DBSA CORPORATE PLAN

2024/25 – 2026/27

FEBRUARY 2024

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ABBREVIATIONS

AI	Artificial Intelligence
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
BCM	Business Continuity Management
BRICS	Brazil, Russia, India, China and South Africa
CEO	Chief Executive Officer
CFF	Climate Finance Factsheet
Companies Act	Companies Act No. 71 of 2008, as amended
COVID-19	Novel Coronavirus Disease 2019
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DMTN	Domestic Medium-Term Note
EE	Employment Equity
EGIP	Embedded Generation Investment Programme
ESG	Environmental, Social, and Governance
ESS	Environmental and Social Safeguards
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
ICT	Information and Communication Technology
IDD	Infrastructure Delivery Division
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPP	Independent Power Producer
ISO	International Organization for Standardization
JTF	Just Transition Framework
King IV	King Code on Corporate Governance in South Africa (2016)
NDP	National Development Plan, Vision 2030
NPL	Non-Performing Loan

PESTEL	Political, Economic, Sociological, Technological, Environmental and Legislative
PFMA	Public Finance Management Act (No. 1 of 1999)
PRECCA	Prevention and Combating of Corrupt Activities Act No.12 of 2004
ROE	Return on Equity
SADC	Southern African Development Community
SAICE	South African Institution of Civil Engineering
Sanral	South African National Roads Agency SOC Limited
SAPS	South African Police Service
SARB	South African Reserve Bank
SDG	Sustainable Development Goals (United Nations, 2015)
SWOT	Strengths, Weaknesses, Opportunities, Threats
The Bank	Development Bank of Southern Africa
The Board	Development Bank of Southern Africa Board
The Constitution	Constitution of the Republic of South Africa, Act No. 108 of 1996
The DTIC	Department of Trade, Industry and Competition
The Shareholder	National Treasury
US/USA	United States of America
USD	United States Dollar

1. PURPOSE OF THE CORPORATE PLAN

The DBSA is a Schedule 2 public entity in terms of the Public Finance Management Act (No. 1 of 1999) (PFMA). Section 52 of the PFMA and Treasury Regulation 29.1 provide that a Schedule 2 Public Entity and its subsidiaries must submit a corporate plan in the prescribed format covering the affairs of the public entity for the following three financial years and which includes revenue projection, expenditure, and borrowings.

This Corporate Plan for the 2024/25–2026/27 period has been compiled and is being submitted in compliance with the abovementioned regulations and in alignment with the new DBSA 10-Year Corporate Strategy for 2024/25–2033/34, as year one of the new strategy. The Corporate Plan was developed alongside the 10-year strategy and the DBSA scenarios 2035, and therefore serves as the first-year implementation plan/ roadmap to ensure that the Bank is set to achieve the development impact and growth that is envisioned in the 10-year strategy, as well as taking the Bank towards the preferred scenario.

The purpose of this corporate plan is to reflect on progress to date in delivering on the DBSA' s stated priorities, to respond to emerging environmental factors affecting the future strategic direction of the Bank. It also seeks to support the achievement of the DBSA Mandate Statement and the Shareholder Compact.

2. OUR MANDATE, PURPOSE, AND STRATEGIC FOCUS

The DBSA is a leading DFI, wholly owned by the government of South Africa. Reporting to the Minister of Finance as the Executive Authority, the DBSA has its primary purpose firmly rooted in stimulating socioeconomic growth, given its infrastructure and capacity development mandate. This includes infrastructure finance and development, human resource development, and institutional capacity building. It is further focused on mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes in South Africa, the South African Development Community (SADC), and the African continent.

2.1. LEGISLATIVE AND POLICY MANDATES

2.1.1. LEGISLATIVE MANDATES

The DBSA was established in terms of the Development Bank of Southern Africa Act (No. 13 of 1997), as amended by the Development Bank of Southern Africa Amendment Act (No. 41 of 2014), which provides for the continued existence of the juristic person known as the Development Bank of Southern Africa as a development finance institution, with the primary purpose to promote economic development and growth, human resource development, and institutional capacity building by mobilising financial and other resources from the national or international private and public sectors for sustainable development projects and programmes. Section 3(1) of the act prescribes the main objects of the DBSA as:

1) Mobilising financial and other resources from the private and public sectors, national or international, on a wholesale basis as determined in the regulations promulgated in terms of the DBSA Act.

2) Appraising, planning, and monitoring the implementation of development projects and programmes.

3) Facilitating the participation of the private sector and community organisations in development projects and programmes.

4) Providing technical assistance, particularly in respect of human resource development and training with regard to the identification, preparation, evaluation, financing, implementation, and management of development projects and programmes.

5) Funding or mobilising wholesale funding for initiatives to minimise or mitigate the environmental impact of development projects or programmes.

6) Assisting other international, national, regional, and provincial initiatives in order to achieve an integrated finance system for development; and

7) Assisting other institutions in the national or international public and private sectors with the management of specific funds.

