than anticipated contraction (-1.5%, quarter-on-quarter). Weaker activity levels were recorded across the main sectors of the economy. Contributing factors included load-shedding; the impact of violent unrest, looting and destruction of property in parts of KwaZulu-Natal and Gauteng in July; problems at the Durban port; industrial action in the steel and engineering sectors; as well as supply-chain bottlenecks. • By November 2021, the manufacturing sector's overall output was still below the levels recorded towards the end of 2019. This important sector continues to face significant challenges, including relatively weak demand conditions, particularly in the domestic economy; strong competition from foreign producers both in local and external markets; electricity supply interruptions; transport and logistics constraints; rising production costs, including freight, electricity, fuel and other input costs; and, in more recent times, shortages of certain input products (such as semiconductors) partly due to global supply chain challenges. • Nevertheless, the output of the manufacturing sub-sectors producing textiles, clothing, leather and footwear, as well as transport equipment (including motor vehicles) had, by November 2021, surpassed pre-pandemic levels. These two manufacturing sub-sectors have benefitted from significant industrial policy support over the years and, more recently, from master plans aiming to increase investment in their production capacity, drive innovation, improve productivity and competitiveness, increase local consumption and exports, as well as ensure sectoral transformation. • In sharp contrast, a number of key manufacturing sub-sectors continue to underperform, including those producing chemicals, rubber and plastics, as well as metals and machinery, despite efforts to encourage the localisation of production through various mechanisms. • Mining production declined in recent months, affected by several factors including electricity supply constraints, supply chain disruptions, rising operating costs for ageing mines, weak investment spending, as well as transport and logistics challenges. • Total fixed investment expenditure in the economy showed some signs of improvement in the first nine months of 2021. Gradually recovering business confidence underpinned higher investment spending by the private sector, but capital spending was still well below the pre-pandemic highs. • Following a strong recovery in the second half of 2020, the rate of increase in household consumption expenditure has lost momentum since the start of 2021. Several factors are still influencing consumer behaviour, including high levels of indebtedness and relatively weak	• As the economic recovery process unfolds in South Africa and growth prospects improve, confidence among businesses, consumers and investors is likely to recover. This should translate into rising household consumption spending and production activity, higher levels of fixed investment, and in much-needed job creation. • Over the short- to medium-term, however, the normalisation of monetary policy in advanced economies and domestically may have significant impacts on the economy, the IDC and its business partners. The cost of borrowings will be adversely affected in a rising interest rate environment, impacting not only on business finances but also on investment plans. Moreover, listed portfolio valuations may be affected by significant volatility and potential corrections in equity markets. • South Africa's manufacturing sector is still taking strain, but it should benefit from fairly strong global and regional demand going forward and gradually improving trading conditions on the home front. Investment activity in the sector is likely to accompany progressively higher utilisation of production capacity and/or as new opportunities arise. In this regard, government efforts aimed at reducing the country's high import intensity by promoting localisation should have positive spin-offs for many manufacturing enterprises. • Agricultural value chains will continue to present a range of development opportunities in farming and food processing, as well as for suppliers of inputs such as fertilisers, pesticides, agricultural machinery and equipment, packaging materials. • The reorientation of the Chinese economy towards a reduced reliance on fixed investment as a driver of growth, with potentially negative demand implications for industrial commodity markets, is expected to weigh on the domestic mining sector over the medium- to long-term. However, with infrastructure development being key to the expansion momentum in many advanced and emerging economies, alternative sources of global demand for commodities should still underpin sturdy activity levels in the local mining sector for years to come. • South Africa's tourism industry has been severely affected by the Covid-19 pandemic, with current activity levels being a fraction of those prevailing prior to the crisis. International tourist arrivals are not expected to return to pre-pandemic numbers until 2024, while global business travel trends may have been structurally altered by the pandemic. Domestic tourism and travel should increasingly provide a crucial support base, but this won't suffice. The industry is thus anticipated to experience a very gradual and protracted recovery process going forward. • Fixed investment expenditure in the economy is expected to increase at a fairly robust pace, albeit off a low base, over the outlook period. Local companies whose production activities are closely aligned to the

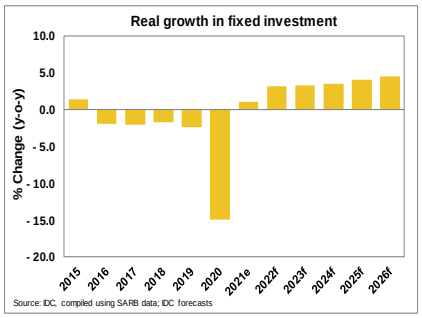
demand for new credit; inflationary pressures; record high unemployment and uncertain job prospects. Consumer sentiment is consequently low, affecting the ability and willingness of households to spend. • A solid export performance has translated into a significant surplus on the balance of trade, which amounted to a cumulative R438.0 billion in 2021. Sturdy world demand for mining and mineral products and high commodity prices saw mineral exports surge by 48.8% in nominal value terms during 2021, with PGMs, coal and iron ore mining being the best performing sub-sectors. Robust global demand also resulted in certain manufactured exports increasing substantially, with motor vehicles, parts and accessories; iron and steel; machinery and equipment; basic chemicals; and other chemical products among the top performers. • South Africa's fiscal position improved in the 2021/22 financial year on the back of better than anticipated revenue collections, mainly due to windfall tax receipts from the mining sector. However, the underlying state of public finances is still concerning as indicated by a sizeable budget deficit (estimated at -6.6% of GDP in the 2021/22 fiscal year), as well as a rising trajectory in gross government debt. • The South African economy is currently employing 2.1 million fewer people compared to pre-pandemic levels, with job creation clearly lagging the economic recovery. Approximately 7.64 million people did not have a job in Q3 2021, taking the official unemployment rate to an all-time high of 34.9%. Around 60% of all the unemployed were younger than 35 years. • Consumer inflation increased to 5.9% by December 2021, the highest in almost 5 years. A steep rise in fuel prices along with higher food and electricity costs underpinned the rising inflation trajectory. In an effort to anchor inflation expectations, the Monetary Policy Committee (MPC) raised the repo rate by 25 basis points at each of its November 2021 and January 2022 meetings to 4.0% at present. Considering a worsening inflation trajectory, the MPC is expected to hike interest rates further during the course of the year. • The South African economy remains on a gradual recovery path. GDP growth is projected to moderate significantly towards 2.2% in 2022 (IDC forecast), but a modest uptick is anticipated towards the latter part of the outlook horizon. The easing of lockdown measures; a gradual normalisation of economic activity in all sectors of the economy on the back of higher vaccination rates domestically and abroad; a progressive implementation of structural reforms; as well as fairly robust global and regional growth; should underscore the economy's recovery momentum over the outlook period. • Several downside risks could, however, derail the generally positive growth outlook for the South African economy. These include continued energy supply constraints and intermittent loadshedding; a slow roll-out of the planned infrastructure investment programme; delays in the effective implementation of essential structural reforms; policy uncertainty; adverse developments in global financial markets in response to monetary policy tightening; a challenging global trading environment; as well as geopolitical risks.	investment cycle by supplying goods and/or services stand to benefit from a revival in capital spending in the current and subsequent years. • In the short- to medium-term, several local companies, including IDC clients, may be planning to invest in new machinery and equipment to enhance their competitiveness in local and/or global markets. • Considering yet high levels of surplus production capacity in many sectors of the domestic economy at the present time, investment activity will be concentrated around maintenance in the near-term. However, as the recovery process gathers momentum, greenfield or expansionary investments will be required, potentially requiring IDC financial assistance. • Demand for IDC funding and other forms of industrial support is also expected to increase in several emerging industries, particularly those focusing on the greening and decarbonisation of the economy. • The implementation of master plans is gathering momentum in industries such as poultry, clothing and textiles, automotive, agriculture and agro-processing, as well as sugar. This is resulting in improved sectoral performances. IDC's contribution to the roll-out of these master plans and others under development is likely to gain strength in an increasingly conducive economic environment. • The progressive implementation of the large infrastructure build programme, with increased participation by the private sector, should translate into funding opportunities for the IDC, particularly in the renewable energy, transport and logistics, water infrastructure and telecommunications arenas. • Despite the economic recovery, employment creation has been lagging. A concerted effort is required by various stakeholders to identify jobs-rich investment opportunities, as well as to re-skill the workforce to adapt to an economy that is steadily adopting more technology-intensive production processes, becoming increasingly services-oriented and continuously embracing digital innovations.

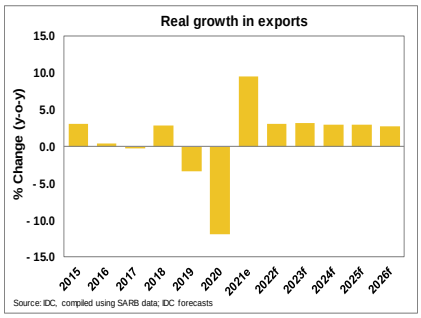
Outlook for the South African economy under the IDC's Base Case

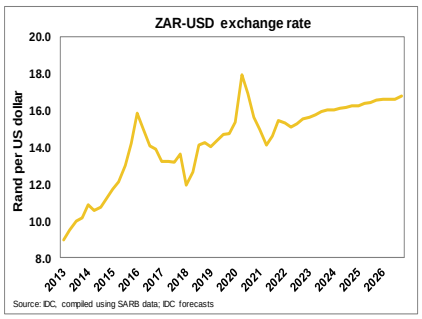
Base Case: Key assumptions	
Global economy	**South African economy**
• World GDP growth moderates over the outlook period, following a strong rebound in 2021. • A gradual easing of Covid-19 related restrictive measures in 2022 as the pace of vaccinations accelerates across the world. The virus becomes endemic, posing less of a threat to human lives. • World trade flows recover as economic conditions progressively normalize while transport and logistics constraints ease. • Spending on infrastructure maintenance and development supports the economic growth momentum in various parts of the globe, especially but not exclusively in larger economies. • Climate change mitigation efforts intensify, propelling the accelerated development of the green economy, including energy generation from renewable sources and the emergence of new industries, while altering value chains. • Demand for commodities remains relatively strong in China and gains strength elsewhere in the world, with positive spin-offs for volume demand and prices but also reflecting a gradually changing composition of such demand. • Inflationary pressures persist globally in the short-term, before subsiding as the underlying contributing factors gradually abate. • Progressive normalization of monetary policy in most advanced economies and several emerging markets, led by the United States and United Kingdom as from early 2022, with the European Central Bank (ECB) starting its tightening cycle slightly later.	• The pace of Covid-19 vaccinations in South Africa remains gradual, protracting the economic recovery process and contributing to relatively subdued growth in the shorter term. • Structural challenges, particularly energy supply as well as transport and logistics constraints, continue limiting the economy's expansion potential for some time, but meaningful improvements are anticipated in the medium- to long-term. • Policy uncertainty persists in certain critical areas of the economy (such as land) in the short-term, affecting investment decisions. • Monetary policy is tightened at a gradual pace over the short- to medium-term in order to contain inflationary pressures and expectations, as well as to keep headline inflation within the SARB's target band. In real terms, however, the repo rate is expected to continue being relatively growth-supportive. • South Africa's fiscal position remains very challenging over the short- to medium-term, but some progress towards fiscal consolidation and debt sustainability is achieved in the long-term. • Consumer, business and investor confidence improve gradually, being incrementally reflected in household, business and investment spending. However, household spending remains fairly subdued over the short- to medium-term due to extraordinarily high levels of unemployment and concerns over job prospects. • Private sector fixed investment spending is limited in the shorter term due to surplus production capacity in various industries, but a rebound is anticipated over the medium-term as demand conditions improve. • Limited financial resources continue affecting public sector expenditure on infrastructure development, but private sector participation through PPPs is expected to mitigate this constraint to some extent over the medium- to long-term. • South Africa's sovereign credit ratings are not downgraded further into sub-investment territory.

