INDUSTRIAL DEVELOPMENT CORPORATION

OF SOUTH AFRICA LTD

Corporate Plan

2023/24 - 2025/26

March 2023

OFFICIAL SIGN-OFF

FOREWORD BY THE MINISTER

The 2023/24 Corporate Plan of the Industrial Development Corporation reflects the continued efforts of the dtic Group to align our financing activities around a common purpose; grounded in efforts to support **Industrialisation** to promote jobs and rising incomes, drive **Transformation** to build an inclusive economy, and build a **Capable State** to ensure improved impact of public policies.

The Corporate Plan contains an ambitious set of targets aimed at working with other financiers in the dtic to provide a common pool of industrial development funding that can empower a larger number of South Africans to contribute towards our shared prosperity. In the year ahead, the IDC will play a critical role in driving growth and job creation, and advancing our strategic objectives of responding to the energy crisis, supporting black industrialists, empowering women, and driving growth in small and medium enterprises. While companies face a challenging global economic environment, the work of the IDC will help create the conditions for sustained growth that are most needed when times are hardest.

Since the start of the Sixth Administration, the Department of Trade, Industry and Competition and all entities in the dtic Group have begun a process of adopting a revised output-driven planning system – grounded in the objective of combining all our efforts towards creating real impact for South Africans.

In 2023/24, the dtic concluded this process by introducing 45 output targets, to which the IDC makes a critical contribution. These include supporting 1 million jobs, mobilising R200 billion in investment, supporting R700 billion in manufacturing exports, and helping Black Industrialists to create 20,000 jobs and R36,8 billion in output. The attached table sets out the 45 outcomes (see Annexure K). While the IDC has incorporated many of these objectives into the Corporate Plan, our next steps will be to further align the work of the IDC with these common targets.

Within one month of tabling this version of the plan, the IDC and the dtic will provide me with a revised Corporate Plan to further align with these joint outcomes. This will require revisions to the Corporate Plan, which will be submitted to the Executive Authority for review. These efforts form part of a process of continuous evolution of the dtic Group's work, which combined make for a step-change in connecting our work to real impact that matters to South Africans.

Implementation of this plan must take account of the challenging fiscal environment in which government is operating, and as such as I have instructed all entities to undertake a further review of their spending plans for the period of the plan, and to submit a final, revised financial plan within one month of tabling this version of the plan. This plan should aim to reduce unnecessary spending, and redirect these resources to better serve our core objectives.

The Corporate Plan 2022/23, is hereby submitted in accordance with the Revised Framework on Strategic and Annual Performance Plans.

EBRAHIM PATEL

MINISTER OF TRADE, INDUSTRY AND COMPETITION

Signature: ....

Date: 31 March 2023

BOARD CHAIRPERSON AND CHIEF EXECUTIVE OFFICER STATEMENT

This Corporate Plan, for the period 2023/24 – 2025/26, was prepared by the management of the Industrial Development Corporation and approved by the Board for submission to the Shareholder on 22 February 2023.

The Corporation's 2023/24 Corporate Plan is tabled when economic conditions are worsening globally; rising inflation, monetary policy tightening, supply chain challenges, and the Russian/Ukraine conflict remain. These concerns have been mirrored in the downward revision in global growth forecasts for 2023 by both the IMF and the World Bank in their latest economic releases. Locally, the South African economy faces a number of significant headwinds; electricity supply disruptions, underperforming utilities, challenges in rail, port and logistics infrastructure and overall low confidence persist. The country's economic prospects in 2023 will be broadly shaped by global developments, stabilising the energy supply, and policy implementation commitments by government.

Notwithstanding this context, the Corporation has challenged itself to build on improving performance of the previous period and show greater boldness in contributing towards stimulating the South African economy through this challenging period. This plan therefore continues on the previous year's trajectory and represents IDC's commitment to driving sustainable and inclusive industrial capacity as well as the Corporation's ongoing support for Government's priority development areas such as, sustainable job creation, expediting transformation, and the building of a capable state. In response to the energy supply challenges, the Corporation is implementing a comprehensive intervention to support small, medium, and large businesses to implement immediate power back-up solutions and also enable their transition towards greener energy and energy efficient solutions. Details of this intervention are expanded upon in subsequent sections of the plan.

To emphasise the leading role that the Corporation needs to play in the development of industrial capacity, the Corporation has restated its strategy to: ***'To drive an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region'***. This revised strategy prioritises the following:

1. Responses to the current operating environment including supporting companies affected by energy supply challenges, supporting sectors with immediate impact on job creation and sector specific interventions for sectors affected by the operating environment;
2. Re-industrialisation, catalysing and sustaining the recovery of productive sectors by contributing to and leveraging from policy initiatives such as Industry Master Plans, Special Economic Zones, and localisation;
3. Supporting industries involved in the transition to clean energy; and
4. Improving the performance of IDC subsidiaries and investments.

At the same time, the Plan recognises the need for the IDC to continuously improve and expand on its capabilities to ensure its sustainability and ability to increase its relevance in the economy.

The economic environment remains fragile in the medium term and the Corporation will strive to implement this plan with the support of our Shareholder Representative and other key stakeholders such as our funders and clients.

MR TP NCHOCHO

CHIEF EXECUTIVE OFFICER – IDC

MS BUSISIWE MABUZA

BOARD CHAIRPERSON – IDC

TABLE OF CONTENTS

Executive Summary and Corporate Identity

EXECUTIVE SUMMARY

The Corporate Plan presents IDC's strategy for 2023/24 to 2025/26 in line with its annual business planning process. The Corporation has been successfully implementing its Long-Term Sustainability Plan (LTSP) since April 2021. Whilst execution of the strategy is substantially on track, there is now an opportunity to use this as a basis to deepen and increase strategic focus. Given the adverse environment in which the organisation operates in, the Corporation will initiate several new initiatives and prioritise existing focus areas to ensure that the Corporation delivers effectively on its mandate.

In response to the energy supply challenges, the Corporation will prioritise support for affected industries. The objective is to provide immediate sector wide support, for small, medium and large businesses to enable them to continue operating and also assist these businesses to transition towards greener energy solutions. The following interventions are being conceptualised and finalised for implementation:

a) Supporting the immediate working capital requirements of affected businesses.
b) Funding for sustainable power back-up systems and energy efficient solutions in partnership with experienced energy service companies (ESCOs), to make businesses energy resilient.
c) Unlocking of shovel ready IPP projects that can be implemented in the next 18 to 24 months.
d) Driving localisation of key components including roof top solar panels, battery backup solutions and inverters.

Management is also concluding a similar 'water resilience' initiative to support industries in ensuring adequate water supply for their operations.

The IDC is prioritising the implementation of a channel partners programme, to broaden the IDC's reach and impact across sectors and clients through the leveraging of intermediaries and third-party funds, including commercial banks, targeted funds and sector/client-specific non-bank intermediaries.

Building on the successes of the Social Employment Fund, the Corporation is finalising additional initiatives to stimulate intensive job creation in rural and peri urban areas of South Africa. The initiatives will target both commercial businesses as well as social economy enterprises and the intention is to attract additional funding from both private and other funders to provide additional scalability.

Industrialisation and infrastructure are the backbones for growing and transforming the South African economy. The stabilisation of the energy sector is critical to attract and retain foreign direct investment and to support economic development within the country. R8bn has been allocated for funding of projects within the infrastructure and energy sectors with an additional R1.15bn funding prioritised for initiatives to strengthen the energy supply. The Corporation will prioritise investing selectively in strategic, economy wide, large scale infrastructure interventions that unlocks industrial development (e.g., electricity, water, telecommunications, and logistics).

IDC has recommitted itself to increase industrial development and contribute to the revival of the manufacturing sector, expanding capacity and boosting localisation through a targeted value chain approach in these industrial manufacturing sectors – automotive, metals and beneficiation, machinery and equipment, chemicals, CTFL, furniture and wood. Funding of R6.7bn has been allocated for these sectors. The Corporation will also prioritise opportunities under the AfCFTA, including export opportunities for SA manufacturers and input sourcing for SA value chains and broader regionalisation.

The agriculture and agro processing sectors (R2.1bn allocated funding) are key contributors to GDP and employment, and hence will be prioritised for investment given their importance in creating sustainable jobs and ensuring food security. One of the significant initiatives the Corporation will undertake in this sector is to support emerging farmers by linking them with aggregators/ and or integrators to enable access to productive land, competitive funding and market access.

A number of initiatives within the Green Economy will be prioritised; continued funding for REIPP, investing in projects that manufacture components (component localisation) for the burgeoning renewable energy industry, emerging electric vehicle industry, including energy storage solutions, battery minerals etc, decarbonisation of key areas of the energy and logistics value chains, and the implementation of the green hydrogen action plan.

To improve performance of the IDC's subsidiaries and investments, the Corporation is persisting with the implementation of the various value creation and turnaround plans in operation. The Corporation is actively seeking to partner with Strategic Equity partners (SEP's) with the requisite technical skills and strong financial muscle who have the ability to turn these subsidiaries around and derive value.

Internally, the Corporation is focusing on improving critical business processes & systems: refined due diligence capabilities, appropriate human capacity and skills, decision making effectiveness and building and retaining a high-performance culture. The IDC is also seeking to enhance its client centricity and solutions-oriented approach – responsiveness, quick turnaround times, innovation and proactive approach in dealing with clients.

A summary of these 2023/24 key focus areas and principal targets is shown below.

Key Focus Areas

1. Developing and supporting pioneering projects
2. Providing customised finance and investment solutions
3. Partnering with others to extend IDC's reach, capital, and impact
4. Non-financial support to entrepreneurs and selected state programmes.
5. Enhanced Organisational Capabilities - Financial Sustainability, Risk Management, Portfolio Value Creation.

Funding Approvals

- Targeting approvals of R79,8 billion over the next three years with R24,8 billion of approvals targeted for the 2023/24 financial year.
- An additional R7,5 billion has been allocated over 2023 - 2025 to address the Energy crisis.

Development Impact

- Targeting R20,1 billion disbursements for 2023/24 (R63,5 billion by 2025/26)
- 36 778 jobs created/ saved targeted in 2023/24 (122 159 by 2025/26).
- R6,2 billion funding targeted for black industrialists in 2023/24 (R22,2 billion by 2025/26)
- R4,2 billion funding to be approved for youth and women empowered businesses in 2023/24 (R14,8 billion by 2025/26).

1 CORPORATE IDENTITY

Purpose	Values
To drive an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region	**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 driving an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region. 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

IDC Group

Mini Group

Investor	IDC Ltd
100%	Findevco (Pty) Ltd
100%	Impofin (Pty) Ltd
100%	Konoil (Pty) Ltd

Other Subsidiaries

59%	Foskor (Pty) Ltd
100%	SEFA
59%	Grinding Media SA (Pty) Ltd
85%	Cast Products SA (Pty) Ltd
100%	Prilla (Pty) Ltd
80%	Sheraton Textiles (Pty) Ltd
various	Other subsidiaries

Major Associates

20%	Kalagadi Manganese (Pty) Ltd
24%	Mozal S.A.R.L
22.95%	Eyesizwe (Pty) Ltd
29%	Palabora Mining Company (Pty) Ltd
30%	Hans Merensky (Pty) Ltd
26%	Scaw South Africa (Pty) Ltd
20%	Karoshoek Solar 1 (Pty) Ltd
29%	Ka Xu Solar One (Pty) Ltd
42%	Karsten Group Holdings (Pty) Ltd
29%	York Timber Ltd
29%	Xina Solar One (Pty) Ltd
24%	Columbus Stainless Steel (Pty) Ltd
35%	BAIC Automobile SA (Pty) Ltd
29%	Khi Solar One (Pty) Ltd
30%	Hulamin Ltd
Various	Other associates

Percentages refer to IDC's shareholding in the company

**Thelo removed as subsidiary following restructure*

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[1] and major associates[2]. Listed in Figure 1 are material subsidiaries and associates in which IDC had an exposure of more than R500 million as at 31 March 2022.

Section 3.4 on page 29 contains an overview of the material subsidiaries.

1.2 Business Activities

The organisation's key focus is on driving an ambitious programme of inclusive and sustainable employment-creating industrialisation in South African and the region. Our activities correspond to the key activities of a development finance institution, namely: developing and supporting pioneering projects; providing customised finance and investment solutions; partnering with others to extend IDC's reach, capital, and impact; and providing non-financial support to entrepreneurs and selected state programmes.

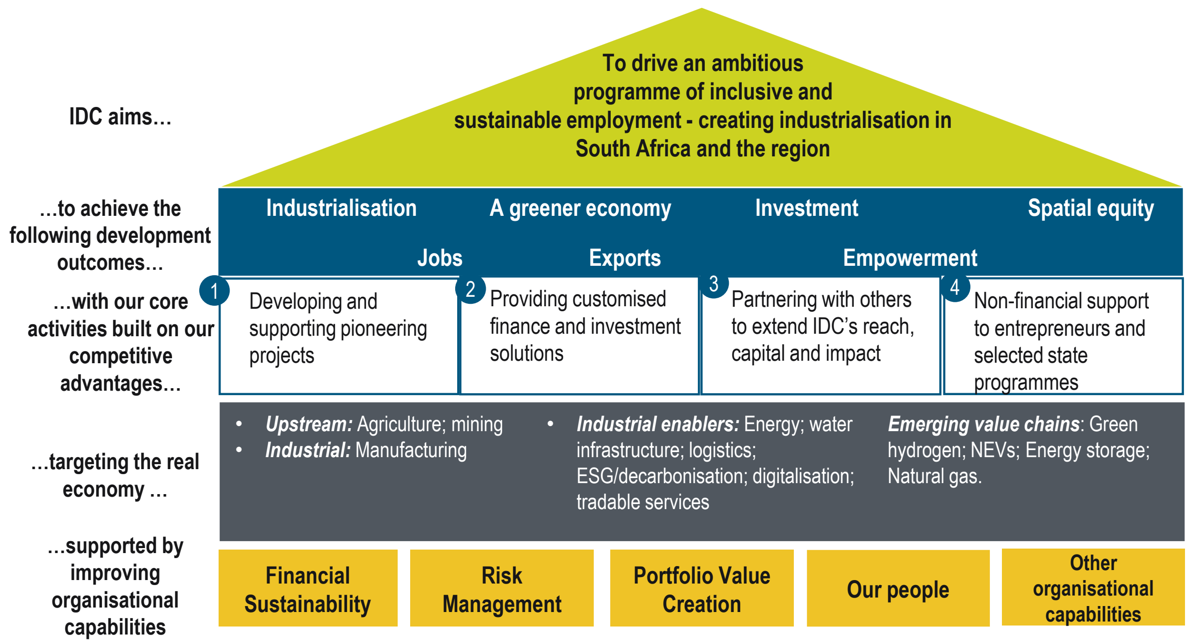
[1] Subsidiaries are companies over which IDC exercises control. This would typically mean more than 50% shareholding.
[2] Associates are companies over which IDC has significant influence. These are typically companies in which IDC holds between 20% and 50% shareholding.