In terms of the **Public Finance Management Act (No. 1 of 1999) as amended (PFMA)**, the DBSA is listed as a Schedule 2 major public entity with a dual mandate of commercial viability as well as that of socioeconomic development. All prescripts and regulations arising from the PFMA are applicable to DBSA governance and operations, as well as the fiduciary and other responsibilities reflected in Section 9 of the **Companies Act (No. 71 of 2008)**, as amended.

2.1.2. POLICY MANDATES

Where the legislation regulates how the DBSA must operate in giving effect to its mandate, various policy and strategy frameworks inform how the mandate should be implemented and have direct bearing on the priorities and focus areas of the DBSA, notably:

1) The **United Nations' 2030 Agenda for Sustainable Development**, and the 17 **Sustainable Development Goals (SDGs)** recognise that poverty eradication initiatives should be linked to strategies for improving health and education, reducing inequality, and promoting economic growth while addressing challenges related to climate change. As a DFI with a domestic and continental footprint, SDGs 6, 7, 9, 11, 13, and 17 inform the DBSA's main priorities, while SDGs 1, 3, 4, and 5 are indirectly supported by the core activities.

2) The 26th United Nations Climate Change Conference of the Parties reaffirmed the **Paris Agreement on Climate Change** goal of limiting the increase in the global average temperature to below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. It stressed the urgency of action "in this critical decade" when carbon dioxide emissions must be reduced by 45.0% to reach net zero around mid-century. Leaders from South Africa, the United Kingdom, the United States, France, Germany, and the European Union announced a partnership to support South Africa – the world's most carbon-intensive electricity producer— with $8.5 billion

over the next three to five years to support a just transition away from coal to a low-carbon economy.

Through the **Glasgow Agreement**, countries agreed to a provision calling for a phase-down of coal power and a phase-out of ‘inefficient’ fossil fuel subsidies, and a doubling of finance to support developing countries in adapting to the impacts of climate change and building resilience. The agreement sets out the norms related to carbon markets, which will allow countries struggling to meet their emissions targets to purchase emissions reductions from other nations that have already exceeded their targets.

The **United Nations Environment Programme Finance Initiative’s Principles for Responsible Banking (2022)** calls for banks to align their business activities to the Paris Agreement. The **Glasgow Financial Alliance for Net Zero** aims to accelerate the alignment of financing activities with Net Zero and support efforts by all institutions and countries to achieve the goals of the 2015 Paris Agreement.

3) The **African Union Agenda 2063** is aimed at harnessing the continent’s comparative advantages to effect equitable and people-centred social, economic, and technological transformation and the eradication of poverty. Agenda 2063 is the African Union’s strategic framework to realise the socioeconomic transformation of the African continent over the next five decades. While it focuses on Africa’s aspirations for the future, it also identifies critical flagship programmes to boost Africa’s economic growth and development, ultimately leading to the rapid transformation of the continent. The DBSA supports the Africa Continental Free Trade Agreement and the North-South Corridor, among other initiatives.

   The **African Union Programme for Infrastructure Development in Africa** is the successor to the New Partnership for Africa’s Development Medium to Long-Term Strategic Framework and aims to promote socioeconomic development and poverty reduction in Africa through improved access to integrated regional and continental infrastructure networks and services.

4) Adopted in 2020, the **Southern African Development Community (SADC) Vision 2050** is a long-term ambition that sets out the aspirations of the region until 2050. The **SADC Regional Indicative Strategic Development Plan 2020-2030** operationalises Vision 2050 and provides a guiding framework for the implementation of SADC’s regional integration and developmental agenda and programmes for the next 10 years. It is premised on three interrelated pillars: Industrial Development and Market Integration, Infrastructure Development in support of Regional Integration, and Social and Human Capital Development.

5) The South African **National Development Plan, Vision 2030 (NDP)** is the blueprint of government’s vision and development route for South Africa, with business and society as collaborative partners. Seeking to eliminate poverty and sharply reduce inequality, the NDP identifies the critical trade-offs and challenges to be addressed by the country over the period to 2030. The DBSA contributes to the NDP through large-scale infrastructure projects in the energy, transport, water, and ICT sectors, as well as by resolving social infrastructure bottlenecks and expanding regional integration.

6) Cabinet established the **Presidential Infrastructure Coordinating Council** to coordinate, integrate and accelerate implementation on infrastructure projects. The **National Infrastructure Plan 2050** aims to transform the economic landscape, while simultaneously creating significant numbers of new jobs and strengthening the delivery of basic services. It further supports the

integration of African economies. In line with the plan, strategic integrated projects have been identified, which cover social and economic infrastructure across all nine provinces (with an emphasis on lagging regions). The strategic integrated projects include catalytic projects that can fast-track development and growth.