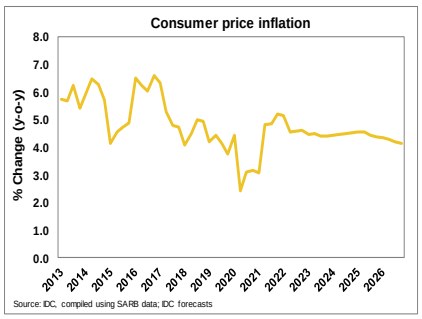
Projected economic performance over the period 2022 to 2026 under the IDC's Base Case

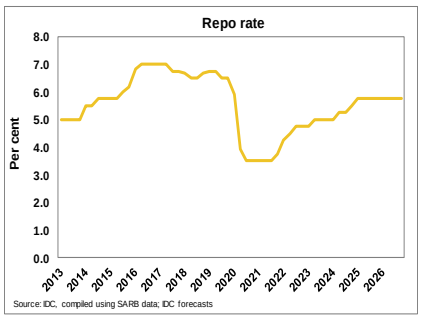








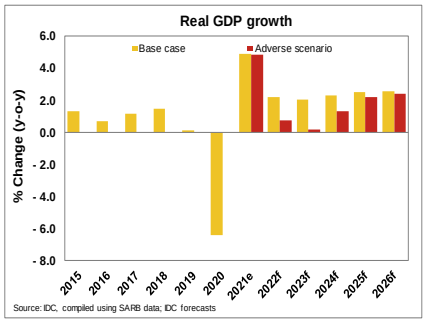


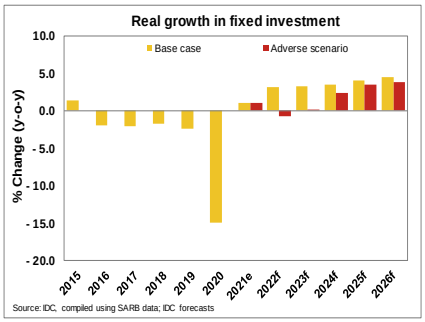


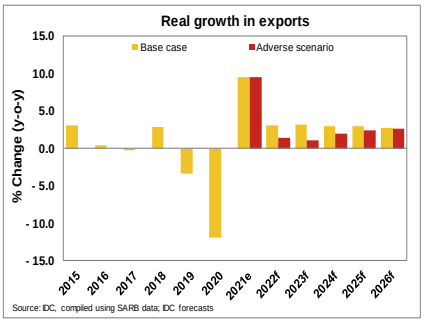
An Adverse Scenario for the South African economy

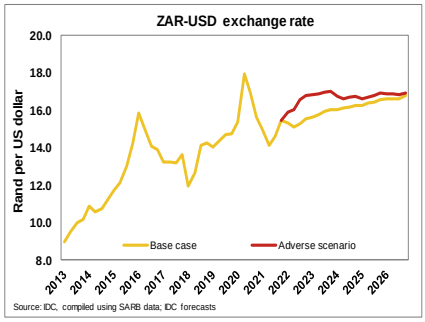
Adverse Scenario: Key assumptions	
Global economy	**South African economy**
• The world economic environment deteriorates significantly as a confluence of factors, specifically: ○ monetary policy tightening in the presence of persistently high inflation; ○ escalating geopolitical tensions and conflict; ○ ongoing restrictions to contain new waves and/or variants of Covid-19; impact negatively on global sentiment, production, consumption, trade and investment activity. • Global supply chain disruptions prolong and/or exacerbate market imbalances, resulting in substantial and persistent inflationary pressures. Inflation outcomes become entrenched well above targeted levels over a prolonged period. • Highly accommodative monetary policies are withdrawn by leading central banks earlier and at a significantly faster pace, with liquidity support measures halted and interest rates rising to considerably higher levels in the short- to medium-term. Monetary authorities in emerging markets respond to weaker currency outcomes and inflationary pressures by raising interest rates aggressively. • Consumer, business and investor confidence decline, resulting in lower spending activity. Industrial commodity markets are negatively impacted in an unfavourable environment, with lower volume demand leading to reduced prices and surplus production capacity in specific segments. • Financial markets (equity, bond and currency markets) are visibly characterized by bearish sentiment in the short- to medium-term, periodically reflecting flights to safety and risk aversion by global investors. • Global growth slows to well below the long-term average over the outlook period, with a stagflationary environment emerging in 2022 and 2023. A moderate recovery in overall economic growth is anticipated in the ensuing years.	• Higher global interest rates, combined with greater risk aversion result in a reversal of the carry trade and outflows of portfolio capital, weakening the rand exchange rate. • The SARB responds to higher inflation outcomes and expectations (with the weaker currency exacerbating imported inflation) by increasing interest rates more aggressively than in the Base Case. • Higher interest rates and increased risk aversion result in subdued consumer and business spending, as well as lower investment activity. • Weaker world demand and lower commodity prices impact negatively on South Africa's export performance and the balance of payments. The beneficial impact of lower commodity prices (especially crude oil) on imports is significantly offset by ZAR weakness and higher international non-commodity inflation. • The pace of structural reforms remains slow and limited progress is achieved, with negative implications for business and investor confidence. • Private sector investment decisions are pushed forward into the future as demand conditions weaken further, surplus production capacity persists in most domestic industries and businesses are reluctant to commit their capital resources in a highly uncertain environment. • Government finances remain highly constrained, limiting consumption as well as capital spending and the associated stimulatory effects. • Worsening government finances may result in the need for IMF support, with the accompanying imposition of financial stabilisation conditions. • Further downgrades are anticipated in South Africa's sovereign credit ratings, taking these deeper into sub-investment territory.

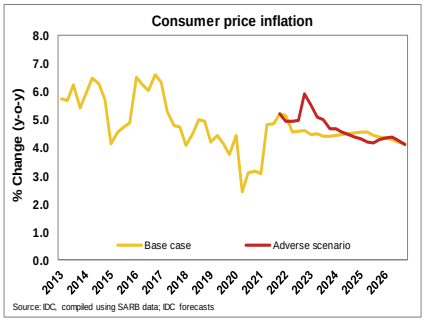
Projected economic performance over the period 2022 to 2026 under an Adverse Scenario (also compared to the IDC's Base Case projections)

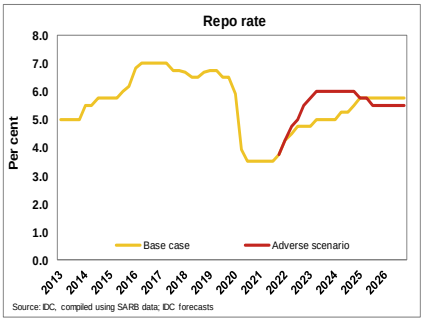












ANNEXURE B: BALANCE SHEET FORECASTS – IDC GROUP

	2022	2023	2024	2025	2026	2027
ASSETS						
Ordinary shares	19 971	24 208	28 924	34 588	40 633	47 041
Preference shares	7 610	8 251	9 100	9 794	10 544	11 327
Non-earning loans	3 674	4 979	5 622	6 659	6 330	5 818
Equity and shareholder loans	31 255	37 438	43 645	51 042	57 508	64 186
Loan finance	48 824	55 796	63 680	70 590	77 706	85 559
Local	39 147	45 318	51 985	56 857	62 635	69 613
Foreign	9 678	10 478	11 696	13 734	15 071	15 946
Provision for d/debts & impairments	-17 082	-18 655	-19 994	-20 274	-19 984	-17 823
Financing at book value	**62 997**	**74 579**	**87 332**	**101 358**	**115 230**	**131 922**
Fair value adjustment	55 025	53 801	54 659	51 816	53 994	55 271
FINANCING - EXTERNAL	36 505	27 064	20 325	21 320	19 713	21 006
Other assets	19 718	16 276	9 883	10 657	8 571	9 255
Money market investments	16 788	10 787	10 442	10 663	11 142	11 751
TOTAL ASSETS	**154 528**	**155 443**	**162 316**	**174 495**	**188 937**	**208 199**
BORROWINGS	37 838	45 067	54 881	61 257	69 723	77 496
Bank loans	5 109	5 739	7 134	15 006	25 774	35 017
Medium Term Notes	12 632	18 082	22 642	19 523	18 022	16 603
Unemployment Insurance Fund	2 853	2 853	2 853	1 853	853	853
PIC Green Bond	4 670	4 670	4 670	4 670	4 670	-
Third party funds & funds held in trust	6 628	6 628	6 628	6 628	6 628	6 628
Foreign currency - based	5 946	7 095	10 955	13 577	13 776	18 394
Deferred tax	6 707	6 495	6 473	5 930	6 141	6 468
Other liabilities	9 707	5 315	3 333	3 617	2 279	2 365
EXTERNAL FUNDING	54 251	56 877	64 687	70 804	78 143	86 329
Share capital	1 393	1 393	1 393	1 393	1 393	1 393
Reserves	98 884	97 173	96 236	102 298	109 401	120 477
SHAREHOLDER'S FUNDS	100 277	98 566	97 629	103 691	110 794	121 871
TOTAL FUNDS	**154 528**	**155 443**	**162 316**	**174 495**	**188 938**	**208 199**