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 mandated 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 country'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.

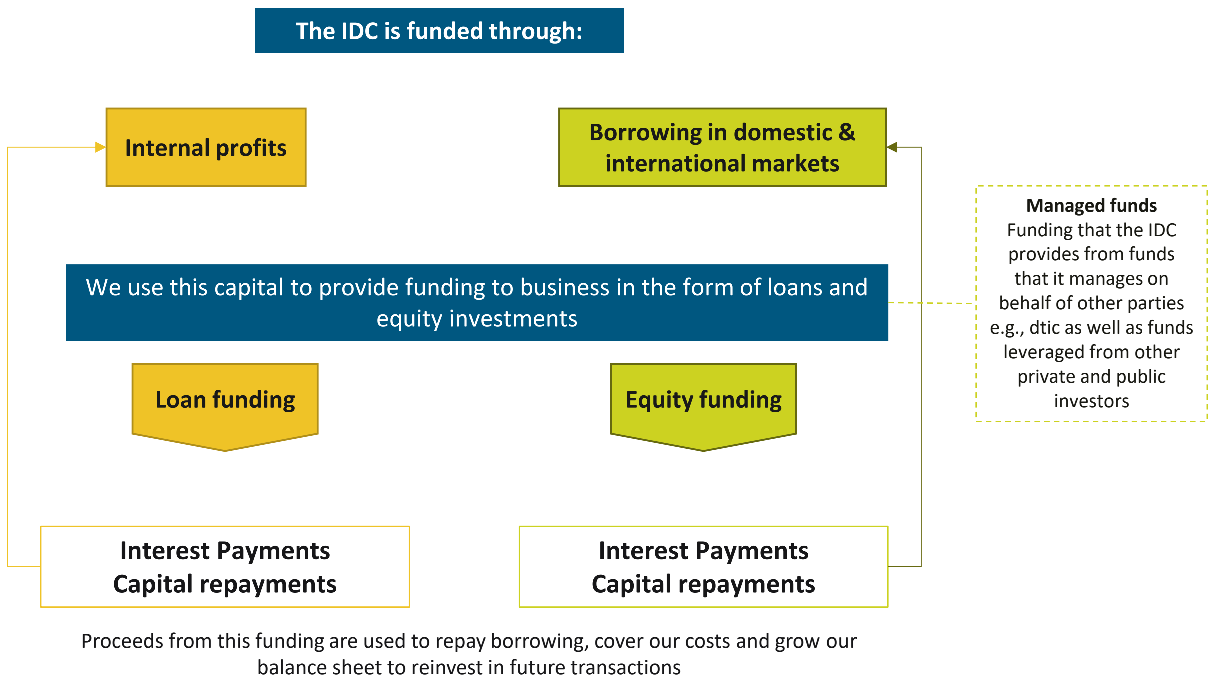


Figure 3: IDC's funding model

Strategic Context

2 OPERATING ENVIRONMENT

2.1 External Environment

Economic analysis

South Africa's economic recovery suffered serious setbacks during the current year as a series of adverse developments, globally and domestically, affected its performance and prospects.

External factors included the protracted war between Russia and Ukraine, which has had negative implications for the world economy; global supply chain challenges which, although easing, are still affecting specific industries; the substantial slowdown in the Chinese economy to its slowest rate of growth in many decades; softer commodity prices, which have affected the performance of mineral resource exporting economies including South Africa; the extraordinary inflationary pressures which emerged and persisted globally and the concomitant aggressive tightening of monetary policy by central banks, which is affecting the world economy's performance. Sentiment levels among households, business enterprises and investors around the globe have consequently been hit hard, reinforcing the slowing economic momentum.

On the domestic front, several developments since the start of 2022 also had adverse implications for South Africa's fragile economic recovery, including:

- The devastating floods in parts of KwaZulu-Natal (KZN) in April 2022, which damaged critical infrastructure and affected the operations of many private and public sector entities including export and import trade.
- Frequent loadshedding over prolonged periods of time, which has been highly detrimental to the economy and society.
- Industrial action in a number of critical sectors, including energy, transportation and mining.
- Fast-rising prices at the producer and consumer levels, primarily but not exclusively driven by imported inflation, which have been affecting the spending capacity and propensity of households and business enterprises.
- Aggressive monetary policy tightening through interest rate hikes as the South African Reserve Bank's Monetary Policy Committee seeks to anchor inflation expectations.
- Stubbornly high unemployment rates and the low probability of meaningful job creation materialising in the short- to medium-term.
- Increased uncertainty over the economy's prospects underpinned by the above-mentioned domestic and global developments, among others, has resulted in falling business and consumer confidence, with adverse repercussions on spending, production and investment activity.

Operating and trading conditions remain difficult in various sectors of the South African economy.

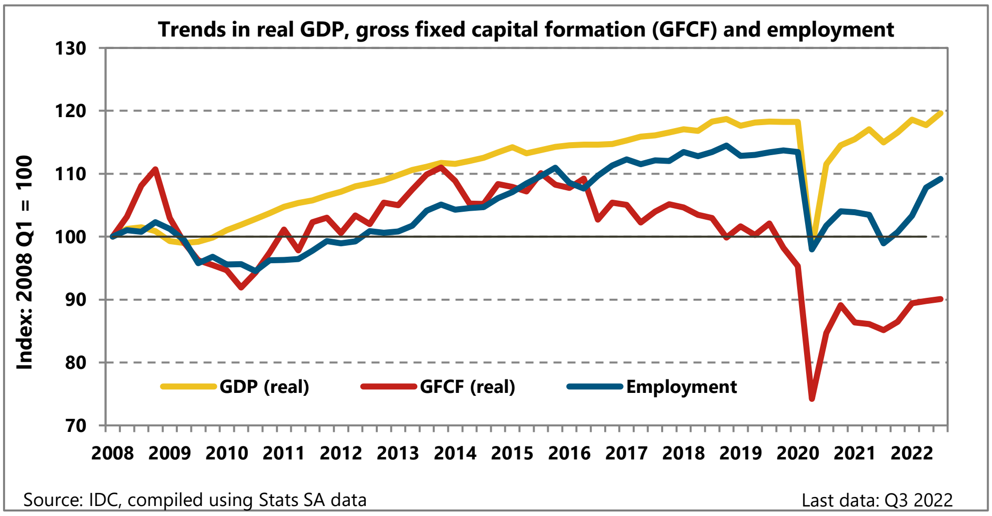
Mining sector output contracted for four consecutive quarters and, despite the 2.1% quarter-on-quarter rebound in its GDP in Q3 2022, it was still 7.5% below pre-pandemic (Q4 2019) levels in real terms. The sector in general is finding it difficult to raise production and export volumes. Although sales and export values in nominal terms benefitted significantly from high commodity prices earlier in the year, this did not generally translate into increased output and exports, with coal being the notable exception as its nominal exports surged. A slowing Chinese economy and softer commodity prices affected the mining sector's performance as the year progressed. Mining activity has also been curtailed by electricity supply interruptions, operational capacity and efficiency challenges in the rail network, bottlenecks in ports such as the Richards Bay coal terminal, industrial action and a lack of investment.

The performance of the **manufacturing sector** was particular weak earlier in the year, with lower motor vehicle production as a major manufacturing plant halted operations due the floods in KZN, while the output of the petroleum products industry declined substantially as refining capacity diminished. Despite a very modest rebound in manufacturing GDP in the third quarter of 2022, the manufacturing sector continues to experience difficult operating conditions. Persistent and often prolonged energy supply interruptions along with major challenges in the country's transport and logistics infrastructure have been particularly detrimental to the operations of most of its sub-sectors. Rising operating costs have also been compromising competitiveness, while industrial action and continued difficulties in accessing key inputs due to global supply shortages or interruptions have affected production activity in several industries, with negative implications for the respective value chains. On the demand side, conditions have remained generally subdued in the domestic market and, although a number of manufacturing sub-sector recorded positive export performances, demand conditions in some of the key export markets are weakening due to the economic slowdown.

The **agriculture sector** is likely to have recorded a mild contraction in its gross domestic product in 2022. The very high bases of the preceding two years play an important role in this regard. Solid growth rates of 14.9% and 8.8%, year-on-year, were posted by the sector in 2020 and 2021, respectively. Furthermore, a decline in some field crop harvests such as maize, which was down 5.7% year-on-year, along with production challenges in the sugar industry and challenges in the livestock and horticulture sub-sectors, which struggled with disease outbreaks and plant safety regulations in European markets, weighed negatively on the sector's performance in 2022. Nevertheless, activity in some of the segments producing vegetables, fruits and field crops remained solid, maintaining their important contributions to food security and employment.

The **tourism sector** makes a sizeable contribution to national GDP and employment, both directly and indirectly. The sector is experiencing a sustained recovery following the damage inflicted by Covid pandemic related lockdowns in 2020 and travel restrictions still in place in parts of the world in 2021. However, although foreign tourist arrivals have been increasing steadily, the overall number is still about 50% below pre-crisis levels. The easing of restrictive measures globally resulted in higher travel and tourism activity worldwide, with the recovery in South Africa's foreign travel receipts bearing testimony to such developments.

Figure 1: Difficult economic environment impacting on investment activity and employment



The domestic economic environment is expected to remain unsatisfactory for quite some time.

South African households are seeing their disposable income being eroded by rapidly rising living costs and substantially higher debt service costs on the back of consecutive interest rate hikes. Consumer price inflation rose steeply towards a recent peak of 7.8% in July 2022 on the back of higher fuel, food and electricity prices, before decelerating slightly to 7.2% by December 2022. To contain inflationary pressures and expectations, the South African Reserve Bank has raised the repurchase (repo) rate by a cumulative 375 basis points since November 2021 to its current level of 7.25%, while the prime lending rate presently stands at 10.75%. Extraordinarily high rates of unemployment and weak prospects for meaningful job creation at a large scale in the short- to medium-term are further affecting the ability and willingness of households to spend. Low consumer sentiment is thus likely to remain a binding constraint in the short- to medium-term.

Business and investor confidence have also been at low levels, reflecting increased uncertainty, generally weak demand conditions and subdued growth prospects for the economy. Fixed investment spending has been sub-optimal for many years, with the Covid 19 related economic downturn having amplified the downtrend. Despite some recovery in much needed capital outlays more recently, the overall quantum of fixed investment expenditure in the economy is still well below pre-pandemic levels in real terms. The private sector remains somewhat reluctant to commit investment capital under the currently difficult conditions and a weak economic outlook, whereas the financially constrained public sector is finding it increasingly challenging to sustain capital spending on the maintenance and development of infrastructure.

The weak growth performance, relatively low fixed investment activity and declining labour-intensity of the South African economy over recent years has been reflected in disappointing employment trends despite efforts to intensify job creation. Total employment in the formal and informal sectors combined stood at 15.8 million by the third quarter of 2022, approximately 655 000 lower than prior to the pandemic. Although the unemployment rate edged slightly lower to 32.9%, from an all-time high of 35.3% in the final quarter of 2021, some 7.7 million people still found themselves without a job.

Economic projections

The South African economy entered 2023 facing major challenges. Several of these are of a domestic nature and, despite their criticality for they are stifling economic growth and development, they will take time to resolve. **Gross domestic product** is projected to expand by a mere 1.0% in real terms in 2023, with the annual rate of growth forecast for the subsequent two years remaining very modest at 1.5% and 1.8%, respectively. Somewhat stronger, but nevertheless sub-optimal rates of expansion are anticipated in the last two years of the outlook period.

Projections for key performance indicators of the South African economy

Variable (% change or % of GDP)	2018	2019	2020	2021	2022e	2023f	2024f	2025f	2026f	2027f
Real GDP growth and its components:										
Household consumption expenditure	2.7	1.2	-5.9	5.6	2.3	1.4	1.7	2.0	2.7	2.6
Government consumption expenditure	1.2	2.1	0.8	0.6	1.3	1.2	1.0	1.0	1.1	1.2
Gross fixed capital formation (GFCF)	-1.3	-2.1	-14.6	0.2	4.0	1.7	2.4	2.5	2.8	3.3
Exports	2.7	-3.4	-11.9	10.0	8.1	2.4	2.6	2.7	2.8	2.5
Imports	3.2	0.4	-17.4	9.5	13.3	2.8	3.1	3.1	3.0	2.6
GDP	**1.5**	**0.3**	**-6.3**	**4.9**	**1.9**	**1.0**	**1.5**	**1.8**	**2.3**	**2.4**
Consumer price inflation	4.6	4.1	3.3	4.6	6.9	5.3	4.9	4.8	4.5	4.3
Current account balance (% of GDP)	-2.9	-2.6	2.0	3.7	-0.4	-1.2	-1.9	-3.0	-3.6	-3.3
GFCF as % of GDP	15.9	15.4	13.8	13.1	14.1	14.3	14.6	14.7	14.8	14.8

Source: IDC, compiled using SA Reserve Bank historical data, IDC forecasts

Households will be under increased pressure in the current year as the full impact of higher inflation and interest rates take a toll on already strained budgets. This, along with expectations of only a modest rise in real disposable incomes, weak prospects for new job creation as well as limited appetite for new debt will affect their ability and willingness to spend. **Household consumption expenditure** is, accordingly, expected to increase by only 1.4% in real terms in 2023. Based on projections of decelerating inflation over the medium-term, which would permit a gradual reduction in interest rates, along with a progressive improvement in investment activity and employment creation, household consumption spending is forecast to increase at significantly higher rates towards the latter part of the forecast period.

Major structural challenges, particularly severe loadshedding and serious transport and logistics constraints, coupled with relatively subdued demand domestically and globally, which is underpinning surplus production capacity in many industries, will continue to affect investor decisions and thus limit the private sector's **fixed investment activity** in the economy in the short- to medium-term. Notable exceptions include the energy sector, considering the increased opportunities for private sector participation in the generation and transmission segments, as well as telecommunications, transport and logistics infrastructure, for their regulatory landscapes have, or are being considerably liberalised to encourage private sector involvement. As economic conditions improve in the longer term, expansionary and/or greenfield investment by the private sector should increase across a variety of other industries and services sectors.