7) The **Economic Reconstruction and Recovery Plan** was published in late 2020 and updated in 2021. The plan identifies eight priority interventions to drive the reconstruction and recovery of the South African economy, namely:

    a) Ensuring energy security
    b) Growing the productive economy
    c) Mass employment interventions
    d) Infrastructure investment
    e) Green economy interventions
    f) Strengthening food security
    g) Support for tourism recovery and growth
    h) Gender equality and the inclusion of women and youth

    The plan places infrastructure at the centre of the economic recovery agenda and focuses on accelerated implementation while committing financial resources. The DBSA recently reviewed the plan as part of advice provided to the Department of Planning, Monitoring and Evaluation and the Economic Sectors, Investment, Employment and Infrastructure Development Cluster on how the plan should be adjusted to enable implementation.

    a) **The Infrastructure Fund**, as a key initiative, was mandated to create blended finance solutions to significantly crowd-in private sector investment in the implementation of infrastructure programmes and projects in South Africa, thus contributing to increased gross fixed capital formation. Its primary objective is to facilitate the effective execution of socioeconomic infrastructure programmes and projects in the country. The fund is designed to address the pressing need for investment in key infrastructure sectors, such as energy, transport, water, telecommunication, and social infrastructure. The amount already approved by National Treasury for programmes is R21.7 billion to improve the scale, speed, quality, and efficiency of infrastructure spending. Total allocations to 2028/29 amount to almost R100 billion. Partnerships, both locally and internationally, with the private and public sectors, and ongoing engagement with stakeholders along the value chain, remain critical to the further mobilisation of funds towards infrastructure development.

        By providing long-term financing and technical expertise, the Infrastructure Fund enables the implementation of sustainable infrastructure projects that drive economic growth, promote social development, and enhance regional integration. The DBSA established the fund as a ringfenced unit and manages it on behalf of National Treasury, in partnership with the Department of Public Works and Infrastructure South Africa. The DBSA and National Treasury each finance 50.0% of the operational costs of the fund.

    b) The **Independent Power Producers (IPP) Programme** and the **IPP Office** plays a crucial role in sourcing electricity from renewable and non-renewable sources. The IPP Office focuses on achieving national renewable energy capacity goals, securing electricity capacity from independent power producers, and providing advisory services for programme and project planning. The DBSA continues to support the IPP Office, ensuring the procurement of renewable energy providers through the IPP Procurement Programme.

8) The Presidential Climate Commission published the **Just Transition Framework (JTF) for South Africa** in July 2022. The JTF aims to bring coordination and coherence to just transition planning in the country. It sets out a shared vision for the just transition, principles to guide the transition, and policies and governance arrangements to give effect to the transition. The JTF is applicable to all social partners in South Africa, across all sectors. There is, however, no 'one size fits all' approach to the just transition and all social partners will need to design their own policies and programmes in line with their specific conditions, responsibilities, and realms of influence, based on the vision, principles, and interventions articulated in the framework. The framework is to be implemented through the **Just Energy Transition Implementation Plan 2023–2027**.

9) Aligned to the **National Spatial Development Framework 2050**, the District Development Model, and resultant district 'one plans', seek to build a coherent government, which is characterised by the ability to undertake and communicate a common vision for the development of the country, collectively generated and broken down into and according to needs and opportunities of district and metropolitan geographical areas (intergovernmental relations impact zones). It seeks to identify commonly agreed spatial and development priorities within these impact areas, supported by well-researched, credible, and technically sound long-term planning, capital investment, project preparation and financing, and implementation.

2.2. OUR DEVELOPMENT POSITION

The development position of the DBSA forms the departure point from which DBSA seeks to deliver on its mandate. The focus is on driving sustainability through innovative solutioning and remaining financially sustainable, whilst accelerating development outcomes. The development position of the DBSA is as follows:

As a trusted African-focused DFI, the DBSA will '**bend the arc of history'** through its continued multifaceted investments in sustainable infrastructure and human capacity development.

The DBSA will contribute to a just transition towards a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories.

As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated, and resource efficient continent. This stance progressively advances the common goals for sustainable and equitable wellbeing.

The DBSA will work in partnership to co-produce impactful development solutions and the sustained platforms of an enabling environment for participation, a sense of purpose, empowerment, and deep connections.

2.3. ECONOMIC POLICY POSITION

The economic policy position of the DBSA is centred on the understanding that infrastructure development is a key pillar in South Africa's growth and development agenda. In support of regional and national policy, the DBSA will:

1) Support cities to promote economic growth and spatial development.
2) Provide planning and implementation support to municipalities, with specific emphasis on lower tier secondary cities and under-resourced municipalities.
3) Provide support to large state-owned companies.
4) Support the transformation of the ownership patterns of the South African economy.
5) Spur the informal economy through a development dividend.
6) Contribute to sustainability, as well as climate adaptation and mitigation.
7) Serve both domestic and regional requirements.
8) Implement programmes in support of key development corridors across Africa.
9) Crowd in third parties, especially the private sector.
10) Lift the standard of living through social infrastructure development.
11) Identify niche markets and improve DBSA performance.
12) Financial sustainability is key if the DBSA is to remain viable.