ANNEXURE C: INCOME STATEMENT FORECASTS – IDC GROUP

	2022	2023	2024	2025	2026	2027
Financing income	25 109	22 990	16 353	19 450	15 160	16 310
Dividend income	8 749	4 107	4 251	5 073	5 510	6 119
Interest income	4 149	4 237	5 259	6 773	7 655	8 152
Other income	12 212	14 646	6 843	7 605	1 995	2 039
Money market investment income	688	573	480	407	420	530
Total Income	25 798	23 563	16 833	19 857	15 580	16 840
Borrowing costs	-2 600	-2 634	-2 964	-4 461	-5 407	-6 178
Net interest, dividends & fees	23 198	20 929	13 869	15 396	10 173	10 662
Administration costs	-14 853	-15 897	-8 569	-9 357	-3 732	-3 851
Operating expenses	-14 083	-15 785	-8 452	-9 235	-3 605	-3 718
Social and special enterprise cost	-770	-112	-117	-122	-128	-133
Project costs - general	-135	-172	-180	-188	-196	-204
	-	-	-	-	-	-
Impairments and write offs	1 340	-2 044	-2 739	-362	378	2 809
Impairments	2 330	-1 572	-1 337	-279	290	2 161
Non-SPPI FV adj						
Bad debt write offs	-990	-472	-401	-84	87	648
NET OPERATING INCOME BEFORE TAX	9 550	2 816	2 382	5 489	6 622	9 416
Taxation on operating income	-330	-112	-234	-430	-485	-561
NET OPERATING INCOME AFTER TAX	9 220	2 704	2 148	5 059	6 137	8 855
NET INCOME BEFORE CAPITAL REALISATIONS	**9 220**	**2 704**	**2 148**	**5 059**	**6 137**	**8 855**
Net surplus/(deficit) on realisation of assets	0	-	-	-	-	-
NET INCOME AFTER NON- EQUITY CAPITAL REALISATIONS	**9 220**	**2 704**	**2 148**	**5 059**	**6 137**	**8 855**
Capital profits - equity	-	-	-	297	387	198
Fair Value Movements	-	31 869	-	14 980	-1 224	-142
TOTAL COMPREHENSIVE INCOME	**9 220**	**34 573**	**2 148**	**20 337**	**5 300**	**8 911**

ANNEXURE D: FORECASTED FUNDS FLOW STATEMENT – IDC GROUP

	2022	2023	2024	2025	2026	2027
Total Financing Advances	6 965	19 927	19 824	21 107	21 793	22 777
Advances: Equity	2 404	6 800	6 827	7 281	7 497	7 831
Advances: Loans	4 561	13 127	12 997	13 825	14 297	14 946
Borrowings repaid	7 840	3 882	5 957	5 739	6 791	6 620
Dividend paid	-	-	-	-	-	-
Tax paid	685	83	34	684	181	429
OUTFLOW	**15 490**	**23 892**	**25 815,14**	**27 530**	**28 765**	**29 827**
Internal funds generated	16 518	6 302	9 312	12 025	12 865	14 043
Repayments received	5 815	6 556	8 653	10 097	11 906	12 986
Net income before tax	10 703	-254	658	1 928	959	1 056
External funds raised	1 132	11 111	15 771	12 115	15 256	14 393
Proceeds from sale of shares	918	485	393	3 635	1 123	2 000
INFLOW	**18 568**	**17 897**	**25 476**	**27 775**	**29 244**	**30 436**
NET (OUTFLOW)/INFLOW	**3 077**	**-6 000**	**-345**	**221**	**479**	**609**

ANNEXURE E: BORROWING PROGRAMME

Debt Funding Sources (R' million)	Budgeted Borrowings for FY 2023 (Base R'm)
Domestic borrowings	**6 000**
Public bonds	2 500
Bank loans	2 500
Private placements bonds	1 000
Foreign borrowings	**4 000**
DFI's/ Multilateral agencies	2 400
Bank loans and other	1 600
Total borrowings	**10 000**

ANNEXURE F: IDC BOARD OF DIRECTORS

Name	**BA Mabuza** (Chairperson)	**TP Nchocho** (Managing Director)	**LI Bethlehem**	**PM Mthethwa**	**ND Orleyn (Adv)**
Gender	Female	Male	Female	Female	Female
Race	African	African	White	African	African
Qualifications	BA (Mathematics and Computer Science) (Hunter College, City University of NY), MBA (Finance and Information Systems) (Leonard Stern School of Business, NYU)	B Com (University of the North) MBL (University of South Africa) MSc Development Finance (University of London) Advanced Management Programme (Harvard Business School)	BA (Hons) (Industrial Sociology) (Wits); Master of Arts (Wits); Certificate in Economics and Public Finance (Unisa)	BA (Economics) (University of the North), MSc (Economics) (University of Paris), MBA (Corporate Finance) (University of Sheffield)	B-Proc (UNISA), B Juris (University of Fort Hare) LLB (UNISA) Certificate in Energy Law, Executive Management Programme (Kellogg Business School)
Appointment Date	November 2011	January 2019	October 2008	November 2011	February 2015

Name	**BA Dames**	**SM Magwentshu-Rensburg (Dr)**	**A Kriel**	**RM Godsell**	**NP Mnxasana**
Gender	Male	Female	Male	Male	Female
Race	Coloured	African	Coloured	White	African
Qualifications	BSc (Hons) (University of Western Cape); MBA (Samford University); Graduate Diploma in Utility Management (Samford University)	BA (Management – Accounting and Business Administration) (Webster University, Vienna); MBA (Webster University, London); DPhil (Business Management) (UJ)	BSocSci (UCT)	MA (Liberal Ethics) (University of Cape Town), Postgraduate studies (Sociology and Philosophy) (Leiden University), BA (Sociology and Philosophy) (UKZN)	B Compt (Hons) (UNISA), CA (SA)
Appointment Date	November 2011	November 2011	April 2016	November 2011	February 2015

Name	**NE Zalk (Dr)**
Gender	Male
Race	White
Qualifications	BA (English and Private Law) (UNISA); Postgraduate Diploma in Economics (Development) (SOAS University of London); MSc (Economics) (with merit) (SOAS University of London); PhD (Economics) (SOAS University of London)
Appointment Date	July 2009

ANNEXURE G: BOARD COMMITTEES

BOARD OF DIRECTORS

The Corporation has a unitary Board structure, currently comprising one executive and 11 non-executive directors. This enables the Board to obtain the desired level of objectivity and independence in Board deliberations and decision-making. The Board is assisted by board committees, duly formed taking into account the guidelines in King IV Report on Corporate Governance and the Public Finance Management Act.

The size of the Board is provided for in Section 6 (2) of the Industrial Development Corporation Act, No. 22 of 1940 ('IDC Act'), as amended, which permits a minimum of five and a maximum of 15 directors appointed by the Executive Authority. In line with the recommendations of King IV, the positions of Chairman and Chief Executive Officer are separately held to ensure a clear division of duties.

The Directors have diverse backgrounds and expertise to ensure a balance of skills, or wide range and appropriate mix of skills, facilitating independent judgement and effective deliberations in the decision-making process whilst pursuing the Corporation's strategic objectives.

The Board has a charter which is regularly reviewed. The Board Charter sets out the Board's responsibilities which include the adoption of strategic plans, developing a clear definition of materiality, monitoring of operational performance and management, determination of policy processes to ensure the integrity of the Corporation's risk management and internal controls, communication policy, and director selection, orientation and evaluation. The Board Charter is supported by the IDC Act and Regulations.

The Board also considers transactions that will result in any risk limit, including the counterparty limit being breached.

The Board has established five sub-committees, being the Investment Committee, Human Capital and Nominations Committee, Audit Committee, Risk and Sustainability Committee, and Social and Ethics Committee, all of which are ultimately accountable to the Board.

Board Investment Committee (BIC)

The purpose of the Board Investment Committee (BIC) is to act on behalf of the Board by considering transactions mandated to it by the Board which would, prior to the creation of the committee, vest with the Board. The BIC considers transactions where IDC transaction exposure is above R250 million and/or the counterparty exposure is between R1 billion and R7 billion. The BIC also considers transactions where the sector, transaction and/or regional limit, or the counterparty limit is breached, and it makes recommendations to the Board.

Board Human Capital and Nominations Committee (BHCNC)

The main objective of the Human Capital and Nominations Committee (BHCNC) is to assist the Board in the development of compensation policies, plans and performance goals, as well as specific compensation levels for the IDC. The BHCNC manages the Board's annual evaluation of the performance of the Chief Executive Officer and assists the Board in fulfilling its oversight responsibilities relating to succession planning as well as overall compensation and human capital policies for all IDC employees.

Board Audit Committee (BAC)

In terms of the Companies Act it is mandatory for state-owned companies to appoint an audit committee. The Audit Committee is therefore a statutory committee and its members were appointed by the Executive Authority at the Corporation's last annual general meeting.

The committee monitors the adequacy of financial controls and reporting; reviews audit plans and adherence to these by external and internal auditors; ascertains the reliability of the audit; ensures that financial reporting complies with IFRS and the Companies Act; ensures the integrity of integrated reporting; ensures that there are effective measures in place on Information Technology risks as they relate to financial reporting; reviews and makes recommendations on all financial matters; and recommends the appointment and removal of auditors to the Board.

Board Risk and Sustainability Committee (BR&SC)

The primary duty of the Board Risk and Sustainability Committee is the governance of risk. It also assists the Board to determine the maximum mandate levels for the various Credit and Assets and Liabilities Committee decisions and reviews the effectiveness of the risk management process. The committee assists management with the responsible stewardship of sustainability, including stakeholder impact, management of material issues, sustainability governance and reporting.