Capital investment by the public sector, in turn, will continue being restrained by financial and skills constraints for quite some time, thus requiring partnerships with the private sector players as active participants, financially and operationally, in future infrastructure development.

The effective and timeous implementation of South Africa's Just Energy Transition Investment Plan for the five years to 2027, whose priority sectors are energy, new energy vehicles and green hydrogen, would also create numerous investment opportunities for private sector players.

South Africa's **fiscal position** is expected to undergo a gradual improvement over the outlook horizon, but precarious fiscal metrics in the short- to medium-term will continue to limit government's ability to enhance its direct expenditure in the economy, whether of a consumption or capital nature. The revenue windfall experienced in 2022/23, for instance, is likely to fade since commodity prices have moderated while the mining sector, among several other productive sectors of the economy, has been underperforming. The budget-deficit-to-GDP ratio is forecast to narrow from -5.6% in 2022 to -3.8% by 2027, while overall government debt is projected to peak at a ratio of 77.3% of GDP in 2025, with some moderation forecast for subsequent years.

The principal credit rating agencies will keep a close eye on economic and fiscal developments, as well as on much needed structural reforms. A swift implementation of the reforms recently announced by government, particularly but not exclusively in the energy sector, and visible progress towards achieving the fiscal consolidation and debt sustainability objectives indicated by National Treasury would be seen as credit positive. However, it could take a few years before South Africa's sovereign ratings return to investment grade.

Considering the expected softening of aggregate demand and commodity prices globally, along with serious production constraints domestically (primarily due to the electricity crisis) and ongoing difficulties in accessing ports effectively and cost-competitively, growth in **exports** is likely to weaken at least in the short-term. Although the opening-up of China's economy should provide some relief for commodity exporters, very weak growth and/or recessionary conditions in some of South Africa's other key export markets are likely to have an adverse impact on manufacturing, mineral and agricultural exports.

The export basket to China, the world's second largest economy, consists mostly of mineral products such as iron ore, chrome and manganese, as well as primary beneficiated products (e.g. basic iron and steel, non-ferrous metal products). Weaker growth in the Eurozone may be reflected in reduced demand for South African manufactured products such as motor vehicles, chemicals and chemical products, iron and steel, processed food, as well as primary agricultural products (for example, citrus and other fruits). Competition from foreign producers in the global marketplace is also likely to intensify, requiring that local companies focus on competitiveness enhancements and on identifying additional markets for their products.

Demand for **imports** is expected to remain somewhat subdued over the outlook period due to the challenges facing domestic consumers and the weak rates of growth projected for fixed investment expenditure. However, in light of the energy-intensity of the South African economy, this may result in demand for refined petroleum products, particularly diesel, and also crude oil, being fairly strong over the outlook horizon, for local refining capacity has declined.

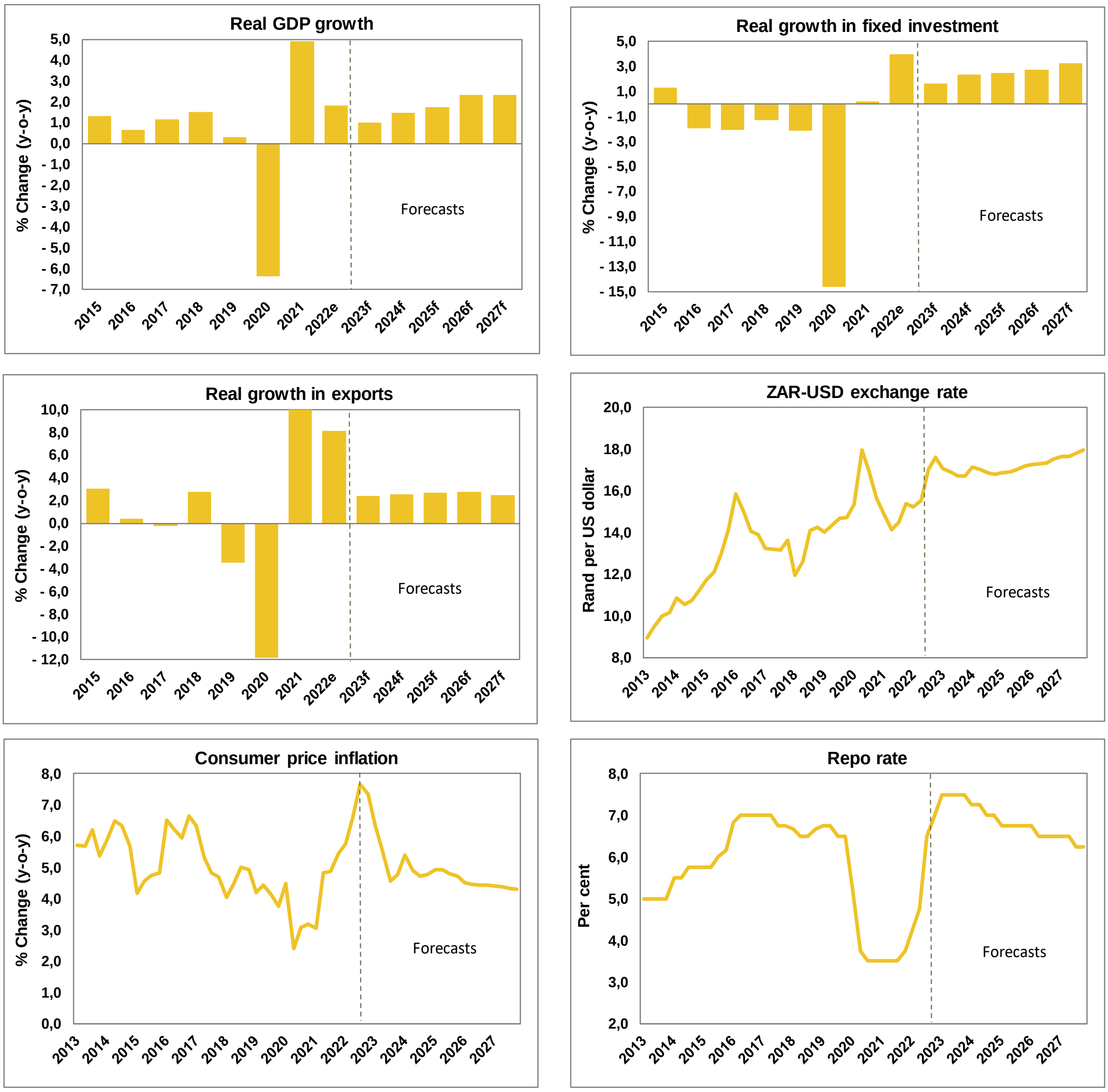
The outlook for consumer price **inflation** is set to improve. High base effects will play a major role particularly in 2023, but softer commodity prices (fuel, food, etc.), easing supply chain constraints and generally weaker demand in a higher interest rate environment should also support a moderation going forward. Consumer inflation is expected to decline to 5.3% in 2023 and to hover around the mid-point of the South African Reserve Bank's target range in the latter two years of the forecast period.

Mindful of the economy's weak growth prospects, **monetary policy** will be applied in a manner that is growth-supportive while anchoring inflation expectations. The Monetary Policy Committee is expected to raise the repo rate to 7.50% by the end of the first quarter of 2023 (currently at 7.25%) to bring inflation back under control. This may be the peak in the domestic interest rate tightening cycle, with the repo rate potentially being lowered gradually as from the first quarter of 2024 onwards, inflation developments permitting.

South Africa's economic recovery is thus expected to proceed despite the relatively adverse environment at the present time. The pace of expansion is likely to be very muted in the short- to medium-term, though, dragged downward by both supply- and demand-side constraints. Gradually faster rates of economic growth are anticipated subsequently on the back of lower inflation and an alleviation of interest rates from 2024 onwards, as well as on improved access to greater and more reliable electricity supply, among other infrastructural requirements. Such developments would lift consumer and business sentiment, resulting in higher consumption spending and increased production and investment activity. As economic growth resumes a firmer trajectory globally, the domestic export sector is also likely to benefit.

The risks to this growth outlook are, however, tilted to the downside, especially in the absence of meaningful progress in addressing critical structural challenges and other constraints that are still holding back South Africa's economic performance and limiting its potential.

South Africa's projected economic performance over the period 2022 to 2027



Source: IDC, compiled using South African Reserve Bank historical data, IDC forecasts

2.2 Internal Environment

Internally, and as depicted in Table 1 below, the Corporation is determined to overcome strong headwinds during the planning period to realise 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 H.

Table 1: 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 • Exceptional project development capabilities • Increased financial capacity 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 – portfolio improvements have resulted in these trending positive in the past year. • Increasing staff turnover (particularly in deal evaluation process) resulting in the loss of critical skills
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 including Just Transition • 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 to develop programme initiatives in targeted sectors • 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	• High unemployment rate and development deficit • Perceptions that IDC is not doing enough to deliver on its mandate • 4IR challenging existing business models • Unreliable electricity supply and other infrastructure, including transport logistics deficits impacting on development agenda • Non-compliance with legislation and regulations • High inflationary environment, rising costs and debt service obligations for clients • Adverse publicity arising out of service dissatisfaction

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. The Corporation achieves this by leveraging on and supporting implementation of government's industrial policy.

The joint-KPIs, developed to coordinate industrial and trade policy activities across the dtic entities have since been reconfigured into three broad categories as shown in Table 2 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 2: The dtic's J-KPIs (source: dtic)

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 sustainable 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 Strategic Overview 2023/24

The Economic Reconstruction and Recovery Plan (ERRP), developed during the height of the Covid-19 pandemic along with the National Development Plan (NDP) and industrial policy continue to provide a planning framework for the Corporation for the implementation of economic strategies. IDC remains committed to its mandate by playing a critical countercyclical role to keep companies in business, thereby preventing deindustrialisation and saving jobs by providing funding to companies affected by the cyclical downturn in the economy.

Whilst the performance of the Corporation has fundamentally shifted for the better in the previous financial year, the Corporation is required to play a greater countercyclical role given the prevailing economic environment and to meet stakeholder expectations. As part of its annual planning process, IDC's objectives, outcomes, and strategy were reviewed to consider a) progress with implementation and b) changes in the internal and external environment during 2022. This culminated in a revised strategy statement and priorities which emphasise the leading role that the Corporation needs to play in the development of industrial capacity.

The revised strategy statement: ***'To drive an ambitious programme of inclusive and sustainable employment-creating industrialisation in South Africa and the region'***. This statement is anchored by revised priority areas which re - focus the work of the Corporation and form the basis of the 2023/24 strategy. These priority areas are:

1. Developing and supporting pioneering projects
2. Providing customised finance and investment solutions
3. Partnering with others to extend IDC's reach, capital, and impact
4. Non-financial support to entrepreneurs and selected state programmes.

and supported by our organisational capabilities:

1. Financial sustainability including Risk Management and Portfolio Value Creation
2. People
3. Other organisational capabilities such as processes and stakeholder alignment.

IDC is focusing on contributing to economic growth, industrial development, and economic empowerment through its financing activities. IDC generally operates within the traditional 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. In addition, the IDC Act specifically tasks it to lead the development of new industries. It therefore 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. The remainder of this section will give a summary of the main focus areas of the strategy.

A. <u>IDC's Core Activities</u>

1. **Developing** and **supporting pioneering** and **innovative projects**.

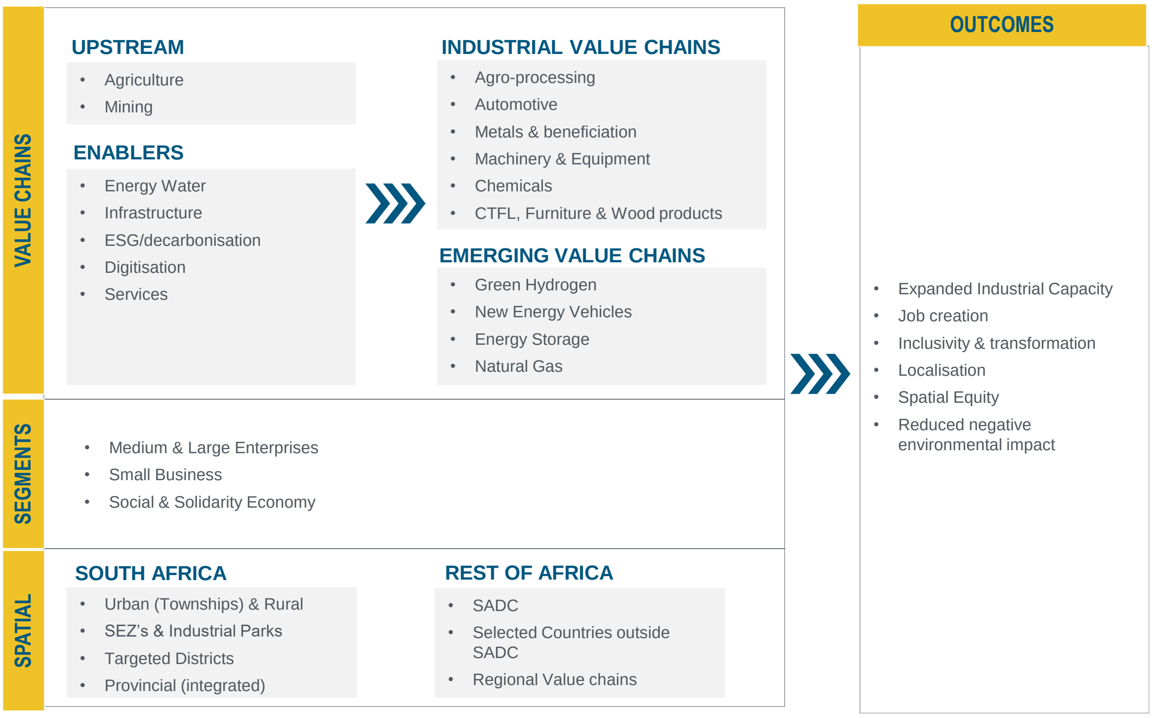
The IDC has built a key competency in supporting industry planning and acting as a catalyst through early-stage project development which has not only been essential in aligning industrial policy framework amongst industry role players, but also in building the IDC's current and future project pipeline. The Corporation has been involved in the development of several industry Master Plans; several of which have been concluded and are in implementation, with others in the final stages of development. These Industry plans in turn inform the Corporation's development of projects and initiatives within sectors through a programmatic approach. Historically, project development funding has been the foundation of many key equity holdings on which the IDC's financial sustainability is based. For 2023/24, the Corporation will focus on:

- Driving investment into projects in the completed industry plans: agriculture (sugar and poultry), the automotive sector (new energy vehicles), steel, the renewable energy value chain (with a specific emphasis on the localisation of manufactured inputs) and the green hydrogen value chain;
- Finalisation of IDC's approach towards other key value chains such as Liquid Fuels, Natural Gas, Electricity Grid, Cannabis, Battery storage and other agricultural sub-sectors;
- Growing project development funding across the various sectoral priority areas with a focus on projects that will enable the just transition and also ensuring the graduation of projects from preparation to investment phase.