The DBSA focuses primarily on the economic infrastructure of energy, transport, water, and information and communication technology (ICT sectors but also serves the social infrastructure of health, housing, and education sectors as a secondary focus. Biodiversity and the broader 'nature based' projects and programmes are supported through the Green Fund and Global Environmental Facility.

2.4 REGIONAL MANDATE

South Africa has concluded various binational trade agreements with countries across the continent to support broader regional integration in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa, and the African Union Agenda 2063.

In line with the mandate to maintain its exposure level of 60% South Africa and 40% rest of Africa, the DBSA's Regional Development and Integration Strategy is aimed at both SADC and the rest of Africa, for example, the Tripartite Free Trade Area linking SADC, Common Market for Eastern and Southern Africa, and East African Community, as well as corridor development. The strategy notes the huge infrastructure backlogs in the African continent and prioritises smart partnerships, country prioritisation using country ratings, taking a long-term perspective and prospects, and considering the South African developmental and economic aspirations. Continental opportunities will be explored in the following countries:

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

The exploration of regional developmental opportunities is to be undertaken in support of *Outcome 4 of the DBSA 10-year strategy*[1] *"Regional integration and key development corridors advanced",* with the Bank constantly keeping the identified domestic and regional macroeconomic weaknesses clearly within its line of sight to limit the potential negative impact of such on the developmental pipeline. The DBSA will continue to strategically allocate resources to finance key infrastructure projects across the region, including energy, transport, water, telecommunications, and social infrastructure. Such regional integration endeavours over the ten-year strategy period will focus on, among other:

- Increased inter-regional trade - rail and road, ports, and air infrastructure.
- Drive for primary material beneficiation through basic infrastructure.
- Improved access to quality, reliable, and affordable portable water.
- Energy transmission and improved energy generation capacity and access to affordable energy.
- Universal access to connectivity and telecommunications.
- Increased economic activity through trade financing.

[1] This is an outcome as captured in the DBSA's 2024/25 – 2033/34 Strategy.

3. OUR STRATEGIC FOCUS

3.1. VISION, MISSION, VALUES, AND STRATEGIC GOALS

Informed by the legislative and policy mandate, the Corporate Plan articulates the DBSA's strategic focus – its vision, mission, organisational values, and strategic goals – as follows:

VISION

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

MISSION

The DBSA's mission is to:

> Advance development impact in the region by expanding access to development finance and effectively integrate and implement sustainable development solutions.

This mission will enable the Bank to:

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

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

VALUES

The values that underpin the DBSA's operations are:

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

Value	What it means in practice
Innovation	We challenge ourselves continuously to improve what we do, how we do it, and how well we work together.

STRATEGIC GOALS

Underpinned by the Bank's ethos to **"bend the arc of history toward shared prosperity"**, the DBSA is focused towards ensuring financial sustainability and strong governance, while moving onto a trajectory of accelerated and enhanced development impact i.e. "**grow the DBSA to maximise development impact"**. It builds on the four strategic goals of the current DBSA strategy, namely:

1) **Financial sustainability**

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

   The levers for achieving financial sustainability are the ability to grow good quality and profitable disbursements, enabling regional integration and development, creating integrated and sustainable infrastructure development solutions, facilitating the improvement of municipal capability and improving our operational efficiencies as part of cost optimisation.

2) **Accelerating development impact**

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

3) **Future-fit-DBSA**

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

4) **Smart partnerships**

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

These goals, in turn, guided the development of the 10-year results framework and the impact and outcomes that the DBSA will pursue over the period to 2034.

STRATEGY PILLARS

The Bank is driving a growth strategy that seeks to grow the Bank's balance sheet to maximise development impact while maintaining financial stability. The DBSA's strategy is anchored on the following key pillars linked to the DBSA mandate as outlined in the DBSA Act, Mandate Statement and the Shareholder's Compact:

- ***Inclusive economic recovery in South Africa*** – The focus area is directed towards meaningful growth in South Africa and seeks to build on existing initiatives while adapting to the current changing market conditions. This focus area incorporates both economic access and transformation. Priorities will include improving the quality of deals, increasing deals through diversifying clients, and originating high-level strategic projects that will have optimal impact.

- ***Strategic rest of Africa lens*** **–** This focus area is aimed at growing and maintaining a strong position on the rest of the continent while still aligning with the mandate statement, maintaining strong profitability and ongoing liquidity and credit risk management. The external environment, geopolitics and socio-economic considerations dictate opportunities within the continent. To effectively achieve the objective of leadership in the region, the DBSA must forge strategic partnerships, such as with the African Development Bank, the World Bank, SADC and SA Inc., in support of its key developmental impact indicators. In supporting key development corridors across Africa, the DBSA must incorporate actions such as increasing the number of focused projects with specific developmental goals and improving stakeholder collaboration to enhance regional integration.

- ***Doing things differently*** **–** This focus area is aimed at achieving and creating a future fit and resilient DBSA, an organisation that is relevant and digitally enabled with efficient processes, strong governance and appropriate accountabilities.