Board Social and Ethics Committee (BSEC)

The main purpose of the BSEC is to advise the Board generally on corporate governance and ethics matters. The BSEC aims to promote the ideals of corporate fairness, transparency and accountability as well as to assist the Board in vetting funding applications, projects and any matter in which a director of the IDC

ANNEXURE H: EXECUTIVE MANAGEMENT

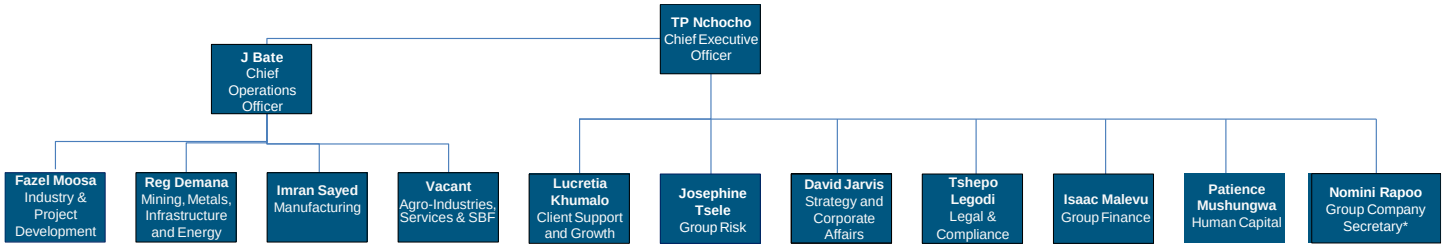


Figure 7: Executive Structure

TP Nchocho: Chief Executive Officer
BCom (University of the North), MBL (UNISA), MSc (Development Finance) (University of London), Advanced Management Programme (Harvard)
Joined the IDC and was appointed as CEO in 2019.
(Gender: Male; Race: African)

I Malevu: Chief Financial Officer
BCom (Wits), Accounting (Hons) University of Natal, CA (SA)
Various executive leadership programs, GIBS leadership program
Joined the IDC and was appointed to executive management in 2020.
(Gender: Male; Race: African)

J Bate: Chief Operations Officer
BCom (Hons) Taxation (Wits), CA(SA)
Joined the IDC and was appointed to Executive Management in 2020.
(Gender: Female; Race: White)

F Moosa: Divisional Executive – Industry and Project Development
BA (Human Movement Studies, History) (University of the Western Cape), BA (Honours) (Development Studies, African Political Economy) (University of the Western Cape), Programme for Leadership Development (Harvard Business School), MA degree (Economics) (New York University)
Joined the IDC and was appointed to executive management on 1 September 2021
(Gender: Male; Race: Indian)

J Tsele: Chief Risk Officer
Bachelor of Arts Hons Economics and Government (University of Essex – UK) 1992
Joined IDC and was appointed to executive management on 1 July 2020
(Gender: Female; Race: African)

R Demana: Divisional Executive – Mining, Metals, Infrastructure and Energy
BSc Mining Engineering (Wits), MSc Mining Engineering (Exeter) (UK)
Joined the IDC and was appointed to executive management on 1 May 2021
(Gender: Male; Race: African)

Vacant: Divisional Executive – Agro-industries, Services, and Small Business Finance
Recruitment underway

I Sayed: Divisional Executive – Manufacturing
B Com (University of KwaZulu-Natal), B Com (Hons) (University of South Africa), Executive Development Programme (University of Stellenbosch)
Joined IDC and was appointed to Executive Management on 1 October 2021
(Gender: Male; Race: Indian)

T Legodi: General Counsel and Divisional Executive – Legal and Compliance
BA Law LLB (University of Natal), LLM (Tax) (University of Johannesburg), Programme for Management Excellence (GIBS), Mining and Minerals Technology & Business Overview Programme (University of Johannesburg)
Joined IDC in 2017 and appointed as Executive 1 September 2021
(Gender: Female; Race: African)

TL Khumalo: Divisional Executive – Client Support and Growth
BSc Electrical Engineering (Wits), MBA (UCT)
Joined the IDC and was appointed to Executive Management in 2018.
(Gender: Female; Race: African)

TP Mushungwa: Divisional Executive – Human Capital
BAdmin (UDW), BAdmin Hons (UNISA), Programme in Business Leadership (UNISA School of Business Leadership)
Joined the IDC and was appointed to Executive Management in 2019.
(Gender: Female; Race: African)

DA Jarvis: Divisional Executive – Strategy and Corporate Affairs
BSoc Sci (Hons) (UKZN), Masters in Industrial Organisational and Labour Studies (UKZN)
Joined the IDC in 2013 and was appointed to Executive Management in 2015.
(Gender: Male; Race: White)

EN Rapoo: Group Company Secretary *(* Resigned December 2021, facilitating handover to end April 2022)*
BCom LLB (UKZN), Certificate in Corporate Governance (UJ), Admitted as an Attorney of the High Court.
Joined the IDC and was appointed to Executive Management in 2021
(Gender: Female; Race: African)

ANNEXURE I: DIVIDEND POLICY

IDC continues to support the requirements of the government's industrialisation policy through disbursements into the economy. There has been an improvement in the IDC's financial position but a decision on the payment of dividends will be made as the financial results for the 2021/22 financial year are finalised.

ANNEXURE J: MATERIALITY AND SIGNIFICANCE FRAMEWORK

MATERIALITY LEVELS FOR REPORTING IN TERMS OF SECTION 55(2)(B)(I) OF THE PFMA

Section 55(2)(b)(i) of the PFMA states that the annual report and financial statements should include particulars of any material losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year. The term material has not been defined in the Act. The IDC adopted a definition in terms of the monetary impact for the purposes of this section as R40 million.

The IDC will monitor and take appropriate action for all losses through criminal conduct and irregular and fruitless and wasteful expenditure that occurred during the year.

The IDC will, however, only report any losses through criminal conduct and irregular expenditure and fruitless and wasteful expenditure in excess of R40 million in its annual report and financial statements.

The R40 million is below the IDC's Group audit materiality as determined by the external auditors.

SIGNIFICANCE LEVELS RELATED TO SECTIONS 51(1)(G) AND 54(2) OF THE PFMA

Sections 51(1)(g) and 54(2) of the PFMA read in conjunction with the related practice note requires the use of a significance framework. Based on the guidelines in the practice note and after evaluating the total assets, total revenue, and profit after tax for the IDC Group, a significance level of R500 million has been adopted.

ANNEXURE K: STRATEGIC RISKS AND GOVERNANCE

In order to ensure that the IDC complies with the requirements of the Public Finance Management Act (PFMA) and in line with the recommendations of the King Reports and Code of Governance (King III, King IV) on Corporate Governance and the Public Sector Risk Management Framework, an assessment of risks faced by the IDC is undertaken on an annual basis. The risk assessment process enables the identification of critical risks that may prevent the Corporation from achieving its strategic objectives and ensures that the Corporation formulates appropriate risk strategies and action plans to mitigate and address these risks.

The risks in the table below indicate IDC's key 12 strategic risks that have been identified and assessed with management. These risks are aligned to the IDC's strategic objectives to ensure that these risks are governed in a way that supports the Corporation in setting and achieving its strategic objectives.

No.	Risk Name	Risk Description
Pillar 1: Increased Industrial Development		
1	Development Impact Risk	Risks relating to strategy implementation failures resulting in IDC not meeting its strategic objectives and having the desired developmental impact.
Pillar 2: Sustained Financial Growth		
2	Credit & Investment Portfolio Risk	Risk resulting from non-payment by the IDC's business partners and non-recoverability of investments.
3	Liquidity and Funding Risk	Risk where IDC is unable to maintain or generate sufficient cash resources to meet its payment obligations and fund transactions.
4	Concentration Risk	Concentration in IDC's portfolio impacting diversification, dividend income, and strength of the Balance Sheet.
5	Significant Investments Risk	Financial viability of significant investments and their ability to deliver effectively on their required strategy.
Pillar 3: Human, Social, Natural and Manufactured Capital		
6	People and Organisational Culture Risk	Failure to recruit, develop and retain the best talent and create a conducive working environment that enables high performance and client service culture.
7	Governance, ethical conduct, and behavior	Non- adherence to good corporate governance standards and the risk of internal/external financial crime including unethical business practices and behavior.
8	Business Continuity and IT Security Risk	Risk of business disruption due to an internal or external business continuity or IT security related event.
9	Reputational Risk	Risk of potential or actual damage to IDC's image due to factors (negative media reports) that may impair the profitability and sustainability of our business.
10	Legal and Regulatory Compliance Risk	Risk of IDC and business partners not meeting their legal/ contractual and regulatory requirements.

11	Sustainability and Responsible Investment Risk	Risk of inadequate strategies to address environmental, social and governance (ESG) risks and achieving the desired low carbon footprint by reducing our concentration in carbon intensive investments.
12	Macro-economic conditions and developments	Adverse macro-economic conditions (domestically and/or globally) and/ or credit downgrades impacting the IDC's business and its ability to achieve strategic targets.

The risks in the above table have been allocated to risk owners, all the risk owners are at executive level. Their responsibility is to ensure that the identified risks are well managed. The IDC's Risk Management Department (RMD) closely monitors the key risk indicators (KRIs) and KRIs that have breached tolerance and avoidance levels are reported to the Executive Committee and Board Risk and Sustainability Committee on a quarterly basis.

RISK MANAGEMENT FRAMEWORK

The IDC's Enterprise Risk Management (ERM) Framework is based on the principles embodied in the PFMA, the Public Sector Risk Management Framework published by National Treasury, the Enterprise Risk Management Framework published by COSO of the Treadway Commission, the International Guideline on Risk Management (ISO 31000) and King IV.

The principles outlined in our ERM framework are incorporated into risk management-related policies and procedures that support it. The objective of this framework is to embed a uniform approach to ERM at the IDC and to ensure that all risks that could affect the achievement of our objectives with respect to people, reputation, business processes and systems, and financial and environmental performance, are identified, assessed and treated appropriately and at an acceptable level.

Annual Risk Assessment

An assessment of risks faced by the IDC is undertaken annually. This process provides the identification, measurement and management of the critical risks that we may face so that we are able to formulate appropriate risk strategies and action plans.

Risk Assessment Process

The components of the IDC's risk assessment process are illustrated and explained below.

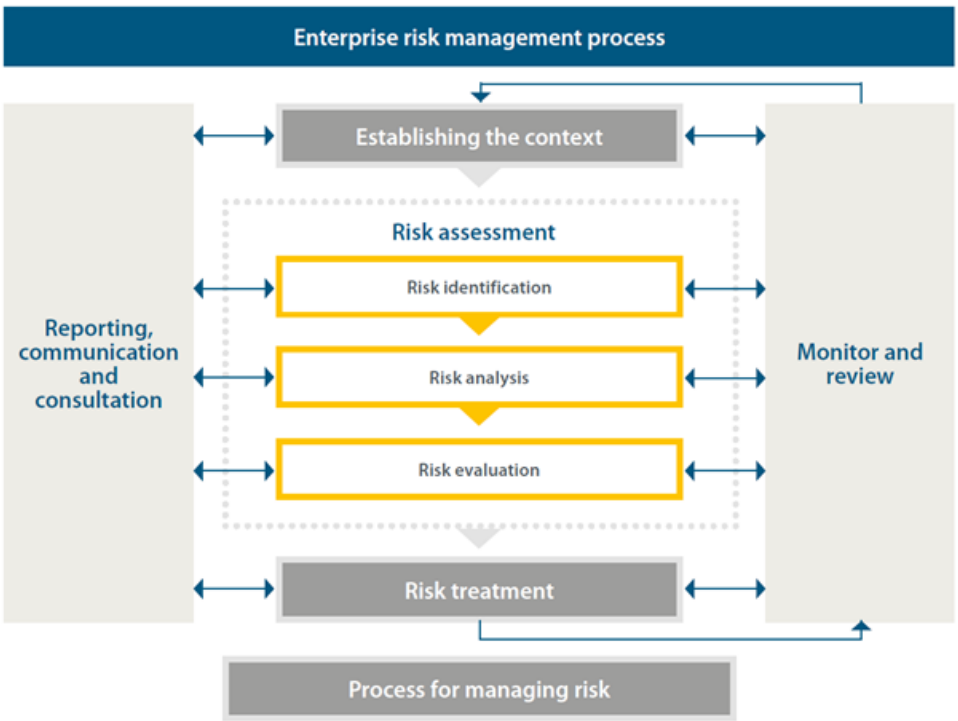


Figure 8: Schematic of the Risk Assessment Process

Establishing the Risk Assessment Context

This aspect provides perspective and assists with understanding the nature of the impact of the risk on the business, including the critical strategic, financial, governance, operational and IT governance risks we face.