2. **Driving investment & financing solutions** to **support** and **expand key economic sectors**

IDC's core business is to provide investment and financing solutions for projects that contribute to increasing the industrial capacity of the country and the region. IDC will play a more proactive approach by providing funding for projects in targeted growth sectors that result in jobs-rich industrialisation and greater economic growth. As such, the Corporation will continue to drive projects within the identified priority value chains (see figure 4 below).

Figure 4: An Integrated Approach to Value Chain Development



The following areas within key value chains will receive specific attention during 2023/24:

a) **Agriculture & Agro processing:** Agriculture remains a significant contributor to South African GDP and is a significant employer compared to other sectors. Emerging farmers are the catalyst in growing the economy through increasing the localisation and exports of high value crops but also in aiding job creation. These farmers however face structural challenges such as (i) access to productive land, (ii) market access, (iii) competitive funding, (iv) risk management and compliance, etc. The Corporation will seek to support these farmers in addressing these challenges through linkages with Integrators and/or Aggregators thereby scaling impact while mitigating risk.

Support of large-scale commercial farming operations will further ensure that food security concerns are addressed and opportunities in global markets leveraged. The current threat of declining power and water quality and availability presents new opportunities for innovative solutions and investment focus.

Key Focus Areas:

- Facilitate the Aggregation model and co-funding model in partnership with Industrial Processors and FMCG companies aligned to the SME Connect partnership approach.

    - The programme will seek to address chiefly (i) supplier development and (ii) market access for emerging suppliers.
    - The programme will leverage the Processor's supplier development funds and has the potential to unlock Competition Commission conditions on the back of M&A transaction approvals.
- Transform and develop the commercialization of black farmers into the commercial protein (Beef, Poultry, Pork) value chains.
- Development of high-value, export-oriented crop, through supporting the re-development of high-potential, under-utilized agricultural land, including focusing on land reform assets (community and government-owned farms).
- Unlocking the Agriculture value chain would require development of Intellectual property (IP) to lower barriers to entry for new entrants and strengthen supply chains both in South Africa and the region. Such IP includes:
    - Traceability Technology
    - Bread enzyme formulation
    - Proximity retailer intervention
- Innovation and partnership in water and energy solutions are required to ensure that South African agricultural production is not negatively impacted. This will require new risk approaches and will sustain jobs within sectors in the short term but will not yield the job creation potential of new agricultural investments.

b) **Mining & Metals**: The Corporation will continue to support the development of a globally competitive mining and beneficiation industry and the metals value chain, which includes the steel and aluminium value chains. Support for coal mining for power generation and metallurgical processes will be maintained given the role coal plays as the dominant energy source in South Africa's energy mix. A key investment thrust for 2023/24 and beyond is the demand for battery minerals and 'minerals of the future' spurred on by the drive for technologies that enable energy storage.

Key Focus Areas:

- The SA and Rest of Africa (RoA) mining and metals strategy is anchored on the extraction and the beneficiation of future-facing minerals. Such minerals include:
    - Lithium, Graphite, Cobalt, Nickel, Manganese, Aluminium and Tin used in the Renewable energy and battery storage value chain;
    - Platinum Group Metals (PGMs) which are required for the Green Hydrogen value chain;
    - Rare earth minerals, cobalt and lithium used in consumer goods and components;
    - Copper and aluminium used in energy Infrastructure (Transmission and Distribution);

c) **Energy & Infrastructure:** Given the slow progress of infrastructure rollout as well the ongoing energy and transport logistics constraints, the IDC has an economic imperative to participate in infrastructure projects that can unlock and sustain industrial development. The South African economy's recovery, expansion and long-term growth potential are inextricably linked to the successful rollout of critical enabling infrastructure covering energy, water, road, rail, ports, telecommunications and digital.

Key Focus Areas:

- The Corporation will persist with supporting investments and initiatives that contribute towards the country's just transition and energy security. These include:
    - Continued support for the funding of projects forming part of REIPPP, with a focus on black entrepreneur and community participation in projects with risk mitigated through strong technical partners;

- Increasing support to private sector businesses in the commercial and industrial sectors to establish their own generation capacity to ensure energy security and decarbonisation of their operations;
- Promoting the local manufacturing of components for electricity generation and distribution;
- Initiatives that support the development of the green hydrogen economy; alternative manufacturing technologies and supporting businesses that introduce new technologies that will decarbonise the IDC's portfolio and the South African economy;
- The IDC has significant exposure to bulk commodity producers and exporters, therefore the challenges that are faced in the logistics sector pose a risk to the IDC portfolio and the broader economy of South Africa. In addition, Durban port and associated road and rail infrastructure poses a significant risk to the economic activity of SADC requiring diversification so as to mitigate this increasing risk. A key focus for the Corporation will be to address the shortcomings in the national and regional logistics system including considering various support interventions for the relevant SOCs. The Corporation will also support projects that focus on the rehabilitation and maintenance of existing infrastructure. Although funding will be limited to supporting specific economic enabling projects, there may be a requirement to provide corporate funding so as to expedite roll out.

- The IDC will increase funding towards bulk water infrastructure projects through key infrastructure implementing agents like TCTA and develop sector-based initiatives to ensure businesses can continue operating in areas where there are infrastructure challenges and also solve for greywater and wastewater in key industrial zones;
- The Corporation will promote opportunities for emerging black-owned telecoms companies to rollout broadband infrastructure in townships and rural economies.

d) **Manufacturing:** Whilst the manufacturing sector has shown signs of recovery, it has remained below pre - pandemic levels with many sub sectors struggling to sustain higher production activity. Notwithstanding the negative outlook, the Corporation will strive to play a critical role in facilitating the resuscitation of the sector and provide impetus to the economy.

Key Focus Areas:

- **Automotive and transport equipment**: The Global Automotive Industry is experiencing a significant shift in technology towards improving environmentally friendly mobility to align with the international sustainability trends; this will be achieved through the development of New Energy Vehicles (NEV), which creates opportunities for South Africa and IDC. Today SA is highly dependent on exports (59.7% of production), and consequently the EU policy shifts towards NEV will have a catastrophic effect on the SA industry if OEMs and its supplier base is unable to adapt accordingly. The strategy is focused on:
  - Increasing coverage in the Automotive Tier Segments;
  - Supporting the transition of OEMs & Suppliers to transition towards NEV platforms; and
  - Development of the Automotive Battery Value Chain.
- **Textiles & Wood**: The strategic approach in the CTFL sector is for the IDC to pro-actively drive the development of the value chains by addressing those gaps or "white spaces" that are often not addressed by the market due to the scale of the financial investment required. The sector has 3 key focus areas:
  - Facilitate competitive import replacement opportunities: immediate to medium term proactive and reactive areas of investment identified; exploit opportunities for backward integration in the region (input sourcing) and forward integration (supply) into the value chain;
  - Change in the investment guidelines and specific pricing to support investment facilitation;

- **Chemicals, Medical & Industrial Minerals:** The Corporation will target areas in mineral beneficiation, liquid fuel development, import replacements, regional integration, and catalyse opportunities for growth of new industries such as medical cannabis and in the hydrogen economy. Key focus areas:
  - Increased participation in gas projects in SA and on the continent for gas as transitional energy source
  - Exploring opportunities to participate in regional refinery projects to support SA fuel needs as a result of closure of SA refineries; and supporting the liquid fuel supply chain and providing funding towards the importation of and storage of oil products.

- **Machinery, Equipment & Electronics:** Key focus areas includes strengthening of localisation opportunities, whilst leveraging developments in the renewable, mining, pumps and valves sector and electronics economy.

e) **Tradeable Services & Small Business:** The IDC provides development finance for high-value services in the tourism, healthcare, and ICT sectors; whilst these sectors were hit hard by Covid-19-related restrictions; sustained growth in the sector may be anticipated over the short- to medium term.

Key Focus Areas:

- Focus on supporting existing clients in the tourism sector; prioritising tourism and healthcare opportunities in less developed provinces;
- Provide financial support for content production, production infrastructure and services, content distribution platforms, and content consumption.
- Potential to build 'ecosystems' with intermediary partners for SME/Start-ups across various sectors and regions (including rural areas) to increase IDC's reach and impact with investment aimed towards woman and youth enterprises.

3. Partnerships to extend **IDC's reach, capital**, **and impact**

The Corporation's Partnerships Programme unit, which manages several funds on behalf of government departments (including the dtic, Department of Tourism and Department of Agriculture, Land Reform and Rural Development) and other development partners, has been growing steadily with R12.6bn of funds under management. The department also manages on-balance-sheet funds ringfenced for specific purposes. The various funds are closely aligned to the IDC's priorities and reduce IDC's cost of funding and increase leverage in projects that are co- financed.

The department's key focus areas for 2023/24 are:

- Implementation of the Channel Partners initiative i.e., mobilising funds to select 'Channel Partners' to increase reach and impact - e.g., intermediaries, commercial banks, and targeted funds;
- A new framework to stimulate the creation of catalytic jobs across the IDC's priority sectors is being developed and will be implemented in 2023/24.

4. **Non-financial support to entrepreneurs and selected state programmes.**

The Corporation will continue to support programs like SME Connect, the Township Partnership Fund and other initiatives aimed at improving access to finance, introducing policies to lower barriers of entry for small, medium and micro enterprises (SMMEs) and derisking of SMMEs through effective business support. 0In addition, the IDC will persist with supporting the development and implementation of the Master Plans, Special Economic Zones, and support to initiatives such as the Presidential Infrastructure Coordinating Commission (PICC).

The next section details the key developmental outcomes the Corporation seeks to achieve.

B. Key Development Outcomes

1. **Sustainable Job Creation** - Given the large and growing number of unemployed people in SA, one of the key outcomes that IDC aims to achieve in its funding activities is creating jobs. IDC, however, needs to maintain a balance between supporting labour-intensive businesses and industries (e.g., horticulture and clothing manufacturing) that can have a direct impact on job creation and capital-intensive sectors and companies (e.g., industrial infrastructure and resource-intensive industries) that, although they do not have a large-scale direct impact effect on job creation, unlock broader industrialisation and job creation opportunities. In addition to the job potential from the priority sectors highlighted above in Section 3.2, the Corporation will increase job growth by contributing to and leveraging from policy initiatives such as Industry Master Plans, Special Economic Zones (SEZ's), localisation as well as specific interventions including the Social Employment Fund. The Green Economy and SME sector also offer job rich potential which the Corporation will seek to maximise.

2. Greater **support for efforts** aimed at **transforming the economy, empowerment,** and **reshaping** the **economic landscape** for **better developmental outcomes**.

   The Corporation continues to make strides in advancing transformation as evidenced by its continued support to black industrialists, black-owned companies, women, and youth-owned businesses. Notwithstanding the progress over the last two decades, many sectors of the South African economy are not fully transformed and as such the Corporation will aim to drive an integrated strategy that addresses all aspects that enable inclusive participation in the economy. The Corporation will focus on the following initiatives in the year ahead:

- Increased funding support to black industrialists, women, and youth businesses with a specific emphasis on directing funding towards companies that will gain managerial control in operational activities;
- Continuing supporting the social and solidarity economy, including support to social enterprises and social employment;
- Increasing funding towards worker and community trusts in priority sectors, including identifying enhanced models for community participation;
- Supporting the growth of small and medium-sized businesses, particularly in townships and rural settings and providing non funding support to develop and grow SMEs to access supply chain opportunities.

3. **Boosting support** for **the green economy.**

   The organisation is finalising its ESG and Sustainability approach in order to enhance its role and reporting in decarbonising the South African economy. A number of initiatives have been developed and are under implementation including defining the IDC's role in the Just Transition; aligning to SA and regional National Determined Contributions (NDC), aligning to net zero ambition; establishing a GHG baseline; improving adaptation and resilience in the portfolio; developing appropriate funding solutions and a review of impact indicators and strengthening of the internal M&E capacity to better report on impact and outcomes. The Corporation will continue to support green economy initiatives and assess and monitor environmental sustainability in our own operations and encouraging responsible practices by our clients.

   Key focus areas for 2023/24 include:

- Growing the green economy through investing in projects that manufacture components (component localisation) for the burgeoning renewable energy industry, emerging electric vehicle industry, including energy storage solutions, battery minerals and charging components;
- Localising key areas of the energy and logistics value chains ensuring the decarbonisation of these critical enablers to future low carbon content industrial exports;
- Pursuing opportunities to raise capital through green bonds and sustainability bonds to finance projects and transactions;
- The Corporation will continue to participate in the various green economy stakeholder consultations, invest in eco-tourism ventures and support sustainable practices in the energy, agriculture, and tourism industries as well as in the decarbonising of key portfolio clients;
- 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;
- 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.

The following section considers the critical enablers in delivering the strategy.

C. **<u>Organisational Capabilities</u>**

1. Financial Sustainability

Economic conditions remain challenging and while the Corporation has recovered, maintaining a good balance sheet remains crucial to supporting development activities. A key focus area for the Corporation will be on managing asset quality to protect the Corporations balance sheet and ensure financial sustainability. This will act as an enabler for the competitive borrowing of funds which will enable the Corporation to further entrench its developmental impact.

Other key focus areas for 2023/24 include:

- Implementing the diversification strategy to reduce volatility and concentration risk;
- Continue supporting the turnaround in subsidiary financial performance;
- Increasing lender/funder engagements to source alternative and cheaper sources of funding;
- Pursuing of opportunities to raise capital through green bonds and sustainability bonds.

2. Portfolio Value Creation

The portfolio approach of cleaning (managed exits), fixing (turnaround and restructures), and applying value creation frameworks implemented in 2021 is yielding visible results, with many of the portfolio indicators, such as NPLs, carrying values, impairments, and cash collections trending positively. In addition to working across the portfolio, the Transformation Programme, which targets specifically clients that constitute the top 20 contributors to impairments and non-performing loans (NPLs) has also yielded positive improvements in reducing the riskiness of the sub-portfolio.