3.2. STRATEGIC INTENT AND SECTOR FOCUS

The DBSA's mandate requires the Bank to maximise development impact in infrastructure development, financing, and capacity development, both in South Africa and across the African continent. This also requires a purposeful strategy directed at financial sustainability through balance sheet growth, income growth, and cost optimisation to enable the Bank to continue to deliver sustainable development outcomes.

In line with the mandate, the DBSA's Strategy is grounded by the need for accelerated infrastructure development to serve as a catalyst for structural change within the South African economy and the rest of Africa, while advancing inclusive economic growth. It is driven by the need to create world class infrastructure by catalysing capabilities in an ever-increasing competitive and uncertain environment.

The strategic intent of the organisation is designed to shape the infrastructure investment market through leveraging its dynamic capabilities in conceptualising, catalysing, and implementing sustainable infrastructure projects; capitalising on its position and expertise; as well as engaging in and cementing smart partnerships.

Conceptualizer

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

Catalyser

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

Implementer

- The DBSA supports its clients to implement priority social projects to deliver tangible solutions that build Africa's prosperity.

Response to a dynamic environment

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

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

Plan

- Infrastructure needs assessment
- Bulk infrastructure plans
- Infrastructure planning advice

Prepare

- Project identification
- Feasibility assessment
- Technical assistance
- Programme development
- Project preparation functions

Financing

- Long-term senior and subordinated debt
- Corporate and project finance
- Mezzanine finance
- Structured finance solutions
- Equity support for BEE entities

Build

- Manage design and construction of projects in social and economic sectors
- Project management support

Maintain

- Supporting the maintenance and improvement of social and economic infrastructure projects

The DBSA’s strategy seeks to leverage its competitive advantages as far as possible. The Bank has a comprehensive offering across all segments of the infrastructure delivery value chain, and clients may interact with multiple DBSA business units and their needs and requirements may vary substantially depending on what stage in the infrastructure value chain their prioritised projects are in. The DBSA environment thus has numerous complexities, making it essential for the Bank to be proactive, solution-oriented, efficient, and dynamic across the entire value chain.

3.3. KEY OPERATING PRINCIPLES

The following guiding principles are critical for effective implementation of the DBSA Corporate Plan:

1) **Economic expansion and development**: The DBSA is strategically positioned to not only support economic growth and development but to be a catalyst for transformative change through strategic infrastructure and capacity investments. This commitment is firmly aligned with its core mission and values. The DBSA will continue to drive development through innovative partnerships and proactive resource mobilisation, becoming a pivotal driver of progress and prosperity for the region.

2) **Social equity and just transition**: The DBSA places an unwavering emphasis on social equity, making it a central tenet of its actions and dialogues. It stands committed to ensuring that every development initiative, no matter how large or small, contributes to just transitions for all stakeholders. The DBSA's initiatives will be vehicles of change, addressing inequalities and creating opportunities for marginalised communities.

3) **Green growth for sustainability**: The DBSA prioritises green growth as a key economic opportunity, but also in support of sustainability and resilience at the local, regional, and global levels. It not only aligns with national priorities but exemplifies the DBSA's proactive stance in addressing environmental challenges, ensuring a greener and more sustainable future for all.

4) **Maximising development impact without compromising financial sustainability**: The DBSA is steadfast in its pursuit of elevating development impact while maintaining the financial sustainability and longevity of the institution. This will be achieved through a deliberate and holistic approach, reinforcing monitoring and evaluation across all operational levels, backed by the necessary resource commitments. The DBSA will be relentless in its efforts to transparently communicate and showcase the transformative changes it brings to stakeholders.

5) **Comprehensive and integrated approach**: The DBSA embraces a comprehensive and integrated approach to development that extends beyond municipal projects and covers all spheres of influence. It emphasises collaboration, coordination, and synergy with all key stakeholders, both internal and external. By breaking down silos, the DBSA seeks to maximise the impact of its initiatives and foster a culture of shared success.

6) **Capable public institutions and enhanced service delivery**: The DBSA's commitment to building capable public institutions extends to a dedication to enhance project management capacity and assist in improving the financial health of municipalities and public institutions. This commitment signifies the DBSA's vital role as an enabler of frontline service delivery, and social infrastructure.

7) **Rigorous project preparation and quality assurance**: The quality of development projects stands at the heart of the DBSA's mission. This principle underscores the imperative for rigorous project evaluation, robust project preparation, and expedited turnaround times in project processing. The DBSA's dedication to excellence ensures that only projects with the highest potential to create enduring impact are pursued.

8) **Strategic partnering and holistic stakeholder engagement**: The DBSA is committed to fostering synergistic outcomes and will pursue smart partnerships and engaged stakeholders. These strategic collaborations are a vital tool in advancing the DBSA's mission, helping shape the development landscape, and driving innovation and progress across the board.

9) **Digital transformation and organisational effectiveness**: The DBSA recognises the transformative power of digitalisation. This transformative journey goes hand-in-hand with ensuring organisational excellence, underpinned by a renewed organizational design, culture, and change management. The DBSA will make extensive investments in technology to bolster its capabilities and effectiveness.