Risk Assessment

The risk assessment process enables management to gain an understanding not only of the probability that a risk may materialise but also its impact on the Corporation. The risk assessment methodology provides management with a portfolio view of risks (i.e. a risk profile). The risk assessment process is broken down into the following phases:

- Risk identification – the process of considering the causes and sources of the risk, and its positive and negative consequences
- Risk analysis – the process of considering the risk's potential positive and/or negative consequences, and the probability of those consequences occurring
- Risk evaluation – the process which compares the risks against risk evaluation criteria, resulting in a map of risk priorities

Risk treatment

The objective of risk treatment is to determine how the IDC should respond to events and associated risks. The IDC's risk response strategies can broadly be categorised as follows:

- Terminate: eliminate, redesign, avoid or substitute the threat
- Transfer: where possible and advantageous move the threat to another party
- Treat (further): mitigate or control the threat by implementing additional measures to reduce the likelihood and/or consequence before the threat materialises

- Tolerate: retain the threat after careful consideration of its consequences for a predefined duration

Risk reporting and escalation

It is important to keep the Board, executive management, the Board Risk and Sustainability Committee and the Board Audit Committee abreast of key risks and the actions resulting from risk management activities. This component of the framework outlines the process for reporting risk management information to these governance entities on a consistent and timely basis.

Monitor and review

Monitoring refers to the consistent application of the ERM Framework across the Corporation, the effectiveness of the ERM policies and procedures, as well as the identification of weaknesses demanding corrective action.

Communication and consultation

Effective communication and consultation increase the awareness of the Risk Management Programme. Workshops are held with relevant stakeholders and risk owners to assess and discuss the strategic risks.

ANNEXURE L: FINANCIAL CRIME PREVENTION POLICY AND PLAN

POLICY ON FINANCIAL CRIME AND ASSOCIATED IRREGULAR CONDUCT

The Financial Crime Prevention Policy sets out the Corporations stance on financial crime, associated irregular conduct and the reporting thereof. Hereinafter, all references to the concept financial crime should be read to include the acts of theft, corruption, fraud and associated irregular conduct. The policy was established to facilitate the development of controls that will aid in the detection, prevention, investigation and the reporting of fraud against the Corporation. It is therefore the intent of the Corporation to promote consistent organisational behaviour by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

Scope of the financial crime prevention policy

This policy applies to any irregularity, or suspected irregularity, involving the IDC employees as well as shareholders, business partners, consultants, vendors, government representatives and officials, contractors, outside agencies (including their employees) doing business with IDC, and/or any other parties in a business relationship with the IDC.

There are other existing policies and procedures in place and so this policy does not seek to substitute issues or matters that are governed under those policies and procedures. This is important in relation to employee matters where they are subject to current Human Capital and Grievance policies and procedures. And therefore, irregularities concerning an employee's moral, ethical, or behavioural conduct should be resolved by departmental management and the Employee Relations section of Human Capital department in line with the requirement of Industrial Relation policies.

Policy Statement

The IDC subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent manner. The Corporation expect all business associates to subscribe to same standards and therefore will not tolerate any breach of laws and regulations (e.g. bribery, corruption, and money laundering, sanctions, or tax evasion facilitation) that apply to our business and the transactions we undertake.

The IDC has a Code of Business Conduct and Ethics which set the highest standards for personnel conduct related to ethical behaviour and alertness. In addition, the Board Audit Committee as a well as the Social and Ethics Committee are in place to provide an oversight in ensuring that the policy is adhered to.

Section 51 (1) (a) (i) of the Public Finance Management Act (No 1 of 1999) (PFMA) prescribes that an accounting authority for a public entity must ensure that the public entity has and maintains an efficient, effective and transparent systems of financial risk management and internal control.

Furthermore, Treasury Regulations states that, the accounting officer must ensure that a risk management strategy is developed and implemented which encompasses a financial crime prevention strategy and plan, with the accounting authority providing direction and oversight in that regard. It further states that such strategy must be clearly communicated to all employees to ensure that it is incorporated into the language and culture of the entity.

It is however the stark reality that the success of any financial crime prevention strategy requires the acceptance thereof and commitment thereto by all stakeholders and more specifically every single IDC employee.

These policy covers both Financial Crime Prevention as well as Protected Disclosure “whistle-blower protection” component.

The financial crime prevention policy has been introduced to facilitate the development of controls that will aid in the detection, prevention, investigation and reporting of financial crime activities. Furthermore, the financial crime prevention policy will ensure that all financial crime incidents are attended to in a coherent and integrated manner, whilst promoting ethical conduct and behaviour.

The IDC financial crime prevention strategies are integrated and synchronized with the overall business strategies of the IDC Strategic Business Units as well as the IDC support departments and comply with relevant legislation and government initiatives.

The financial crime prevention policy sets out the IDC stance on financial crimes and the reporting thereof. As required, the policy has been revised to also include the Protected Disclosure Act component which is discussed below.

Purpose of the financial crime prevention policy

This policy provides guiding principles for the financial crime prevention and protected disclosure policy to be adopted by the IDC.

The purpose of this policy is to ensure that financial crime activities are discouraged, exposed, mitigated and dealt with in the IDC in an integrated approach or manner. Every effort should be made to ensure that service providers or potential service providers, IDC employees, and any other IDC stakeholder are discouraged to become involved in any financial crime activities.
Furthermore, the protected disclosure policy exists to;

- assist in establishing a culture of disclosure to prevent improper conduct from occurring;
- make provision for procedures under which employees can safely, and free from fear of any occupational detriments, disclose improper conduct;
- endeavour to protect employees against occupational detriment when protected disclosures have been made; and
- provide support to the relevant employee if a protected disclosure leads to any occupational detriment.

Zero tolerance to financial crime serves as the basis of the IDC financial crime policy to support financial crime prevention.

Financial crime prevention policy objectives

The objective of this policy is:

- To engender and promote an attitude of honesty and integrity in the IDC;
- To encourage and enable all IDC stakeholders to report any improper or suspicious conduct;
- To reassure all IDC stakeholders that they are protected from any reprisals or victimization as a result of a bona fide and protected disclosure;
- To ensure that every genuine disclosure of improper conduct is investigated, and appropriate action is taken where necessary;
- To facilitate the establishment of a culture of disclosure to prevent financial crime or improper conduct from occurring; and
- To provide a platform for anonymous reporting of any improper conduct and or financial crime.

The Regulatory Environment

Government has recognised that state owned sector entities must proactively combat financial crime and to this end has ensured that these entities fall into the ambit of various legislation and initiatives, including, but not limited to:

- The Public Finance Management Act, No 1 of 1999, as amended ("the PFMA") and its regulations;
- The Prevention and Combating of Corrupt Activities Act, No 12 of 2004 ("the PCCA"); and
- The Protected Disclosures Act, No 26 of 2000.

The Corporation embraces the legislative requirements created through the Acts referred to above by including compliance therewith as a crucial aspect of this policy.

What is Fraud?

Fraud is the crime of intentionally and unlawfully making a misrepresentation to the actual or potential prejudice of another person or entity. For purposes of this policy, and for ease of reference, fraud includes activities involving dishonesty and deception, inclusive of any attempt thereto, such as:

- Theft of money or other assets through misrepresentation or deception of any nature;
- Theft of money, consumables or assets of any nature, including intellectual property;
- Misconduct in the handling or reporting of cash or financial transactions;
- Profiting from exploiting insider knowledge;
- Acts of financial misconduct contemplated in terms of Sections 81 to 86 of the PFMA;
- Misstatements of qualifications, experience and other material facts on job applications and CV's for recruitment and promotion purposes; and
- Misstatements of material facts by bidders on tender, proposal or quotation documentation (including BEE ownership).

This list should not be considered an exhaustive list.

What is Corruption?

Corruption is the offering or accepting of gratification as an inducement or reward for certain improper actions. It differs from fraud in that both parties are involved knowingly, and both benefit in some way from the agreement.

The PCCA came into existence on 27 April 2004. Corruption includes:

- Exercising preferential treatment in the awarding of tenders;
- Accepting of gifts in different forms for performing an inappropriate favour;
- Manipulation of procurement processes;
- Disclosure of confidential information by an employee about his/her company/department;
- Manipulating the value of assets;
- Performing inappropriate favours for relatives and friends;
- Averting the legal consequences of unlawful acts or omissions;
- Avoiding compliance with laws and regulations; and
- Intentional dereliction of duties as a result of payment or favours received from third parties.

This list should not be considered an exhaustive list.

The protection of whistle-blowers

The Protected Disclosures Act, 2000 (Act No.26 of 2000) makes provision for all stakeholders to report unlawful, irregular conduct or any improper conduct or suspected financial crime activities by all stakeholders, whilst providing for the protection for those who blows the whistle. When such disclosure of improper conduct is not made maliciously or in bad faith, such a disclosure will be a protected disclosure under this policy.

In terms of the Protected Disclosure Act, the "whistle-blower who acts in good faith when reporting any irregularity or suspected irregularity is protected from unfairly being:

- Subjected to any disciplinary action;
- Dismissed, suspended, demoted, harassed or intimidated;
- Transferred against his or her will;
- Refused transfer or promotion;
- Subjected to a term or condition of employment or retirement which is altered, or kept altered, to his or her disadvantage; and
- Refused a reference or being provided with an adverse reference; and from his or her employer.

The Reporting Duty in the Employer – Employee Relationship

As stipulated in the IDC code of ethics and business conduct failure to "blow the whistle" and/or reporting in cases where employees know or have personal knowledge of potential or actual violation arising under this policy is regarded as a serious misconduct and could lead to disciplinary action being instituted by the IDC against the employee concerned. It is the responsibility of all employees to prevent financial crime against IDC, any of its subsidiaries and business partners.