The IDC's post-investment support division, Client Support and Growth (CSG), will focus on the following initiatives in 2023/24:

- Continue to embed its new ways of work and ensure that impairments are managed through an intensive focus on cleaning and fixing the IDC Portfolio;
- Concerted efforts on operational interventions and execution of turnaround plans at significant exposure subsidiaries;
- Continue to pursue Strategic Equity Partners (SEPs) to exiting positions partially or wholly.

More detail on efforts to improve the performance of major subsidiaries are discussed in section 3.4 below.

3. People

The ongoing achievement of the Corporation's strategic objectives and delivery on its mandate is made possible through appropriate human capital strategies, solutions, and practices. Globally, organisations are facing more challenges than at any other time in history; the aftereffects of the Covid-19 health crisis, retrenchments, mental health crises, social unrest, and an economic downturn to name a few. A number of trends have also begun to shift the global workplace: hybrid work becoming commonplace, shortage of critical talent, greater focus on employee well-being, and increased turnover expectations of a compelling and competitive EVP (Employee Value Proposition). In keeping with these trends, the Corporation is prioritising:

- Culture and other interventions to create a high-performance culture;
- Client service and entrepreneur mindset amongst IDC staff;
- A remote work arrangement which has provided employees with opportunities to work flexibly and enabled the balance of family demands and performance – the Corporation's hybrid work policy is currently being finalised;
- Enhancement of the performance management architecture to better align staff performance with performance of the Corporation;
- Continuous leadership improvement interventions (individual, group, and formal programmes) and succession planning initiatives;
- Employee health and wellbeing.

4. Other Organisational Capabilities

To effectively deliver on our strategy, the Corporation requires streamlined processes to drive simplicity, speed and a value-adding client journey and experience that delivers quality deals, fosters long-term, sustainable relationships and financially sustainable investment opportunities. The Corporations customer satisfaction rating and overall reputation score have been on upward trend for the past two years, however there are opportunities to improve slow turnaround times through process optimisation and new ways of working initiatives currently underway. The Corporation also increased its media profile through several campaigns in 2022, such as the post unrest funding, Black Industrialists and Exporter's conference, and domestic marketing campaigns which have resulted in increased social media impressions across various social media platforms.

Key areas of focus in 2023/24 are:

- The Corporation will continue to pursue a multi-pronged approach to deal origination which includes: (i) Exploring opportunities to support existing Business partners in expanding their operations; (ii) Attracting new clients through targeted networking efforts in priority sectors and (iii) pursuing a dedicated approach to attracting and supporting women and youth transactions.
- Continue streamlining the end-end deal management process through optimisation and digitisation, new technologies and optimisation of data storage and delivery of business insights;
- The Corporation will continue to seek and use platforms for executives and specialists to provide thought leadership and insights on issues of national and continental importance;
- Fostering collaboration with dtic entities and improving coordination with other parts of the state to ensure enhanced delivery on development outcomes.

The Corporate Balance Scorecard is now fully aligned with the revised J-KPIs of the dtic with reporting occurring quarterly; engagements with the dtic entities will continue to ensure alignment on mandate as well as the fostering of partnerships with other dtic entities and wider stakeholders to ensure delivery on the mandate.

3.3 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 previous years. Ongoing stakeholder management with lenders and increased funder engagements to source alternative sources of funding.
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 deal flow 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.		
Low staff engagement levels	Barrett survey indicated that staff entropy was at 33% in 2018 against an ideal of 10%.	IDC culture not conducive to the Corporation implementing its mandate	A culture transformation project is underway and staff engagement is already showing an upward swing (source: organization-wide survey of 2021). Achievement of IDC's desired outcomes to be driven by greater emphasis on change management, increased staff engagement and enhancing the employee value proposition throughout the organisation.
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.

Risk	Description	Potential impact	Mitigation
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	

3.4 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.

IDC never intends to hold a controlling stake in these companies for an extended period, however, the IDC must also consider the value that can be realised from these investments before exiting.

Over the past 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 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.

3.4.1 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, communities and B-BBEE investors. Foskor's main activities involve producing and exporting phosphate-based fertilizers and phosphoric acid. The company employs about 1 654 people at its phosphate mining operations in Phalaborwa, its phosphoric acid production plant in Richards Bay and the Head office in Midrand. 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 fertilizer industry.

Foskor has been making losses for several years with technical problems and other external factors at the Richards Bay plant continuing to have a negative impact on Foskor's cashflows. In particular, the electricity and water outages have had a major impact on the performance of the acid plant. Over the past years, the IDC has disbursed significant amounts to turnaround efforts and operational improvements.

In April 2020, the IDC Board approved a turnaround plan for Foskor to increase production in both the mine and the plant and generate cost savings. The services of a foreign shareholder on the acid plant and a consulting service provider on 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.

The implementation of the turnaround plan has seen an improvement in the operational and financial performance of the company. By 31 March 2022, the revenue from Foskor increased by 57% from R4.5bn the previous year to R6.9 billion. Improved efficiencies from the turnaround plan mainly drove this. The company posted a reduced loss of R542m in 2022 compared to a loss of R2.2 billion in 2021.

The IDC has provided most of the funding required since Foskor's establishment. Therefore, it was important for the IDC board to approve the turnaround and begin introducing a Strategic Equity Partner (SEP) into Foskor.

3.4.2 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.

For the first time since its inception, sefa turned a profit in the 2022 financial year. sefa also approved R2.5 billion in funding to SMMEs and co-operatives during the 2021/22 financial year. Over the same period, the entity also disbursed R2.2 billion to 76 129 SMMEs, which facilitated 96 589 jobs. During 2022/2023 the unfavourable economic climate, which saw increased inflation, rising fuel prices, and increasing the repo/prime interest rate, adversely affected individuals and SMMEs. The impact of increased load-shedding also negatively impacted SMMEs, with many operating at less than full capacity during the first half of the year. sefa continued to implement the Economic Recovery Programmes/Township and Rural Economic Programmes (TREP) under one term sheet in response to the economic challenges experienced. Various other lending programmes also continue to be implemented.

The approved merger of sefa, seda and CBDA by Cabinet was initially expected to be completed by 31 March 2022, however, this deadline has now been revised to 31 December 2023. The delays are due to the extensive consultations required before commencing with the detailed work. A business plan has been completed along with the necessary legislative amendments for the incorporation of the merged entity under the Department of Small Business Development (DSBD) and awaits final approval. This will pave the way for IDC to transfer its shareholding in sefa to the newly incorporated merged entity.

3.4.3 Cast Products South Africa (Pty) Ltd

Cast Products South Africa (Pty) Ltd (CPSA) is a key local supplier of wheels, locomotive frames, and wagon build components to Transnet Freight Rail business and Eskom. It was carved out from Scaw to allow for a Strategic Equity Partner (SEP) entry into the casting business of Scaw. This business was historically a loss-making business and urgently needed the intervention of a SEP with the necessary technical skills to turn it business around. After numerous negotiations, Amsted Rail, an SEP, was introduced into CPSA as a 15% shareholder in September 2019. Amsted has an option to increase its shareholding in CPSA to 49% based on the achievement of cashflow and EBITDA milestones.

During the calendar year 2022, CPSA was placed in Business Rescue (BR) because the business was in distress. The business rescue pan intends to restructure CSPA in three phases, namely 1) stabilisation of CPSA business and rationalisation of business units, 2) driving continuous improvements and new initiatives, and 3) finding a suitable strategic equity partner, investor and/or selling the business or a portion of shares. There have been notable improvements in the CPSA operations resulting in increased production levels and reduced costs since the adoption of the business rescue plan.

3.4.4 Grinding Media South Africa (Pty) Ltd

Grinding Media was established during the unbundling Scaw and comprises two divisions: High Chromium media and Forged media balls. GMSA is the leading producer and market leader in the supply of high chrome and forged grinding media in Africa. The strategic rationale behind the investment was to preserve industrial capacity in the steel sector. Magotteaux, a global grinding solutions producer, was introduced as a SEP in August 2018, with an initial shareholding of 15% and an option to increase to 51%. The current shareholding structure of Grinding Media is IDC (59%), Magotteaux (15%) and Main Street (26%). Magotteaux has expressed its intention to exercise its option to acquire an additional 36% of IDC's shareholding in Grinding Media and this transaction is currently being finalised. Following this transaction, the shareholding structure of Grinding Media will be as follows: IDC 23%, Magotteaux 51% and Main Street 26%.

Improved Performance: Grinding Media started showing positive signs of recovery over the last 18 months. The business's main market, mining operations, has been experiencing a commodity boom, buoyant sales volumes, and maximum production levels. The recently implemented import duties of 15% on high chrome are assisting the business in maintaining its market share and competing with imports. Technical and operational issues have largely been resolved, and efficiencies are beginning to peak, mainly through implementing the new induction arc furnace. In addition, Grinding Media renegotiated the pricing profile with customers to reduce lag time to pass on increased input costs. These factors have provided a healthy platform for the improved financial performance of Grinding Media.

3.4.5 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 Mali. 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 broke even for the 2022 financial year after posting large losses in 2021. The improved performance was due to increased demand after the previous year was negatively affected by Covid.

IDC has approved a supplier guarantee of US$3mn for Prilla which has helped in improving the company's cash flow position. IDC is currently assisting in finding a strategic equity partner who will assist in funding the needed capex of around R250 million.

3.4.6 Sheraton Textiles (Pty) Ltd

Sheraton Textiles, based in Diep River, Cape Town, South Africa is a designer and manufacturer of fine household linen and accessories since 1920. Sheraton is a 100% IDC owned subsidiary with the initial investment by IDC made in 2009 as part of a business rescue process in support of the SA government's strategy to support the textile industry.

During the 2020 and 2021 financial years, Sheraton purchased and revamped a new, state of the art manufacturing facility in Diep River. This was funded through the Shareholder. With 2022 being the first year operating out of the new facility, the management team remains confident that the new facility will streamline the production process alleviating inefficiencies and ensuring greater health and safety compliance. The past year has been challenging for the company with increased production, raw material and logistical costs, global supply chain challenges and tightened consumer spending affecting profitability. Increased interest rates are further affecting the bottom line. Management continues to engage new customers to mitigate the concentration risk as well as focusing on growing the market share. It is nevertheless anticipated that the 2023/24 year will be challenging for the retail industry due to decreased consumer spending because of the anticipated economic recession which will in turn impact local South African manufacturers. Company cashflows remain under pressure which is worsened by the delay in global supply chains that leads to increased working capital requirements. The IDC approved an additional R20 million guarantee facility to utilise as security for additional banking facilities during 2022 as well as restructuring a commercial loan to assist in alleviating the cash flow constraints of the business.

On a positive note, Sheraton Textiles and the IDC are in the process of establishing a Sheraton Textiles Staff Trust which will introduce black ownership into the business aimed at establishing empowerment in the company.

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.

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. For 2023/24, additional capital has been set aside for (i) Channel partners programme, R1.5bn and (ii) R3.5bn to strengthen the energy supply.

Table 4: Capital allocated to different sectors

SBU	5-year sector outlook	Exposure (31 December 2022; at cost)	Historical value of funds approved (April 2020 to December 2022)	Capital allocation			
				2023/24	2024/25	2025/26	% of total (3 years)
Agro-processing and Agriculture		R5 428m (6% of total)	R2 513m (6%)	R2 124m	R2 258m	R2 325m	8%
Tourism and Services		R7 212m (8%)	R1 045m (2%)	R1 357m	R1 443m	R1 485m	5%
Automotive and Transport Equipment		R4 731m (5%)	R3 529m (8%)	R1 770m	R1 882m	R1 937m	7%
Chemicals, Medical Products & Industrial Minerals		R16 336m (17%)	R6 246m (15%)	R2 453m	R2 608m	R2 685m	10%
Machinery, Equipment & Electronics		R2 673m (3%)	R2 540m (6%)	R1 341m	R1 426m	R1 468m	5%
Textiles & Wood Products		R4 098m (4%)	R2 274m (5%)	R1 145m	R1 217m	R1 253m	4%
Energy		R11 949m (13%)	R3 821m (9%)	R4 217m	R4 483m	R4 616m	16%
Infrastructure		R3 075m (3%)	R5 660m (13%)	R3 797m	R4 037m	R4 156m	15%
Mining & Metals		R37 739m (40%)	R11 821m (28%)	R4 071m	R4 328m	R4 456m	16%
Small Business Development		R389m (<1%)	R898m (2%)	R490m	R521m	R536m	2%
Energy Crisis Fund		-	-	R1 150m	-	-	1%
Channel Partners		R33m (<1%)	-	R1 500m	R2 000m	R2 500m	7%
Project Development		R1 587m (2%)	R714m (2%)	R611m	R650m	R669m	2%

SBU	5-year sector outlook	**Exposure** (31 December 2022; at cost)	**Historical value of funds approved** (April 2020 to December 2022)	Capital allocation			
				2023/24	**2024/25**	**2025/26**	**% of total (3 years)**
Total		**R27 872m (100%)**	**R42 211m (incl. other) (100%)**	**R26 026 m (R24 876m excl. Energy Crisis Fund)**	**R26 853m**	**R28 086m**	**100%**

4.2 Financial Projections

The financial projections consider the expected delivery on its mandate, balancing this with the affordability of the IDC's planned activities. 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.

Mini Group					
R million	**Estimate**	**Forecast**			
Cash flows	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**TOTAL 3 years**
On-balance sheet advances (R'm)	17 060	20 080	21 416	22 049	63 545
External funds raised (R'm)	3 196	9 090	11 541	10 281	30 912
- of which foreign borrowings	552	1 690	3 541	3 281	8 512
Proceeds from sale of shares	240	5 171	3 323	438	8 932
Balance sheet	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**end-2024/25**
Financing at market values (R'm)	145 146	154 487	166 947	184 278	184 278
Borrowings (R'm)	38 178	38 500	43 841	50 492	50 492
Debt/equity (%)	32%	30%	33%	35%	35%
Impairments as % of portfolio at cost	30%	29%	25%	21%	21%
Total Assets	164 983	173 916	185 941	204 304	204 304
Income statement	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**TOTAL 3 years**
Dividend income	9 553	7 177	7 453	7 770	22 400
Interest and fee income	6 581	7 556	7 757	8 872	24 185
Borrowing costs	2 198	2 983	2 846	3 165	8 994
Impairments and bad debt write-offs	893	(393)	220	1 537	1 364
Profit Before Tax	12 573	8 886	9 994	12 301	31 182
Net operating income before capital realisations	10 818	7 593	8 639	10 463	26 696

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 6: 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%
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 H 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.