10) **Skills enhancement and employee empowerment**: The DBSA is unyielding in its commitment to building its employees capacity and capability, and continuously improving the employee value proposition. This encompasses skill retention, career development, nurturing a supportive work environment, and the consistent recognition and incentivisation of employees' dedication and exceptional efforts.

These principles reflect the DBSA's commitment to promoting sustainable development, economic growth, and social equity, while also focusing on internal efficiency and alignment with key stakeholders. They serve as a framework for the DBSA's approach and priorities in the coming years.

4. SITUATIONAL ANALYSIS

The DBSA executes its mandate and seeks to achieve its strategic intent in a complex environment, impacted by global, regional, and subnational events. In turn, the organisation requires the correct institutional environment to enable delivery of its strategic intent.

4.1. MACROECONOMIC CONTEXT

The global economic growth recovery is expected to continue, albeit at rates below those seen before the COVID-19 pandemic. Growth in 2023 was largely supported by a soft landing as interest rate increases by central banks did not tip the global economy into a recession. The IMF revised global growth upward for 2024, following upward growth revisions for the US, China and other large emerging market and developing economies. Growth in the euro area is expected to accelerate marginally in 2024. Downside risks to the global growth outlook include continued weakness in China’s property market, escalating geopolitical tensions, and the subsequent impact on commodity prices, supply chains, and shipping- and transport costs. High debt levels continue to remain a concern globally, especially in Sub-Saharan Africa (SSA). Although global inflation has slowed in 2023, it remains above the inflation targets of most central banks. Inflation is expected to continue to moderate at a slow pace, likely prompting central banks to only start lowering rates from the middle of 2024. However, upside risks to the inflation outlook remain high, especially if geopolitical conflicts worsen. Such conflicts could impact oil and energy prices, potentially disrupting supply chains. The IMF forecasts growth in SSA to accelerate in 2024 and 2025 as the impact of adverse weather events and supply pressures subside. Increased geopolitical conflicts in the region, coupled with weaker global demand and tighter monetary policy detracted from growth in 2023. Risks to the growth outlook include an increase in political instability, a more pronounced slowdown in global growth and more severe impacts of adverse weather events.

Domestic real GDP growth contracted by 0,2% quarter-on-quarter and seasonally adjusted in the third quarter of 2023 compared with an acceleration of 0,5% in the second quarter. The contraction was largely driven by a sharp decline in the goods producing sectors, which was due to increased inefficiencies in ports and rail networks, as well as continued loadshedding. Both business and consumer confidence remain exceptionally weak, adversely impacting growth and investment. Gross fixed capital formation in almost all asset types decreased in the third quarter of 2023, reversing most of the gains recorded in the second quarter of 2023. The unemployment rate continues to decline but remains high at 31,9% in the third quarter of 2023, with youth (15-34 years) unemployment at 43,4%.

Domestic inflation has been declining slowly as food price inflation remains elevated. The SARB's Monetary Policy Committee (MPC) unanimously kept the repo rate unchanged at 8,25% at the January 2024 meeting. The SARB forecasts consumer inflation to moderate further to 5,0 per cent in 2024, 4,6% in 2025 and 4,5% in 2026. Upside risks to the inflation outlook stem from volatile food and fuel prices as well as the longer-term impact of El Niño, a weaker exchange value of the rand and increased logistical constraints, which drives up input costs.

The SA 10-year government bond yield decreased by 99 basis points from 12,4% in third quarter of 2023 to 11,4% in the fourth quarter. This decrease can largely be attributed to a moderation in both global and domestic inflation. Bond yields are likely to benefit from expectations that central banks in the US and euro area will start cutting interest rates from mid-2024. However, bond rates could come under pressure from domestic issues.

The exchange value of the rand appreciated against the US dollar in the fourth quarter of 2023 as the Fed suggested that it may be reaching the end of the interest rate hiking cycle. Domestic factors will likely continue to weigh on the rand.

A number of Bills and policy documents that affect infrastructure development, including the draft 2023 Integrated Resource Plan (IRP) and the Infrastructure Planning and Development Bill, were published for public comment. As part of its policy influencing objective, the DBSA will be making inputs into these documents. The DBSA will also be contributing directly into resolving the energy and logistics crises.

4.1.1 Global Economic outlook

The global economic growth recovery is expected to continue, albeit slowly. The IMF's January 2024 World Economic Outlook (WEO) showed that global growth is expected to remain at around the 3% mark over the next two years. This growth is still below the 2000-2019 historic average of 3,8% mainly due to tighter monetary policy, withdrawal of fiscal support as well as low productivity growth. Growth in advanced economies is expected to be 1,5% in 2024, while growth in emerging market and developing economies is expected to remain stable at 4,1%. Global inflation has decreased sharply from its peak in 2022 amid higher interest rates. Interest rates remain high in, advanced and emerging market, as well as, developing economies, at the start of 2024 and are expected to detract from growth in 2024.