The IDC acknowledges that it may not take disciplinary actions against service providers or external stakeholders, however, it can hold an enquiry against the external stakeholder with the purpose of listing that particular stakeholder in the IDC delinquent register if their conduct is found to be delinquent.

Furthermore, employees are expected to act in a manner that is professional both within and outside of the work environment such that his/her conduct will not reflect negatively upon the IDC image.

Administration of the Policy

Internal Audit Department is the owner of the Policy and is responsible for facilitating and coordinating the implementation of this policy within the IDC as well as the revision thereto.

The Compliance and Regulatory Affairs Department will be the custodians of the Policy and will, amongst others, ensure that it is reviewed at the least every 3 years or as and when it is required.

FINANCIAL CRIME PREVENTION PLAN

Prevention of financial crime in the 21st century is about understanding risks, both internal and external, and in recognising that the environment created by an organisation is the most significant factor that determines how much of a target for financial crime that organisation will be.

Given the requirement for every organisation to protect its assets and to prevent wasteful expenditure, there is a requirement for any Executive Management team to ensure that internal controls are operating effectively, and it is therefore vital that entities take the necessary steps to identify and manage their exposure to financial crime in any nature or form. The well-worn adage "prevention is better than cure" holds very true.

In this financial crime Prevention Plan, and where the context lends itself thereto, the concept "financial crime" relates to activities involving dishonesty and deception and should be read to include all forms of "white-collar crime" and or the so called "inside job".

The focus of the Financial Crime Prevention Plan is to create a zero-tolerance environment within the IDC; a high level of awareness and a control environment that makes it as difficult as reasonably possible to misappropriate assets or to succumb to financial crime or other irregular activity.

The IDC's Fraud Prevention Policy and Plan can be simplified into the four categories/activities:

- **Governance** – Setting a framework of accountability and responsibility for the evaluation and management of financial crime risk across the Corporation. "Creation of a zero-tolerant environment and tone at the top".
- **Prevention** – Ensuring financial crime threats are identified and associated risks are mitigated through the deployment and maintenance of effective systems, controls, processes and procedures, prior to establishing a relationship and during the lifecycle of that relationship. " Understand and manage the risks".

- **Detection** – Ensuring financial crime events are effectively identified and managed through the deployment and maintenance of effective systems, controls and processes, during the lifecycle of that relationship. "Be proactive in defence"; and
- **Response** – Ensuring appropriate and proportionate response plan is in place, thereby enabling business units to comprehensively react to financial crime events. "React swiftly and efficiently to the appearance or allegations of financial crime and irregularities".

These four pillars provide the framework of the IDC Financial Crime Prevention Plan ("the Plan").

This Plan gives effect to the IDC Financial Crime Policy.

Roles and responsibilities

The Board is responsible for ensuring that adequate accounting records and an effective system of internal control are maintained. To enable the Board to meet its responsibilities, management should maintain a system of internal control designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, and transactions are performed and recorded according to the IDC policies and procedures.

- The Board Audit Committee has been delegated by the Board to ensure that the IDC develops and implements adequate and effective system of internal control, which should therefore incorporate financial crime prevention, detection and mitigation controls.
- The CEO Support and ensure the development of the policy and the supervision of the effective implementation of the financial crime prevention and protected disclosure policy.
- Internal Audit develops, maintains, update and implement the financial crime prevention and protected disclosure policy.
- Line managers are responsible for ensuring that adequate system of controls exists within their areas of responsibility and that those controls operate effectively. The responsibility for the prevention and detection of financial crime, therefore, rests primarily with line managers. There is a duty on all line managers to assess the types of risk involved in the operations for which they are responsible for. The line managers are expected to review and test their controls systems regularly and to ensure that those controls are being complied with and to satisfy themselves that their systems continue to operate effectively.
- Every member of staff has a duty to take reasonable steps in ensuring that the IDC is protected from any act of irregularities when they are conducting their duties. Furthermore, staff members are expected to report any irregular activities or suspicious acts or events as per the IDC financial crime reporting channels and response plan. All relevant stakeholders and staff are expected to assist in any investigations by making available all relevant information and by co-operating in interviews where necessary.

Understanding the Risks

The Corporation has implemented an enterprise-wide risk management process, encompassing, inter alia, a risk framework and a risk responsibility matrix.

The risk management process within the Corporation encompasses the identification of risks on a regular basis and maintaining awareness of relevant risks. This includes financial crime risks.

Furthermore, in terms of the Delegation Matrix, the IDC Executive Committee has overall responsibility for financial crime prevention, however, have delegated the authority for financial crime prevention to the Internal Audit Department

Proactive Defence

Being proactive is an essential principle in combating Financial Crime. The procedures set out below assist the Corporation in identifying areas of risk and prevention of financial crime.

Data interrogation exercises are periodically carried out on the Corporations standing and transactional data, inclusive of HR records and procurement transactional data.

The purpose of data interrogation is to identify patterns of potential financial crime behaviour, internal control implementation weaknesses and possible conflict of interest situations.

The Corporation ensures comprehensive background checking is carried out on prospective employees, including at least verification of previous employment details, academic qualifications, citizenship and the existence or otherwise of a criminal record. We act within the relevant legal prescripts in this regard.

The IDC has recently implemented procedures to ensure comprehensive background checking is carried out on potential service providers. The Corporation embraces a "know your supplier" culture, which minimises financial crime in procurement and simultaneously makes the Corporations zero tolerance culture towards financial crime visible to service providers.

The Corporation has a reporting database for the recording of all incidences and allegations of financial crime and associated irregular conduct – whether losses occurred or not. At all times we consider the privacy and confidentiality of such information.

Internal Control Systems & Procedures are actively monitored by Internal Audit, reviewed/updated as required by the relevant SBU/Department, and approved by the Systems and Procedure Review Committee.

Access to information and audit clauses are included in legal agreements with clients having approved facilities. Furthermore, audits which test prevention measures are performed on a regular basis.

IDC Employees are encouraged to speak out when they have concerns. The "Tip Offs Anonymous" financial crime reporting hotline (0800 30 33 36) is in place and advertised widely to employees, suppliers and business partners via stickers on invoices and monthly statements. Regular "Tip Offs Anonymous" activities include guest speakers and the placement of topical articles in the IDC internal publication, "In Touch".

Regular financial crime awareness campaigns amongst IDC employees and stakeholders.

The promotion of strong and ethical Corporate Culture through the "I make it Happen" programme, encouraging employees to always act ethically, responsibly and in the best interests of the client and the IDC.

Financial crime risk awareness and training

While the purpose of this policy is to guide and assist the Board, CEO, management, and employees of the IDC, to limit exposure to financial crime risk and thus to prevent financial crime being perpetrated. It recognizes that the best preventive measures may not be sufficient to prevent determined fraudsters from defrauding the IDC.

The policy is therefore, supported by the financial crime awareness and training initiatives. Amongst others these are some of the initiatives to support this purpose:

- IDC Code of Business Conduct, which includes a conflict of interest policy and accompanying declaration of interest requirement and procedure;

- Regular financial crime education roadshows, focusing on recent cases and relevant trends;
- Financial crime awareness and education to clients through distribution of brochure/ pamphlets;
- On-boarding financial crime awareness presentations to newly appointed employees;
- Targeted training to specific SBU's/Departments experiencing challenges with certain types of financial crime;
- Screen saver messages, displayed on IDC employee's computers relating to financial crime;
- Placement of financial crime related videos on TV screens;
- Naming and shaming (communication) of those employees involved in instances of irregular behaviour or internal cases of financial crime; and
- A considerable "Tone at The Top" from Executive Management.

Reporting procedures, channels, and response plan

All stakeholders who report suspected dishonest activity should be afforded the opportunity to remain anonymous should this be their wish. To this end the IDC has availed the "Tip Offs Anonymous" hotline to all stakeholders wishing to make an anonymous report and all information received via protected disclosure "Tip Off" relating to irregularities will be treated as confidential.

The IDC should ensure that the investigation is handled in a confidential manner and no information will be disclosed or discussed with any person other than those who have a legitimate right to such information, or such information is required by law.

Any employee who suspects or becomes aware of any irregularity is encouraged to report his/her suspicion to either in person or writing directly to: Chairperson of the IDC Board, CEO, General Counsel, or Head: Internal Audit or by dialling or sending an SMS to 39642 or dialling the toll free "Tip Off's Anonymous" hotline – 0800 30 33 36. Alternatively, by sending an e-mail to idc@tip-offs.com.

Consultants, vendors, contractors, outside agencies doing business with the IDC or any other interested parties are also encouraged to report any suspicions activities or irregularities through the same process as described above.

Employees are encouraged not to discuss or disclose any information relating to an investigation with colleagues or other party unless this is required as part of investigation process as this might prejudice the success of any investigation.

Provided that the Internal Audit Department has necessary capacity and required competence in relation to the required investigation, all investigations will be expected to be performed by the department. However, where it is assumed that IAD might be compromised due to the seniority or authority of the "person (s) of interest" the investigation may be outsourced to a suitable external forensic investigating specialist.

Furthermore, in instances where Internal Audit does not have the requisite skill or capacity to conduct a particular investigation, the investigation or part thereof may be outsourced. In addition, the investigation could be co-sourced where some aspects are highly specialised areas such as cyber forensic investigations.

Financial crime response plan

Allegations made against the:

- IDC Chairperson will be reported to the Minister;
- Board Members will be reported to the Chairperson of the IDC Board and the Minister;
- CEO will be communicated to and managed by the Chairperson of the Board;
- CFO, CRO, Group Company Secretariat, General Counsel or any Divisional Executive, the CEO will be notified, who will inform the Chairperson of the Board;

- Head of Internal Audit both the CEO and the Chairperson of the Board Audit Committee should be notified and will be responsible for approving such investigation as well appointing a suitable external forensic service provider; and
- All other allegations pertaining to IDC employees, business partners or associates, service providers, consultant, vendors, contractors, and any other stakeholder or interested party including their employees must be reported to the Head: Internal Audit. Both the CEO and General Counsel must be notified and approve such reported incidents prior to the investigation being commenced with. All allegations reported to IAD will be logged on to the forensic request platform for approval by the CEO, General Counsel and CRO.

Investigation procedures

Investigative activities may include but not limited to preliminary investigations, the collection of direct, physical and circumstantial evidence and analysis of documentary, video, audio, photographic, electronic information or any other related material, interview of witnesses, observation by investigators and any other investigative techniques as necessary to conduct the investigation.