KPIs have been divided into two groups. The shaded indicators in Table 7 show the primary KPIs. These are the KPIs that are measured at a Corporate level. These indicators focus on the IDC's twin pillars of development effectiveness and financial sustainability. Development effectiveness focuses on key outcomes i.e., facilitating investment, addressing unemployment, and facilitating transformation. Supporting indicators (not shaded) are indicators that IDC are included in divisional, unit and individual performance KPIs and form part of the Corporation's ongoing reporting to the Shareholder.

The IDC has committed to increase the measurement of the impact of its funding. KPIs will be revised when the necessary capabilities have been developed to more accurately measure impact.

Table 7: Key performance indicators

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2023/24	Target 2024/25	Target 2025/26
Development effectiveness	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*	48 019	54 926	56 492
	a1) IDC own balance sheet funding	a1) Value of on-balance sheet funding disbursed (R'm)		20 080	21 416	22 049
	a2) Managed development funds	a2) Value of off-balance sheet funding disbursed (R'm)		3 444	4 131	4 379
	a3) Co-funding leveraged/ syndicated/ catalysed	a3) Value of leveraged funding committed by other funders (R'm)		24 495	29 379	30 063
	b1) 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-	Measures contribution to J-KPIs for *BEE promotion and review (black industrialists, women, youth)* and *Worker empowerment measures/outcomes*.	14 476	17 523	18 023

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2023/24	Target 2024/25	Target 2025/26
		entrepreneurs (R'm)				
		b1.1) Black Industrialists		6 200	7 400	8 600
		b1.2) Black-owned businesses		9 800	11 900	13 600
		b1.3) Women-entrepreneurs		2 900	3 500	3 967
		b1.4) Youth-entrepreneurs		1 300	1 500	1 700
	b2) Increase in output for manufacturing companies supported (localisation and beneficiation)	b2) Growth in value of sales for manufacturing companies in IDC's portfolio (%)	Measures contribution to J-KPIs for *Localisation* and *Beneficiation* outcomes	Growth in sales for the total manufacturing industry + 2 percentage points with a minimum of inflation + 3.0 percentage points		
	b3) Funds committed and facilitated to support policy priorities: Master Plans and IDC Industry Priorities	b3) Total: Industry Master Plans and IDC Industry Priorities (R'm)	Measures contribution to J-KPIs for *Master Plans*	20 940	24 930	27 253
	b4) Funds committed and facilitated to support policy priorities: Spatial equity	b4.1) Total funds committed and facilitated to improve spatial equity (investment outside 6 main metro municipalities[3]) (R'm)	Measures contribution to J-KPIs related to *spatial development*	14 000	16 660	18 159
		b4.2) Total funds committed and facilitated for businesses in SEZs (including economic infrastructure projects that enable SEZs (e.g. energy supply, logistics, water) (R'm)		860	1 000	1 100
	b5) Funds committed and facilitated to support policy priorities: SME development	b5) Total funds committed and facilitated for SMEs (R'm)	Measures contribution to J-KPIs for *addressing economic concentration and/or SME promotion*	4 802	5 493	5 649
	b6) Support for policy priorities: worker empowerment	b6) Number of workers that will gain a level of shareholding in their companies through direct or indirect structures in approved transactions (Number)	Measures contribution to J-KPIs for *worker empowerment measures/outcomes*.	900	950	1 000
	b7) Support for energy provision	b7) Generating capacity for electricity generation projects approved, including utility scale and small-scale	Measures contribution to *energy provision*	600	Tbd	Tbd

[3] Cape Town, Ekurhuleni, eThekwini, Johannesburg, Nelson Mandela Metro, and Tshwane

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2023/24	Target 2024/25	Target 2025/26
		embedded generation (MW)				
	b8) Export development	b8) 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*	12 000	14 000	15 000
	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 *Industrialisation* and *Transformation* groups of J-KPIs	36 778	42 068	43 313
	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	3 600	4 800	6 600
Financial sustainability	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*	28.5%	25.1%	21.4%
		e2) Non-performing loans (NPLs) (%)		29%	24%	19%
		e3) Achieve critical milestones in the turnaround plans for Cast Products SA, Grinding Media SA, Foskor, and Kalagadi Manganese		**2023/24** Foskor: • Achieve 100% of Management EBITDA targets Cast Products: • March 2023 to March 2024: Exceed BRP EBITDA targets by 5% GMSA: • Achieve 100% of Management EBITDA targets, Kalagadi Manganese: • Production: 7.5% increase on FY23 • Completion of detailed Mine Plan		
		e4) Risk profile of the portfolio (predominantly medium risk portfolio)		5 percentage point improvement from 31 March 2023 actual	5 percentage point improvement from 31 March 2024 actual	
	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; %)		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
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*		25%	
	i) Achieve efficiencies in terms of end-to-end deal process to meet desired service standards and deliver the	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*	8.0	8.0	8.0
		i2) Percentage of applications where the turnaround time from receipt		80%	80%	80%

Perspective	Performance area	Performance indicator	Alignment to dtic J-KPI	Target 2023/24	Target 2024/25	Target 2025/26
	right products and solutions to clients	of application to legal agreements having been signed is within the service standard of 64 business days for non-complex transactions and 180 business days for complex transactions (excluding projects, time waiting for client and days between ECIC approval and BIC/Board submissions)	*tape and compliance in internal processes, including targets on turnaround times*			
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*		75.0	

Supporting Material

ANNEXURE A: FINANCIAL STATEMENTS FORECASTS – IDC GROUP

Balance Sheet Forecasts

	2023	2024	2025	2026	2027	2028
ASSETS						
Shares	32 458	38 342	43 803	50 641	57 648	64 936
Loans and Advances	53 699	62 751	73 377	82 565	90 420	96 784
Provision for d/debts & impairments	-20 566	-20 372	-19 704	-18 022	-18 086	-18 786
Financing at book value	**65 591**	**80 721**	**97 477**	**115 184**	**129 982**	**142 934**
Fair value adjustment	64 073	59 074	57 931	56 055	54 692	54 705
FINANCING - EXTERNAL	35 729	36 267	28 911	30 213	30 524	31 958
Other assets	17 582	18 293	17 203	18 405	19 314	20 820
Money market investments	18 612	17 974	11 707	11 809	11 210	11 138
TOTAL ASSETS	**165 393**	**176 062**	**184 319**	**201 453**	**215 197**	**229 597**
BORROWINGS	38 178	38 500	43 841	50 492	54 883	59 704
Bank loans	6 233	8 529	8 639	9 447	16 932	22 742
Medium Term Notes	11 282	8 640	12 521	16 322	14 903	14 853
Unemployment Insurance Fund	4 014	4 014	3 014	2 014	2 014	0
PIC Green Bond	4 717	4 717	4 717	4 717	-	-
Third party funds & funds held in trust	7 613	7 613	7 613	7 613	7 613	7 613
Foreign currency - based	4 319	4 986	7 336	10 379	13 421	14 495
Deferred tax	7 199	7 130	6 499	6 620	6 688	6 132
Other liabilities	8 908	10 928	3 928	4 813	4 812	5 104
EXTERNAL FUNDING	54 285	56 558	54 268	61 925	66 383	70 940
Share capital	1 393	1 393	1 393	1 393	1 393	1 393
Reserves	109 714	118 110	128 658	138 134	147 422	157 264
SHAREHOLDER'S FUNDS	111 107	119 503	130 051	139 527	148 815	158 658
TOTAL FUNDS	**165 393**	**176 062**	**184 319**	**201 452**	**215 197**	**229 597**

Income Statement Forecasts

	2023	2024	2025	2026	2027	2028
Financing income	29 977	29 144	15 046	17 007	18 050	19 101
Dividend income	9 553	7 177	7 453	7 770	7 904	8 073
Interest income	5 098	5 390	5 962	7 277	8 085	8 865
Other income	15 326	16 577	12 870	13 431	14 110	14 436
Money market investment income	1 031	1 231	619	507	546	562
Total Income	31 008	30 375	26 904	28 984	30 645	31 935
Borrowing costs	-2 729	-2 941	-2 739	-3 058	-3 777	-4 176
Net interest, dividends & fees	28 278	27 435	24 165	25 927	26 868	27 760
Administration costs	-15 439	-16 426	-13 276	-13 888	-14 546	-14 909
Operating expenses	-15 162	-15 693	-13 169	-13 776	-14 429	-14 787
Social and special enterprise cost	-101	-102	-107	-112	-117	-122
Project costs - general	-112	-146	-153	-160	-167	-175
Impairments and write offs	893	-393	220	1 537	568	-1 560
NET OPERATING INCOME BEFORE TAX	13 572	10 469	10 957	13 416	12 722	11 116
Taxation on operating income	-163	-1 362	-1 359	-1 857	-1 778	-1 989
NET OPERATING INCOME AFTER TAX	**13 409**	**9 107**	**9 598**	**11 559**	**10 944**	**9 127**

Forecasted Funds Flow Statement

	2023	2024	2025	2026	2027	2028
Total Financing Advances	16 285	19 705	21 167	22 062	23 046	24 198
Advances: Equity	3 696	6 827	7 281	7 497	7 831	8 223
Advances: Loans	12 589	12 878	13 885	14 565	15 214	15 975
Borrowings repaid	3 936	6 349	7 050	3 817	7 806	2 843
Tax paid	294	1 507	1 355	1 917	1 880	2 079
OUTFLOW	**20 515**	**27 560**	**29 571**	**27 796**	**32 732**	**29 120**
Internal funds generated	17 080	12 666	8 459	17 228	17 639	19 701
Repayments received	8 939	6 728	7 038	8 594	10 442	11 855
Net income before tax	8 141	5 938	1 421	8 634	7 197	7 845
External funds raised	3 196	9 090	11 541	10 281	12 738	8 534
Proceeds from sale of shares	354	5 171	3 323	438	1 781	838
INFLOW	**20 629**	**26 928**	**23 323**	**27 947**	**32 159**	**29 072**
NET (OUTFLOW)/INFLOW	**114**	**-638**	**-6 267**	**101**	**-599**	**-72**

ANNEXURE B: BORROWING PROGRAMME

Debt Funding Sources	Budgeted Borrowings (R'million) - Before	Budgeted Borrowings (R'million) - Revised
Domestic borrowings	**8 000**	**7 500**
Public bonds	1 500	1 500
Public Entities	1 500	1 500
Bank loans	2 500	2 500
Private placements bonds	2 500	2 000
Foreign borrowings	**5 000**	**4 000**
DFI's/ Multilateral agencies	2 500	2 500
Bank loans	2 500	1 500
Total borrowings	**13 000**	**11 500**

ANNEXURE C: 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) LLM (Wits) 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 D: 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 considering 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)

In terms of the Companies Act, Regulations 43(1) (c), it is provided that "a Social and Ethics committees must be established for every state-owned company". 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 has an interest.

ANNEXURE E: EXECUTIVE MANAGEMENT

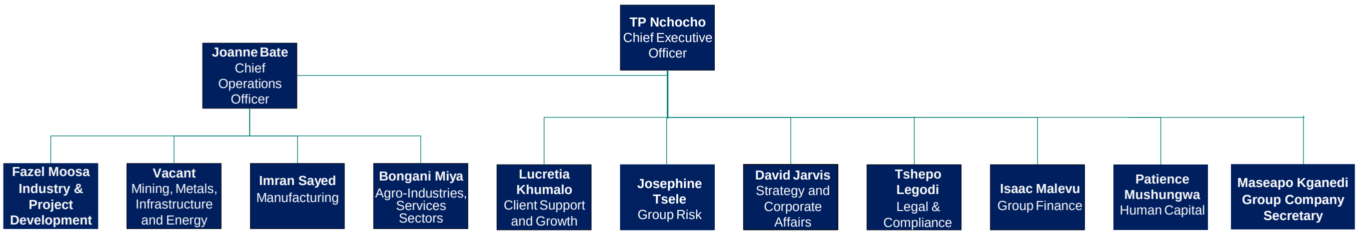


Figure 8: Executive Structure

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 in 2021.
(Gender: Male; Race: Indian)

J Tsele: Chief Risk Officer
Bachelor of Arts (Hons) Economics and Government (University of Essex – UK) 1992
Certificate Programme in Finance and Accounting (Wits Business School);
Global Masters in Business of Administration (GMBA) (Cum Laude), (Bayes Business School (formerly CASS), City, University of London)
Joined IDC and was appointed to Executive Management in 2020.
(Gender: Female; Race: African)

Vacant – Mining, Metals, Infrastructure and Energy
Recruitment underway

Bongani Miya: Divisional Executive – Agro-industries, Services, and Small Business Finance
BSc. Mathematics and Econometrics, Wits University, 2004,
Private Equity Executive Course, Harvard Business School, 2018.
Joined the IDC and was appointed to Executive Management in 2022.
(Gender: Male; Race: African)

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 in 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 to Executive Management in 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)

M Kganedi : Group Company Secretary
LLM (University of Johannesburg), LLB (University of Johannesburg), BProc (Law) (University of Johannesburg), Diploma in Legislative Drafting (University of Johannesburg),
Certificate in Pension Law, Certificate in Corporate Governance (UNISA)
Joined the IDC and was appointed to Executive Management in 2022.
(Gender: Female; Race: African)

ANNEXURE F: 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 2022/23 financial year are finalised.

ANNEXURE G: 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 H: 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.