4.1.2 Sub-Saharan Africa Outlook

Growth in Sub-Saharan Africa (SSA) is expected to recover further to 3,8% in 2024, and 4,1% in 2025. Growth for 2024 was revised down, in part due to higher input prices in Nigeria and an energy crisis along with significant logistical constraints in South Africa. Inflation is expected to continue to moderate in the region due to lower international food and oil prices. While gradual fiscal consolidation is expected over the medium term, high public debt levels, as well as higher borrowing costs, remain a concern. The IMF continues to support countries with debt restructuring.

4.1.3 South Africa Outlook

The contraction of the real GDP growth contracted by 0,2% quarter-on-quarter and seasonally adjusted in the third quarter of 2023, was in line with the DBSA forecast. The DBSA expects growth for 2023 to record 0,7%, before accelerating marginally to 1,3% in 2024 as continued loadshedding and significant rail and port challenges have shaved off a large percentage from the GDP growth forecast.

Gross fixed capital formation (GFCF) as a percentage of GDP stood at 14,2% in 2022, far below the 2030 aspirations of 30%. The RMB/BER Business Confidence Index decreased from 33 index points in the third quarter to 31 index points in the fourth quarter of 2023. Respondents mentioned logistical challenges, such as delays at the harbours and crime and corruption as concerns. The ongoing weakness in confidence does not bode well for future growth or fixed investment.

Headline consumer price inflation decelerated further from 5,5% in November to 5,1% year-on-year in December 2023. In line with its forward-looking guidance, as well as moderating domestic inflation, the SARB is forecasted to decrease the repo rate three times in 2024, starting at the July 2024 meeting. However, the SARB could be extra conservative and postpone the start of the rate cutting cycle should the exchange rate continue to come under pressure or inflation expectations remain elevated.

In the 2023 MTBPS, government revenue was revised lower for the current fiscal year. Gross debt as a percentage of GDP is expected to still stabilise in 2025/26, but at a higher level of 77,7% (compared with 73,6% in the 2023 Budget). Risks to the fiscus include weaker global and domestic growth, which could see tax revenue growth slowing, continued deterioration in municipal and SOEs financial positions which could result in further bailouts and high interest rates, which increases the cost of borrowing.

4.2. PESTEL ANALYSIS

A PESTEL analysis is undertaken to provide key external factors (Political, Economic, Sociological, Technological, Environmental and Legal) that influence the environment within which the Bank operates. The key issues identified during the PESTEL analysis include:

Political	• Problematic coalitions at municipal level have negative impact on municipal administration and service delivery. • Possibility that the 2024 general election may emerge with a similar trend of challenging coalitions. • Lack of confidence on the effectiveness of the current public administration.

	• Pockets of volatility across the continent could limit the DBSA's footprint and potential markets. • Increased geopolitical tensions.
Economic	• Global soft landing and continued global growth recovery, albeit slow. • Shallow debt absorption capacity of municipalities. • Continued pressure on the exchange value of the rand. • Weak confidence stifling investment and growth. • Government's cost-cutting drive.
Social	• Increase in service delivery protests post-lockdown (sometimes turning violent - Diepkloof Hostels, Diepsloot, etc.). • South Africa's official and youth unemployment rates remain high. • Continued disregard for the rule of law and high crime rates could serve as an impediment for increased investment in the economy. • Disposable income of households has contracted throughout 2023 up to the third quarter.
Technological	• Widespread cybercrime and cyber insecurity. • Emerging technologies enabling more collaborative and productive methods of project delivery and management throughout an asset's lifecycle. • One of the most prominent data analytics trends remains the adaptive AI systems. Adaptive AI systems can offer faster and more flexible decisions by adapting more quickly to changes.
Environmental	• Implementation of South African Just Energy Transition Investment and Implementation Plans - Clear commitments from businesses and the government. • Full adoption of South African Green Finance Taxonomy. • Embedding ESG in credit extension process and reporting thereon.
Legal	• The SOC Bill which introduces the possibility of a new holding company that will oversee the day-to-day running of state entities. • The revised Preferential Procurement regulations may significantly impact the DBSA's BEE rating and its impact on empowering marginalised groups. • Delays in the approval of the DFI Scorecard by the government bodes ill for the DBSA BEE rating.