Once an investigation is concluded a final report with findings, recommendations on corrective and preventative actions will be issued to the authority concerned and presented to EXCO (Policy) and to the Board Audit Committee as well as any other relevant party.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the IDC from civil liability.

The investigating members will be granted free and unrestricted access to all IDC records and premises, whether owned or rented as well as the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

Post investigation and reporting

If an incident of financial crime has taken place, the findings and recommended actions will be communicated to the relevant stakeholders, retaining the necessary level of confidentiality and within the confines of the PFMA, PCCA and PDA. This may include the applicable Executive Committee members, the Board Audit and Board Risk Committees, and parties as required in the PFMA. Furthermore, the IDC may consider:

- Disciplinary enquiry of any stakeholder if evidence supports such action and in line with the IDC Disciplinary Code;
- Report the person(s) who committed financial crime to relevant law enforcement agency and the implementation of recovery procedures, criminal or civil, in order to recover losses suffered by the IDC;
- The listing of entities and individual(s) who have committed financial crimes against the IDC on the internal IDC delinquent register to prevent any future business relationship with the Corporation;
- Enhancement of internal controls that failed, if any, to detect and prevent the financial crime from occurring; and
- Advise any other party or agency who have a legitimate right to such information, or such information is required by law.

Alignment of the policy to other IDC policies or procedures

This policy, to an extent, is aligned and can be read together with the following IDC policies, frameworks and/or procedures:

- Code of Ethics and Business Conduct;
- Anti-Money Laundering and Terrorist Financing Control Policy;
- Enterprise Risk Management Framework and Policy;
- Industrial Relations and Work rule; and
- Policy relating to the Delinquent register.

ANNEXURE M: TECHNICAL INDICATOR DESCRIPTIONS

Key performance indicators

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
Development effectiveness	a) Total investment flows facilitated/ unlocked	a) Total investment flows facilitated/ unlocked (R'm) (a1+a2+a3)	Total investment flows unlocked is the sum of IDCs on-balance sheet funding disbursed, off-balance sheet funding disbursed, as well as other funding facilitated. Other funding facilitated include guarantees issued, as well as funding that would have been contributed by other funders of the projects to which the IDC disbursed funding.	Measures the IDC's overall impact on investment in SA and the rest of Africa.	See a1, a2 and a3 Reports are generated from data from IDC's enterprise and financial management systems (SAP).	The sum of a1, a2 and a3	See a1, a2 and a3	The information is cumulative over a year. Quarterly and annual reporting	Operations Reporting in the Office of the COO Financial Management Department Financial Services Partnerships Department
	a1) IDC own balance sheet funding	a1) Value of on-balance sheet funding disbursed (R'm)	On-balance sheet funding disbursed is funding paid out to clients from IDC's own resources. This includes disbursements on all types of facilities, including grants and project investment facilities but excludes guarantees issued.	Measures the IDC's direct impact on investment through its funding disbursed.	SAP reports ZDRAWS	ZDRAWS report extracted from SAP for the specified companies codes, total amount calculated.	None	The information is cumulative over a year. Quarterly and annual reporting	Operations Reporting in the Office of the COO Financial Management Department Financial Services Partnerships Department
	a2) Managed development funds	a2) Value of off-balance sheet funding disbursed (R'm)	Off-balance sheet funding disbursed is funding paid out to clients from funds being managed by IDC on behalf of other entities. This includes disbursements on all types of facilities, including grants.	Measures the IDC's impact on investment through funds that it manages.	SAP reports ZDRAWS: Company codes relevant to the funds being managed	ZDRAWS report extracted from SAP for the specified companies' codes. Total amount calculated	None	The information is cumulative over a year. Quarterly and annual reporting.	Financial Services Partnerships Department Partnership Programmes
	a3) Co-funding leveraged/	a3) Value of leveraged funding	Other disbursements facilitated includes guarantees that were issued	Measures the IDC's indirect impact on investment through	SAP reports ZDRAWS and ZPAPPR	Sum of the amount leveraged for	None	The information is	Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
	syndicated/ catalysed	committed by other funders to projects (R'm)	during the year as well as the amount of funding committed by other financiers in projects. This excludes contributions by other funders where IDC is a participant in syndicated funding or similar "tag-along" situations (except where IDC is a lead arranger, or its funding plays a major part in unlocking the project).	funding from other sources being mobilised.	Amount leveraged = (Total investment facilitated – IDC funding approved + IDC guarantees approved – Off-balance sheet funding approved). New guarantees issued added as funding leveraged	funds that was committed in the year.		cumulative over a year. Quarterly and annual reporting.	Financial Management Department Financial Services Partnerships Department
	b) Funds committed and facilitated to support policy priorities: transformation	b1) Total: Transformation (R'm)	This indicator measures the value of funds committed and facilitated for priority groups of entrepreneurs. **Priority groups** are: -Black Industrialists -Black-owned companies (>50% shareholding) -Broad-based ownership (>20% shareholding by workers trusts, trade union owned entities or community trusts) -Women-entrepreneurs (>25% ownership by women and operational involvement in the business) -Youth-entrepreneurs (>25% ownership by youth and operational involvement in the business). **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's on-	Measures contribution towards empowerment and transformation in SA economy Measures the IDC's overall impact on funding for transformation.	SAP report ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership criteria.	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements) **Funding is committed** when a transaction has been approved, legal agreements concluded and any conditions that prevent a client from drawing down on the facility have been met (financial close).						
	b) Funds committed and facilitated to support policy priorities: Localisation and beneficiation	b2) Localisation and beneficiation (R'm)	Transactions that increase or contribute to the capacity of businesses that manufacture domestically goods for infrastructure development, designated products, other government procurement or components for motor vehicles. Other transactions where it can be demonstrated that the project will replace imports are also included. Transactions that create capacity for local minerals also included. Funds facilitated is the total value of funding being mobilised for the project and includes IDC's on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged	To measure funding for transactions that support localisation initiatives.	SAP report ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year for deals that support localisation	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			from other funders (excluding syndication arrangements) Funding is committed when a transaction has been approved, legal agreements concluded and any conditions that prevent a client from drawing down on the facility has been met (financial close).						
	c) Job creation and preservation	c) Number of jobs expected to be created/saved from committed funds (Number)	This indicator measures the number of jobs that are expected to be created or saved for transactions where funds have been committed. **Jobs created** include: -permanent jobs -permanent outsourced -temporary workers -seasonal jobs **Jobs saved**: Jobs can be counted under the following circumstances: -jobs could not have been counted previously (as jobs created or saved) -new funding must be advanced -company must be facing liquidation or downsizing if IDC does not invest. **Funding is committed** when a transaction has been approved, legal agreements concluded and any condition that prevents a client from drawing down on the facility has been met (financial close).	Measures the IDC's direct impact on job creation and retention in South Africa.	SAP Reports ZPAPPR	Sum of the total number of jobs for transactions where CPs have been cleared in the current financial year.	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
	d) Implementation of critical initiatives/projects	d) Achievement of milestones and outcomes for specific projects: • Township Economy • Social Employment Fund • Decarbonising the economy • Agriculture initiatives • Covid industrial production	The milestones and outcomes are included in a separate table in the Corporate Plan	Measures implementation of specific initiatives that has the potential to materially impact on IDC's development outcomes.	Portfolio of evidence by relevant responsible individuals	% of milestones/outcomes achieved	None	Quarterly progress updates. Annual reporting	Corporate strategy collates data from different sources
Financial sustainability	e) Improve quality of the portfolio through i) managed exits of non-performing assets, ii) appropriate origination of quality dealflow, iii) turnaround actions	e1) Impairment ratio (total book) (%)	This indicator measures the total impairments raised for the mini-group portfolio as a percentage of the total portfolio (at cost). **Impairments** consist of expected credit losses (ECLs) plus the amount of fair values below cost.	Measures the extent to which the IDC's efforts to improve the quality of its portfolio, including turning around clients, is successful. Measures the quality of the loan and equity portfolios.	Mini group balance sheet	Measured as a ratio of total balance sheet impairments over the total portfolio at cost (total impairments = expected credit losses (ECL's) on SPPI facilities plus negative fair value adjustments on non-SPPI facilities)	None	As at a specific reporting date	Financial Management Department
		e2) % non-performing loans (NPLs)	Measures the growth / decline in value of non-performing loans since beginning of the year. This indicator measures the share of exposures for non-performing loans in the mini-group portfolio as a percentage of the total loan exposure.	Measures the extent to which the IDC's efforts to increase collections is successful and clients repay loan facilities. Also, an indicator for the extent to which efforts to turn around companies in its portfolio is successful (including top-20 NPLs).	SAP reports ZPR	Non-performing loans at a percentage of total loan exposure of the mini group at a specific date.	None	The information is cumulative over a year. Quarterly and annually.	Credit Risk Department

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			Loans are facilities classified as Solely Payments of Principal and Interest (SPPI) according to IFRS definitions. A loan is **non-performing** if capital repayments are more than three months in arrears.						
		e3) Achieve critical milestones in the turnaround plans for Cast Products SA, Grinding Media SA, Foskor and Kalagadi Manganese	Measures specific outcomes achieved in the turnarounds of the key investments. Detail of outcomes/milestones defined in Corporate Plan	Measures the extent to which IDC is successfully implementing turnaround plans	Mannual gathering of information from relevant units in CSG division	Assessmsnet of whether outcome has been achieved based on actual achievements and outcomes targeted	None	Progress reported quarterly	CSG division
	f) Proactively driving and enabling the management of value increase of the IDC's unlisted portfolio	f1) % appreciation in carrying value of unlisted investments (excluding listed assets)	This indicator measures the increase in the carrying value of the unlisted portfolio since the start of the financial year. The unlisted portfolio consists of facilities to business partners in which IDC holds ordinary or preference shares where the shares are not listed. It includes all facilities to group business partners linked to these business partners. These include the equity and any other facilities (including loans, shareholder loans, etc). The carrying value of the facility is the exposure at cost minus ECL impairments for loans or the fair value of the facility. The targets are linked to increase in the Consumer	Measures the extent to which the IDC's efforts to improve the quality of its equity portfolio is resulting in increased value for the Corporation	SAP report ZPR	The percentage increase/decrease in the carrying value of relevant facilities as at the reporting date compared to the start of the financial year	None	The information as at reporting dates. Reported quarterly and annually	CSG division