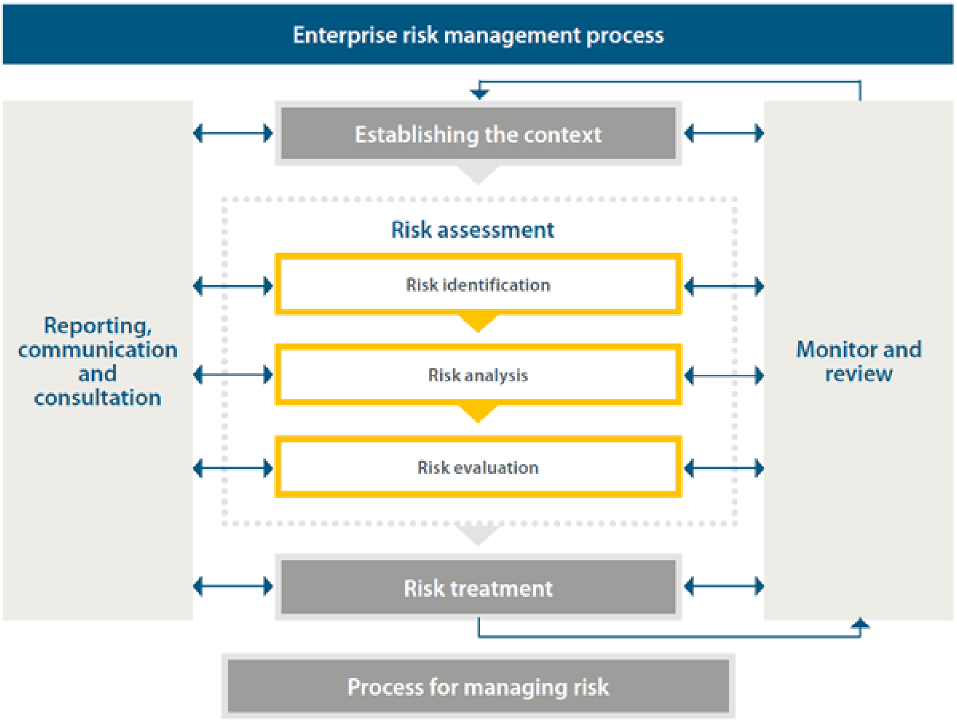


Figure 9: Schematic of the Risk Assessment Process

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 I: 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.

1 POLICY STATEMENT

Financial crime represents a significant risk to the IDC, its business operations, and all other relevant stakeholders. The IDC will not tolerate fraudulent or corrupt activities, whether internal or external. It will pursue, prosecute, and take appropriate action against any parties, which engage in such practices or attempt to do so.

The objectives of this policy are to:

1. Engender and promote an attitude of honesty and integrity in the IDC.
2. Encourage and enable all IDC stakeholders to report any improper or suspicious conduct.
3. Reassure all IDC stakeholders that they are protected from any reprisals or victimization because of a bona fide and protected disclosure.
4. Ensure that every genuine disclosure of improper conduct is investigated, and appropriate is taken where necessary.
5. Facilitate the establishment of a culture of disclosure to prevent financial crime or improper conduct from occurring and
6. Provide a platform for anonymous reporting of any improper conduct and or financial crime.

2 BACKGROUND

The IDC subscribes to the principles of good corporate governance, which requires the conducting of business honestly and transparently. Accordingly, the IDC had adopted the policy, to strengthen a culture of honesty, reliability, transparency, and care amongst all stakeholders (internal and external).

The provisions of Section 51(1)(b)(ii) of the Public Finance Management Act 1 of 1999 (PFMA) stipulates that the Accounting Authority must take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity.

Treasury Regulations sections 3.2.1 read with section 27.2.1 the accounting authority must facilitate a risk assessment to determine the material risks to which the institution may be exposed and to evaluate the strategy for managing these risks. Such a strategy must include a financial crime risk management policy. The strategy must be communicated to all employees and stakeholders to ensure that financial crime risk management is incorporated into the IDC's language and culture.

The policy sets out the IDC stance against financial crimes and the reporting thereof. As such, the prescripts of the policy have been integrated into and synchronised with the overall business strategies of the IDC Strategic Business Units as well as the supporting departments. In that way, the policy will facilitate the effective management of financial crime risk activities and ensure that all financial crime incidences are attended to in a coherent and integrated manner, whilst promoting ethical conduct.

The protection of whistle-blowers in terms of the Protected Disclosure Act 26 of 2000 (PDA) is a key enabler of any financial crime risk management strategy. PDA makes provision for employees and all stakeholders to report unlawful, irregular conduct or any improper conduct or suspected financial crime activities by employees and all stakeholders while providing for the protection against the occupational detriment of anyone who blows the whistle on such activities.

3 SCOPE OF THE POLICY

This policy applies to any actual or suspected irregularity involving IDC assets by employees, suppliers, contractors, business partners, and /or any other parties with a business relationship with the Corporation

Zero Tolerance to financial crime as referred above under the purpose serves as the basis of the IDC financial crime policy. Reported financial crime activities will be investigated and followed up by the application of all remedies available within the full extent of the law as well as the application of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies, procedures, rules, and processes of the IDC.

In addition, Internal Audit Department (IAD) will conduct awareness of this policy amongst IDC employees, contractors, business partners.

4 THE RESPONSE PLAN TO FINANCIAL CRIME RISK MANAGEMENT

The IDC has adopted the policy to create and promote a culture of honesty and integrity. The aim is to encourage and enable employees and stakeholders to report any improper conduct and to reassure employees and stakeholders that they are protected from any reprisals or victimisation because of a *bona fide* and protected disclosure. Moreover, these mechanisms will facilitate the establishment of a culture of disclosure and provide a platform for anonymous reporting of any improper conduct, the investigation and taking of appropriate action where necessary.

4.1 PREVENTION PROGRAMMES

The most effective ways to deal with the problem of financial crime is to adopt methods that will decrease motive, restrict opportunity, and limit the ability of potential offenders to rationalise their actions. The aim of preventative controls is to reduce opportunity and eradicate temptation from potential offenders. Prevention techniques include the introduction and implementation of policies, procedures and controls, and activities such as training and financial crime awareness. The details of the role players and the activities that they perform to prevent financial crimes at the IDC are listed in the table below:

No	Department	Role
5.1.1		i. Investment appraisal processes/ due diligence ii. Cross-verification of information received from applicants iii. Technical due diligence iv. Marketing due diligence and v. Financial due diligence vi. Applications of funds review vii. Legal due diligence
5.1.2	Compliance and Regulatory Affairs	Compliance with anti-money laundering and financial crime prevention legislative regimes that are pertinent to the IDCs financing activities, they conduct:

No	Department	Role
		i. Customer Due Diligence by performing AML and Sanctions background screening. ii. FICA verification i.e., collecting ''Know Your Client'' documentation. iii. Reviews of the IDCs financial crime prevention and detection control environment including adherence to the requirements of the Public Finance Management Act No.1 of 1991 and related Treasury Regulations and Notices.
5.1.3	Financial Management	Accounting and operational policies that are designed to prevent commercial crimes including. i. strict verification of banking details before disbursements, ii. segregation of duties in vendor creation, iii. invoice verification, iv. the detection of duplicate payments, v. the reconciliations of Electronic Funds Transfer (EFT), petty cash payments and all bank accounts, vi. the prevention, detection and reporting of unauthorised, irregular, and fruitless and wasteful expenditure etc.
5.1.4	IT Department	i. Prevent cybersecurity threats and or financial crime that may result in financial loss. ii. Develop and implement of a cybersecurity policy iii. Protection of critical information infrastructure, situational analysis and iv. Conduct awareness campaign concerning the cybercrime threats.
5.1.5	Procurement Department	All employees must adhere to the procurement policies during the procurement process by: i. complying with the prescripts of the Prevention and Combating of Corrupt Activities Act, Act 12 of 2004. ii. setting ethical standards for all IDC employees who are involved in the procurement of goods and services. iii. fair dealing and integrity in the conducting of its procurement activities. iv. engaging with suppliers in a manner that encourages good supplier relations. v. promoting competition and in compliance with the law.
5.1.6	Human Capital	i. The appointment of any employee is preceded by relevant background check6.1.10 Employment Practices. ii. To protect the IDC and its client's information employees are prohibited from divulging or communicating to any persons/s or organisation or make use of any information which they may acquire in relation to the corporation's property, trade, business or general affairs or any trade secret of the working of

No	Department	Role
		any process or invention carried on or used in the corporation's business. iii. Managing and implementing disciplinary code and procedure where applicable.
5.1.7	Corporate Secretariat	Maintains policies that are aimed at enhancing efforts in the fight against financial crime: i.e. i. Code of Business Ethics and Conduct. ii. Corporate Governance Framework for Subsidiaries and Investee Companies. iii. Board of Directors Conflict of Interest Policy. iv. Corporate Governance Framework for Financing Subsidiaries; and v. Delinquent Register.
5.1.8	Facilities Management	Physical Security: • at the IDC Head Office and Regions, • Mothballed factories and other IDC assets

4.2 DETECTION PROGRAMMES

The primary responsibility for detecting financial crime lies with management through the implementation, documentation, and operation of effective systems of internal control.

No	Department	Role
5.2.1	Client Support and Growth	After disbursement of the approved loan the IDC conducts post investment activities aimed at detecting financial crimes through: i. business partner (client) review, ii. monitoring of undertakings, iii. reviewing of annual financial statements, management accounts, iv. conducting application of funds review.
5.2.2	Internal Audit (IAD)	IAD conducts risks assessment process in performing an audit, as per the Institute of Internal Auditors (IIA) standards i.e. • exercise due professional care by considering amongst others the probability of significant errors, financial crime, or noncompliance with laws and regulations and • assesses the potential for the occurrence of financial crime in all audited areas.
5.2.3	Financial Crime Risk Awareness and Training	Training and awareness related to financial crimes is provided to all employees and business partners on an annual basis.

4.3 INVESTIGATION PROCEDURES

The financial crime response plan is a formal means of setting down the arrangements which are in place for dealing with detected or suspected criminal cases. It is intended to provide procedures that allow for evidence gathering and collation in a manner that will facilitate informed decision-making while ensuring that evidence gathered will be admissible in the event of any, disciplinary hearing, civil or criminal action including internal blacklisting.

No	Department	Role
5.3.1	Investigation of incidents reported	Once a financial crime report has been received by IAD, it will be evaluated and depending on the merits the matter will be rejected or investigated accordingly. In some instances, an investigation or part thereof may be outsourced.
5.3.2	Investigation procedure	Include but not limited to the collection of direct, physical, and circumstantial evidence and analysis of documentary, video, audio, photographic, electronic information, or any other related material, conducting interviews and any other investigative techniques as necessary to conduct the investigation.
5.3.3	Failure to report	• Employees will be subjected to the disciplinary procedures • Other stakeholders may be listed in the IDC Delinquent register, or possible legal action will be instituted.

4.4 REPORTING AND ESCALATION OF REPORTED INCIDENTS

If a whistle-blower or any stakeholder who had reported an incident using any of the channels listed below does not get acknowledgement within a period of 21 day of receiving the compliant, they may escalate the incident to the next level as detailed below. If there is an investigation the whistle-blower will be provided with an update within a period of two (02) months until the investigation is finalised

Internal reporting and escalation process

Internal Reporting Process	Reporting Channel	Turnaround time
Employees and all other stakeholders are expected to report their suspicion as soon as they became aware of any financial crime being committed.	The reporting channels are: • Tip Off's Anonymous" **IDC@TIP-OFFS.COM or call 0800 30 33 36 or SMS 39640.** • forensic@idc.co.za; • Head of Internal Audit,	Acknowledgement within 21 Days of reporting
	Internal Escalation process	
	• General Counsel (GC),	If there is no acknowledgement within 21 days of reporting employees

	•	may escalate the incident to the General Council who will try to intervene within 14 days.
	• Chief Executive Officer (CEO),	If the there is not intervention from the General Council, the employee may escalate to the CEO and thereafter to the Board Audit Committee and Board Chairperson.
External reporting and escalation process		
	• Chairperson of the Board Audit Committee, • Chairperson of the Board. • Minister of Economic Development www.economic.gov.za or by telephone 012 394 3747.	The external reporting and escalation process is a continuation of the internal escalation process, however, if there is no response from both the Chairperson of the Board Audit Committee and Chairperson of the Board. The incident may be escalated to the Minister of Economic Development

4.5 POST INVESTIGATION PROCEDURES

The findings and recommendations of the investigation will be discussed with the relevant Divisional Executives, CEO, and General Counsel for their management comments and then submitted to EXCO and BAC. If there are significant disagreements relating to the IAD's findings, the affected party (except for IR and Criminal issues) may be requested to submit a report to EXCO through the respective Divisional Executive for deliberations and the Chairperson of the BAC for resolution.

Any financial crime committed by an employee or any other person will be pursued through investigation and to the full extent of the law, including (where appropriate) disciplinary action, instituting civil action to recover the loss, criminal prosecution by reporting the matter to the SAPS or any other relevant law enforcement agency, any other appropriate legal remedy available and regulatory bodies.

In instances where investigation had proven that financial crimes had been committed against the IDC; the perpetrators are listed in an internal delinquent register to prohibit them from entering a further business relationship with the IDC.

5 PROTECTED DISCLOSURE

The IDC has recognised that the disclosure of information is the greatest enabler of financial crime risk management. All parties who intend to make a disclosure or those who had already disclosed information in good faith are protected against any occupation detriment in terms of the PDA.

All stakeholder who suspects or report suspected dishonest activity or such activity that he/she witnessed should be afforded the opportunity to remain anonymous should this be he/her wish. To this end, the IDC has availed the "Tip Offs Anonymous" hotline to all stakeholders wishing to make an anonymous report.

6 ROLE PLAYERS

It is the responsibility of everyone in the organisation, service providers and business partners to participate in the detection, prevention, investigation, and resolution of financial crimes.

No	Department	Role
7.1	Board of Directors and BAC	i. Financial crime risk management oversight: ii. approve the financial crime risk management policy and amendment. iii. monitor and implement the financial crime risk management policies. iv. ensure that adequate and effective systems of internal controls are in place to detect and prevent financial crime. v. ensure that the company has appropriate arrangements in place for the balanced and independent investigation of whistleblowing reports and for taking any action necessary because of such reports.
7.2	Executive Authority	• takes an interest in financial crime risk management to the extent necessary to obtain comfort that properly established and functioning systems of risk management are in place to protect the IDC against significant financial crime risks. • ensure the development of the policy and supervise the effective implementation of the financial crime risk management policy and procedures.
7.3	The Risk Management Department	Provide an independent risk assessment and assist in determining risk capacity, risk appetite allocation policies and structures in managing the risk, its effectiveness, the key financial crime risks, and the responses to address those risks.
7.4	Internal Audit	Provide an independent, objective assurance on the effectiveness of the IDC's system to prevent (financial crime training and awareness) and detect financial crime risk.
7.5	External auditor	Provides an independent opinion on the effectiveness of financial crime risk management. They identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to financial crime or error, design and perform audit procedures responsive to the said risks.

7 CONFIDENTIALITY

All confidential information provided or received shall be used solely for the detection, prevention, investigating, and response to the allegations of financial crimes and shall not be disclosed to any unauthorised third party. The foregoing shall not apply to any information that is publicly available when provided or thereafter becomes publicly or that is required to be disclosed to any Regulatory Authority, any auditor of the parties hereto, or by judicial or administrative process or otherwise by any applicable law.

The IAD is bound by the Code of Ethics which requires an Internal Auditor to amongst others uphold the principle of confidentiality. Thus, on an annual basis, each member of the IAD is required to sign a declaration to the effect that they shall be prudent in the use and protection of information acquired in the course of their duties and shall not use the information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the IDC.

8 NON-ADHERENCE TO POLICY

Disciplinary, civil, criminal action and/or any other applicable action will be instituted or taken against those who fail to comply with this Policy.

9 COMMUNICATION OF THE POLICY

IAD is responsible for ensuring that the policy is approved by the BAC, informing all relevant stakeholders of the approved policy and the publication of the policy on the IDC intranet.

10 MAINTAINING OF THE POLICY

The policy shall be effective from the date it is approved by the BAC and it will be reviewed every three (3) years or as and when necessary.

11 ALIGNMENT OF POLICIES TO OTHER POLICY/IES OR PROCEDURE/S

This policy, to an extent, is aligned and can be read together with the conditions on employment and other applicable policies of which some of them are listed below, frameworks and/ or procedures as published in the IDC's intranet.

No	Department	Policy
12.1	Corporate Secretariat	i. Anti-Money Laundering, Counter-Terrorism Financing and Sanctions Policy. ii. Board of Directors Conflict of Interest Policy. iii. Code of Business Ethics and Conduct. iv. Confidentiality Agreement Policy. v. Conflict of interest policy vi. Corporate Governance Framework for Financing Subsidiaries vii. Corporate Governance Framework for Subsidiaries and Investee Companies. viii. Policy on Delinquent Register for Existing and Potential Clients.

12.2	Risk Management	• Enterprise Risk Management Framework and Policy.
12.3	Human Capital	• Industrial Relations Policy and Work rules. • Recruitment Policy.
12.4	Procurement	• Procurement Policy
12.5	CRM	• Client Complaints Management

ANNEXURE J: 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 Partnership Programmes
	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 identified at the start of the financial year	The information is cumulative over a year. Quarterly and annual reporting	Operations Reporting in the Office of the COO Financial Management Department Financial Services Partnership Programmes
	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 identified at the start of the financial year	The information is cumulative over a year. Quarterly and annual reporting.	Financial Services Partnership Programmes
	a3) Co-funding leveraged/ syndicated/ catalysed	a3) Value of leveraged funding committed by other funders (R'm)	Other disbursements facilitated include guarantees that were issued during the year as well as the amount of funding committed by other financiers in projects.	Measures the IDC's indirect impact on investment through funding from other sources being mobilised.	SAP report ZPAPPR Amount leveraged = (Total investment facilitated – IDC funding approved + IDC guarantees	Sum of the amount leveraged for funds that were committed in the year.	None identified at the start of the financial year	The information is cumulative over a year.	Operations Reporting in the Office of the COO Financial Management 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
			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).		approved – Off-balance sheet funding approved). New guarantees issued added as funding leveraged			Quarterly and annual reporting.	Financial Services Partnership Programmes
	b1) Funds committed and facilitated to support policy priorities: transformation	b1) Total funds committed and facilitated in support of transformation (R'm) b1.1) Black Industrialists b1.2) Black-owned businesses b1.3) Women-entrepreneurs b1.4) Youth-entrepreneurs	This indicator measures the value of funds committed and facilitated for priority groups of entrepreneurs for all on- and off-balance sheet funding. **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-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). Measurement for indicators b1.1, b1.2, b1.3 and b1.4 is similar but focuses on specific priority groups and not the consolidated group.	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
	b2) Increase in output for manufacturing companies supported (localisation and beneficiation)	b2) Growth in value of sales for manufacturing companies in IDC's portfolio (%)	The indicator measures the growth in sales (turnover) for companies in IDC's portfolio operating in the manufacturing industry. Companies from the portfolio included in the measurement are those that: - Operates in the manufacturing industry (as defined by the SIC) - Have had funding approved over the last five year - The funding purpose needed to include some expansionary or modernisation component Turnover figures for each company for the financial year ending in the relevant IDC financial year (i.e. turnover figures from a company where the financial year ends on 30 June 2023 will be considered as part of the measurement for IDC's 2023/24 financial year) and the previous financial year is used. The sum of the turnover from all relevant companies for the current financial year is compared to the previous financial year and the growth is calculated.	Measures the impact that IDC has on manufacturing output	The source of turnover data for IDC clients is the audited financial statements submitted by the clients. The targeted number (growth in overall manufacturing output) is sourced from relevant StatsSA statistical publications (production and sales)	((Sum of total sales for relevant clients in the financial year corresponding to IDC financial year being measured / Sum of total sales for relevant clients in the financial year corresponding to IDC's previous financial year) – 1) x 100	Relies on clients submitting audited financials to IDC timeously. In some cases, audits might not have been concluded in time to be included in IDC's measurement	Cumulative annual figure	Client Support and Growth Corporate Strategy and Innovation
	b3) Funds committed and facilitated to support policy priorities: Master Plans and IDC Industry Priorities	b3) Total: Industry Master Plans and IDC Industry Priorities (R'm)	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 economy, CTFL/Master Plan: R-CTFL, Tourism, Master Plan: Poultry, Master Plan: Sugarcane, Master Plan: Furniture. Any changes in finalised Master Plans during the year to be incorporated. On- and off-balance sheet funding included.	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 sectors. There is significant overlap between	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
			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.			IDC priorities and Master Plans. Transactions aligning to both of these are not double-counted			
	b4) Funds committed and facilitated to support policy priorities: Spatial equity	b4.1) Total funds committed and facilitated to improve spatial equity (investment outside 6 main metro municipalities) (R'm)	Included are projects located in South Africa but outside the following metro municipalities: Cape Town, Ekurhuleni, eThekwini, Johannesburg, Nelson Mandela Metro, and Tshwane **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). On- and off-balance sheet funding included. **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.	This indicator measures the IDC's contribution to equitable spatial development	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where the development location is in South Africa and not in one of the listed metropolitan municipalities	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO
		b4.2) Total funds committed and facilitated for businesses in SEZs (including economic infrastructure projects that	Included are projects located in an SEZ or projects that will enable SEZ infrastructure. On- and off-balance sheet funding 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	This indicator measures the IDC's contribution to equitable spatial development	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions where the development location is in a SEZ or where it	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
		enable SEZs (e.g. energy supply, logistics, water) (R'm)	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.			will contribute to the infrastructure in an SEZ			
	b5) Funds committed and facilitated to support policy priorities: SME development	b5) Total funds committed and facilitated for SMEs (R'm)	Included is all funding for SMEs as defined by the Department of Small Business Development. On- and off-balance sheet funding 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 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.	This indicator measures the IDC's contribution to SME development	SAP reports ZPAPPR	Sum of the total investment facilitated for transactions for SMEs.	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO
	b6) Support for policy priorities: worker empowerment	b6) Number of workers that will gain a level of shareholding and/or profit share structures in their companies through direct or indirect structures through approved transactions (Number)	The indicator measures the number of workers that will benefit from direct or indirect shareholding or profit share in transactions that were approved during the year. On- and off-balance sheet funding included.	This indicator measures the IDC's contribution to worker empowerment	SAP reports ZPAPPR	Sum of the total number of employees that will benefit from shareholding or profit share in a supported business.	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
	b7) Support for energy provision	b7) Generating capacity for electricity generation projects approved, including utility scale and small-scale embedded generation (MW)	The indicator measures the impact on megawatt of electricity to be generated for projects for which IDC approved funding in the financial year. On- and off-balance sheet funding included.	This indicator measures the IDC's contribution to alleviating the energy crisis	SAP reports ZPAPPR	Sum of the total MW for transactions that will result in new electricity being generated.	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO
	b8) Export development	b8) Marginal increase in exports generated for intra-regional and global trade through funds committed (R'm)	Value of new annual exports expected to be generated **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 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	None	The information is cumulative over a year. Quarterly and annually.	Operations Reporting in the Office of the COO
	c) Job creation and preservation	c) Number of jobs expected to be created/saved[4,5] from committed funds (Number)	This indicator measures the number of full-time equivalent jobs[6] that are expected to be created or saved for transactions where funds have been committed. On- and off-balance sheet funds included. In transactions where IDC co-funds with dtic, jobs will be recognised based on IDC's contribution to the transaction.**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
	d) Project development	d) Investment value of projects that graduated from preparation to the	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	Industry Planning and Project Development submissions to	Sum of the total project value for all projects that graduated to investment	None	The information is cumulative over a year.	Project Development department

[4] Under typical circumstances, IDC would expect 80% of the total number of jobs to be new jobs created.
[5] Management will report on jobs across the following categories: permanent jobs; permanent outsourced; temporary workers; seasonal jobs.
[6] In the case of funds such as the Social Employment Fund, IDC will provide reports on the total number of work opportunities being facilitated through the fund, but take into account full-time equivalent jobs when reporting against these KPIs.

Perspective	Performance area	Performance Indicators	Short definition	Purpose/ importance	Source/ collection of data	Method of calculation	Data limitations	Calculation Type/Reporting cycle	Indicator responsibility
		investment phase (R'm)		bankable projects ready for funding.	relevant committees.	phase during the year.		Quarterly and annually.	
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 impairment ratio for the mini-group as reported in the mini-group financials	Measures the extent to which the IDC's efforts to improve the quality of its portfolio, including turning around clients, are successful. Measures the quality of the loan and equity portfolios.	Mini group balance sheet	Impairment ratio as included in the mini-group financial reporting	None	As at a specific reporting date	Financial Management Department
		e2) % non-performing loans (NPLs)	This indicator measures the share of exposures for non-performing loans in the mini-group portfolio as a percentage of the total loan exposure. **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.	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.	Client Support and Growth
		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	Manual gathering of information from relevant units in CSG division	Assessment of whether outcome has been achieved based on actual achievements and outcomes targeted	None	Progress reported quarterly	Client Support and Growth
		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.	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	None	The information as at reporting dates.	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
			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 -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			of the mini group. Excludes listed companies		Quarterly and annually.	
	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)	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 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.	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. Only companies that formed part of the portfolio at the start and end of the period should be included.	None	The information as at reporting dates. Reported quarterly and annually	Client Support and Growth
	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 GDP growth and inflation.	An overall measure of the extent to which IDC's activities to manage its portfolio (including listed shares) and	IDC mini group balance sheet	The percentage increase/decrease in total equity as at the reporting date compared to the	None	The information as at reporting dates. Reported	Financial Management 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
				profitability is resulting in increased value for the Corporation.		start of the financial year.		quarterly and annually	
Organisational capabilities	h) Build an organisational culture that is characterised by individual excellence, cross-divisional team collaborations	h) Culture entropy score	Results of 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.	Office of the COO
		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 for non-complex transactions and 180 business days for complex transactions (excluding projects and days between	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)	Measure the IDC's efficiency in dealing with applications for finance	SAP report ZPAPPR	Number of applications concluded within the targeted number of days as a percentage of the total number of applications concluded.	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
		ECIC approval and BIC/Board submissions)							
	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

<u>Note:</u> In the table above reference is made to specific IT systems and specific reports from IT systems. During the year, IDC will implement new systems and reports that could potentially replace those being referenced in the technical indicator descriptions above.

ANNEXURE K: SUMMARY OF DTIC-GROUP QUANTITATIVE OUTPUT TARGETS

Investment

Outputs
R200 billion in investment pledges secured across the state
100 Investor facilitation and unblocking interventions provided
2 new SEZs designated and support work with provinces related to industrial parks

Industrial production

Outputs
R40 billion in additional local output committed or achieved
R40 billion in Black Industrialist output achieved

Exports and trade

Outputs
R700 billion in manufacturing exports
R300 billion in manufacturing exports to other African countries
R2.5 billion in exports of Global Business Services (GBS)
1 Implementation of the AFCFTA
10 High impact trade interventions completed
4 Protocols finalised under the AfCFTA

Industrial support

Outputs
R30 billion in support programmes administered by or in partnership with the dtic group
R15 billion support programmes to enterprises in areas outside the 5 main metros
R8 billion in financial support programmes to SMMEs, and women and youth-empowered businesses
R7.5 billion in financial support programmes to enterprises in labour absorbing sectors
Promotion of a transparent and just adjudication process for incentive applications

Transformation

Outputs
R800 Million in Equity Equivalent Investment Programme agreements agreed or administered
20 000 additional workers with shares in their companies
10 high-impact outcomes on addressing market concentration, at sector or firm level.

Jobs

Outputs
1 million jobs supported or covered by Master Plans
100 000 jobs to be created (50 000 social economy fund part-time or temporary job opportunities and 50 000 full-time jobs)
23 000 jobs in Black Industrialists firms

Energy

Outputs
R1.3 billion in financial support to enterprises including SMMEs to mitigate impact of load shedding through energy resilience fund
1400 Megawatts of energy from projects facilitated
550 Megawatts of energy available for the grid
1 Energy One-stop Shop operational
Expedited regulatory amendments and flexibility, to promote energy efficiency

Green economy targets

Outputs
1 Strategy and advocacy finalised responding to green non-tariff barriers (Carbon Border Adjustment Mechanism (CBAM)
1 EV Strategy finalised
1 Finalisation of green hydrogen commercialisation framework

Stakeholder engagement and impacts

Outputs
10 Business Forums hosted aimed at supporting increased FDI, exports and outward investment.
1000 Case studies of firms, workers, entrepreneurs, professionals or communities impacted by the dtic measures: including 12 local films/documentaries telling the SA story
52 Community outreach programmes by the dtic group
5 Conferences, summits, and international forums hosted
10 Successful actions completed on price monitoring and excessive pricing or price gouging

Addressing crime

Outputs
Grey-listing: Publication of 'Know Your Shareholder' Regulations and Follow Ups
1 Metal trading system developed to identify stolen public infrastructure entering the scrap metal value-chain, export market or legitimate metal production industry

Red tape and state capability targets

Outputs
4 High-impact measures to improve the efficiency and/or effectiveness, of the dtic's policy or programme interventions.
10 High-impact measures to reduce red tape or improve turnaround times in administration of incentives and work of agencies
6 Impact assessments or enhancements of trade instruments or measures

Improving the capacity and responsiveness of the state and social partnership

Outputs
4 Pieces of priority legislation amended, tabled or submitted to Executive Authority, Cabinet or Parliament.
7 Master Plans managed and 1 new masterplan to be finalised
Oversight of IDC, NEF and ECIC to ensure that at least 95% of planned KPIs are achieved
Oversight of other entities to ensure that at least 95% of planned KPIs are achieved
50 Mergers and acquisitions where public interest conditions have been incorporated