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			Price Index (CPI) since the start of the financial year. To achieve the base target, the increase in the value of the portfolio should at least match this growth. To achieve the stretch target, the value of the portfolio should grow by CPI growth plus 300 basis points.						
	g) Optimise the balance sheet for long term sustainability	g) Growth in the value of reserves (y-o-y; %)	This indicator measures the growth in total equity for the mini group. The targets are linked to nominal GDP growth. To achieve the base target, the increase in total equity should at least match its growth.	An overall measure of the extent to which IDC's activities to manage its portfolio (including listed shares) and profitability is resulting in increased value for the Corporation.	IDC mini group balance sheet	The percentage increase/decrease in total equity as at the reporting date compared to the start of the financial year.	None	The information as at reporting dates. Reported quarterly and annually	Financial Management Department

Supporting performance indicators

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
Development effectiveness	b) Funds committed and facilitated to support policy priorities	b1.1) Black Industrialists	This indicator measures the value of funds committed and facilitated for businesses that support Black Industrialists. **A Black Industrialist** is defined as a black entrepreneur who creates and owns industrial capacity and provides long term strategic and operational leadership to the business and is by definition not a portfolio	Measures the IDC's overall impact on funding for Black Industrialists.	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership sectors.	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			or purely financial investor.						
		b1.2) Black-owned businesses	This indicator measures the value of funds committed and facilitated for businesses that support black-owned and broad-based owned businesses. **Black-owned businesses** are businesses with more than 50% shareholding. **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements)	Measures the IDC's overall impact on funding for black-owned businesses.	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership sectors.	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO
		b1.3) Broad-based ownership (including worker and trade union participation)	This indicator measures the value of funds committed and facilitated for businesses that support black-owned and broad-based owned businesses. **Broad-based owned businesses** are businesses with more than 20% shareholding by trade unions, community trusts or workers trusts. **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's	Measures the IDC's overall impact on funding for black-owned businesses.	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership sectors.	Measures the IDC's overall impact on funding for black-owned businesses.	SAP reports ZPAPPR	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements) **Funding is committed** when a transaction has been approved, legal agreements concluded and any conditions that prevent a client from drawing down on the facility has been met.						
		b1.4) Women-entrepreneurs	This indicator measures the value of funds committed and facilitated for women entrepreneurs. **Women entrepreneurs** have more than 25% ownership and is operationally involved in the business. **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements) **Funding is committed** when a transaction has been approved, legal agreements concluded and any conditions that prevent a client from	Measures the IDC's overall impact on funding for women entrepreneurs.	• SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership sectors.	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			drawing down on the facility has been met.						
		b1.5) Youth-entrepreneurs	This indicator measures the value of funds committed and facilitated for youth entrepreneurs. **Youth entrepreneurs** have more than 25% ownership and is operationally involved in the business. **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements) **Funding is committed** when a transaction has been approved, legal agreements concluded and any conditions that prevent a client from drawing down on the facility has been met.	Measures the IDC's overall impact on funding for youth entrepreneurs.	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and with the relevant ownership sectors.	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO
		b2) Total: Industry Master Plans and IDC Industry Priorities (indicators b2.1 to b2.13 are measured on the same principles but for individual industries/Master Plans)	Included are projects that support the following sectors: Agricultural economy, Automotive and new energy vehicles/Master Plan: Automotive industry, Steel industry/ Master Plan: Steel & metal fabrication, Energy, Infrastructure, Digital	This indicator measures the value of funds committed and facilitated for businesses that support IDC priority sectors and Master Plans.	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where CPs have been cleared in the current financial year and which contributes to the relevant	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			economy, CTFL/Master Plan: R-CTFL, Tourism, Master Plan: Poultry, Master Plan: Sugarcane, Master Plan: Chemicals, Master Plan: Plastics, Master Plan: Furniture **Funds facilitated** is the total value of funding being mobilised for the project and includes IDC's on-balance sheet funding, funding from funds managed by the IDC (off-balance sheet funding) as well as funding leveraged from other funders (excluding syndication arrangements) **Funding is committed** when a transaction has been approved, legal agreements concluded, and any conditions that prevent a client from drawing down on the facility has been met.			sectors. There is significant overlap between IDC priorities and Master Plans. Transactions aligning to both of these are not double-counted			
	b3.1) Funds committed and facilitated to support policy priorities: Regional/spatial development	b3.1) Special Economic Zones (R'm)	This indicator measures the value of funding committed and facilitated for businesses in Special Economic Zones (SEZs)	Measure contribution to spatial development	SAP reports ZPAPPR	Sum of the total value of funding facilitated in SEZs and Industrial zones for transactions where CPs have been cleared in the current financial year	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO
		b3.2) District development model (R'm)	This indicator measures the value of funding committed and facilitated for priority district municipal areas	Measure contribution to spatial development	SAP reports ZPAPPR	Sum of the total value of funding facilitated in priority district municipalities	None	The information is cumulative over a year.	• Operations Reporting in the Office of the COO

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
						for transactions where CPs have been cleared in the current financial year		Quarterly and annually.	
	b5) Export development	b5) Marginal increase in exports generated for intra-regional and global trade through funds committed (R'm)	Value of new exports expected to be generated	Measures support for the African continental free trade agreement and other trade initiatives	SAP report ZPAPPR	Sum of the total exports expected to be generated for transactions where CPs have been cleared in the current financial year for deals that support localisation	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO
	b6) Support for SME development	b6) Number of SMEs for which funding was approved (number approved)	Number of SMEs for which funding was approved (number approved)	Measures part of IDC's support to small businesses	SAP report ZPAPPR	Total number of SMEs was approved	None	The information is cumulative over a year. Quarterly and annually.	• Operations Reporting in the Office of the COO
	d) Project development	d) Investment value of projects that graduated from preparation to the investment phase (R'm)	This indicator measures the total value of a project for projects where feasibility studies have been concluded and fund-raising for the project has commenced.	Measures the extent to which IDC's project development activities results in bankable projects ready for funding.	Industry Planning and Project Development submissions to relevant committees.	Sum of the total project value for all projects that graduated to investment phase during the year.	None	The information is cumulative over a year. Quarterly and annually.	• IPPD department
	e) Improve quality of the portfolio through i) managed exits of non-performing assets, ii) appropriate origination of quality dealflow, iii) turnaround actions	e4) Risk profile of the portfolio (predominantly medium risk portfolio)	Maximise investment growth across IDC's portfolio This indicator measures the exposures (at cost) for the mini-group portfolio rated as medium and low risk as a percentage of the total portfolio. **Low risk** clients are those rated:	Measures the success of moving towards a lower risk portfolio	SAP report ZPR	Exposure to low and medium risk clients as a percentage of the total exposure at cost of the mini group.	None	The information as at reporting dates. Quarterly and annually.	• Operational Risk and Sustainability Department • Credit Risk Department

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			-SME/middle market: IRG-1 to IRG-18 -Project Finance; IRG-1 to IRG-19 -Financial Institutions: IRG-1 to IRG-13 **Medium risk** clients are those rated: -SME/middle market: IRG-19 to IRG-20 -Project Finance; IRG-10 to IRG-14 -Financial Institutions: IRG-14 to IRG-18 **High risk** clients are those rated: -SME/middle market: IRG-21 to IRG-24 -Project Finance; IRG-15 to IRG-24 -Financial Institutions: IRG-19 to IRG-24						
		e5) Risk profile of new funding approved	Maximise investment growth across IDC's portfolio This indicator measures the exposures (at cost) for the mini-group portfolio rated as medium and low risk as a percentage of the total portfolio. **Low risk** clients are those rated: -SME/middle market: IRG-1 to IRG-18 -Project Finance; IRG-1 to IRG-19 -Financial Institutions: IRG-1 to IRG-13 **Medium risk** clients are those rated: -SME/middle market: IRG-19 to IRG-20	Measures the success of moving towards a lower risk portfolio	SAP report ZPAPPR. Any investments to Foskor, Cast Products, Scaw Metals, and Grinding Media excluded	Funding approved to low and medium risk clients as a percentage of the total funding approved.	None	The information is cumulative over a year. Quarterly and annually.	• Operations divisions • Risk division

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
			-Project Finance; IRG-10 to IRG-14 -Financial Institutions: IRG-14 to IRG-18 **High risk** clients are those rated: -SME/middle market: IRG-21 to IRG-24 -Project Finance; IRG-15 to IRG-24 -Financial Institutions: IRG-19 to IRG-24						
		e6) IDC yield performance on cash deposits vs benchmark	The yield that IDC generates on its cash investments compared to the complex NACM	Measured the effectiveness of IDC's cash management practices	IDC Corporate Treasury	Weighted yield achieved on cash deposits	None	Quarterly	• IDC Corporate Treasury
	h) Build an organisational culture that is characterised by individual excellence, cross-divisional team collaborations	h) Culture entropy score	Results of Barret Culture survey	Measures the extent of employee engagement and by extension employee's commitment to the IDC's goals	Staff survey	Survey methodology	Possible low participation rate	Annually	• Human capital division
	i) Achieve efficiencies in terms of end-to-end deal process to meet desired service standards and deliver the right products and solutions to clients	i1) Customer satisfaction index (scale of 1 to 10)	Level of satisfaction of clients as measured independently through a customer satisfaction survey.	Measures the overall satisfaction that clients have with the IDC's service delivery throughout the organisation to facilitate continuous improvement	Customer Survey	Survey methodology	Sampling and analysis limitations, availability of clients identified for the survey	Non-cumulative, once of survey conducted at the end of the financial year.	• Corporate Affairs Department
	i) Achieve efficiencies in terms of end-to-end deal process to meet desired service standards and deliver the right products	i2) Percentage of applications where the turnaround time from receipt of application to legal agreements having been signed is within the	Percentage of applications where the turnaround time from receipt of application to legal agreements having been signed is within the service standard of 64 business days (excluding	Measure the IDC's efficiency in dealing with applications for finance	SAP report ZPAPPR	Number of applications concluded withing the targeted 64 days as a percentage of the total	None	Non-cumulative. Quarterly and annual reporting	• Operations divisions • Risk division • Legal division • CSG division

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
	and solutions to clients	service standard of 64 business days (excluding projects and days between ECIC approval and BIC/Board submissions)	projects and days between ECIC approval and BIC/Board submissions)			number of applications concluded.			
	j) Enhance IDC's reputation and build trust amongst its stakeholders	j) Reputation survey score (scale of 1 to 100)	To provide an assessment of the external environment's view on the efficiency and effectiveness of the IDC. The participants will be aligned to the stakeholder categorisation strategy.	The Stakeholder survey purpose is to identify and articulate expectations of the IDC stakeholders, align, and maintain these expectations as well as opportunity to build and reinforce relationships with the stakeholders such as dtic and investors.	Reputation survey	Survey methodology	Sampling and analysis limitations, availability of clients identified for the survey	Non-cumulative, once of survey conducted at the end of the financial year.	• Corporate Affairs Department