4.3. SWOT ANALYSIS

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

STRENGTHS TO LEVERAGE	WEAKNESSES TO MANAGE
• Active involvement across entire infrastructure value chain. • Skilled and dedicated workforce driven by purpose and high performance. • Strong DBSA brand reputation. • Strong institutional balance sheet. • Good governance and ethical culture. • Access to climate financing - regional agency accreditation by the Global Environmental Facility. • Early-stage risk-taker. • Long-term investor. • Expert knowledge in the municipality sector. • Perceived as having trusted advisory status (local and sovereign), e.g., Sanral, South African Airways, and Eskom. • Smart partnerships aid the co-creation of development solutions. • Perceived to be a thought leader locally and internationally. • Having an existing continental footprint. • Having a growth drive with the strong goal of expanding the growth to a new wave. • Partnership building experience. • Alignment to the external environment through the SDGs and identified long range visions. • Proactive Board and Exco to develop future scenarios and recognise internal deficiencies. • In touch with the future (future-fit) for internal operations and in line with future scenarios. • Close alliance with BRICS. • Adaptive to changing market conditions as investment growth waves indicate. • Having a strategic Africa lens through existing strategic focus and the scenarios to be developed.	• Limited sources of funding due to nature of the DBSA as a state-owned entity. • High cost of capital, which is likely to impact or impede growth. • Unsatisfactory B-BBEE level (Level 5). • Organisational culture and employee value proposition. • Slow ERR to commitment turnaround times. • Low integrated approach to operations. • Shareholder misalignment and sluggish implementation on agreements. • Shortage of applicable skills in some areas e.g., ESG, transacting, built environment. • Uncompetitive in the M2/M3 municipal market. • Fragmented funding because of insufficient funds or lack of value chain partners in co-funding. • Policy unclarity in the face of national fiscal shortfalls and role uncertainty (strategy, policy, and implementation mandates of other players). • Cyber vulnerability in terms of cyberattacks and hacking due to outdated systems and ICT security systems. • Limited partnering with the private sector to address major gaps in development. • Operational inefficiencies on average time to closing processes, such as approvals and procurement.

OPPORTUNITIES TO EXPLOIT	THREATS TO MITIGATE
▪ Facilitate and drive infrastructure-led economic recovery. ▪ Compile development indices that support our financial sustainability. ▪ Develop a pricing model for nature-based products. ▪ Improve conversion of self-generated and strategic infrastructure funding opportunities ▪ Finalise and embed our Just Transition Framework and approach. ▪ Leveraging our relationship with multilateral and BRICS for infrastructure development. ▪ Increase and diversify investor base. ▪ Diversifying sector investments. ▪ Being innovative in approaches and product offerings. ▪ Increase IDD's footprint in local government. ▪ Institutionalise the alternative financing solutions. ▪ Contribute to the decrease in greenhouse gas emissions by increasing the use of renewable sources of energy in the campus and lowering the Bank's carbon footprint. ▪ Crystalising the Bank's future of work (permanence of hybrid work). ▪ Improve trust, open and honest communication to enhance the staff engagement levels. ▪ Provide equal opportunity for all employees, ensure employees feel heard and valued, and improve perceptions related to performance management to improve staff morale.	▪ Domestic and regional macroeconomic weakness resulting in a narrow pipeline. ▪ Increased competition in the municipal finance environment due to better price points by commercial banks. ▪ Credit quality deterioration, e.g., non-performing loans. ▪ Cybercrime and associated costs (disruption and ransom). ▪ Inability to retain critical skills. ▪ Competition for scarce environmental skills. ▪ Lack of a focused digitalisation approach, thus weakening the DBSA against competitors and co-players. ▪ Sovereign rating downgrade. ▪ The impact of grey listing of South Africa. ▪ Construction business forums, vandalism and reputational risks. ▪ Total collapse of the water system. ▪ Total collapse of the electricity grid. ▪ Total collapse of the rail network. ▪ Reputational risk in relation to greenwashing (classification and reporting). ▪ Climate change and the threat it poses to infrastructure. ▪ Contagion of state capture and default of Land Bank.

4.4. KEY CHALLENGES FACING THE DBSA

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

1) Weaker global economy overwhelmed by high inflation and high interest rates.

2) Increased indebtedness and cooling commodity prices impacting African nations.

3) Increased drive towards net zero emissions by 2050.

4) A growing infrastructure investment need, domestically and across the continent.
5) Ineffective public administration and coalition governments in South Africa.
6) Envisaged state-owned entity governance framework and new DFI empowerment scorecards.
7) Increased pace of digitalisation and hybrid working models.

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

SLUGGISH BUSINESS GROWTH

The Bank appears to have plateaued in terms of its core credit extension activities. Over the past ten years, disbursements have averaged R13.1 billion per annum. This growth challenge is a function of our operating environment (stagnating economic growth, high cost of funding, increasing competition, low demand, etc.) in key markets. For the DBSA to achieve its strategic aspiration of increasing its developmental activities, it needs to ramp up its balance sheet.

ADDRESSING OPERATIONAL INEFFICIENCIES

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

RAPID TRANSITIONS

The Bank is operating under a rapidly changing environment. Transitions are taking place at global, regional, national and institutional levels. This makes the strategy planning exercise a difficult and non-stationary task. The Bank is introducing scenarios in its strategy formulation process to respond to the rapid transitions.

Furthermore, the following interventions will assist the DBSA to respond to the situational analysis detailed above:

1) **Lower cost of funding:** This will be achieved through exploration of diversified funding options, increasing partnerships with other DFIs, accessing concessional funding which will grow the balance sheet, and the implementation of mechanisms for improved risk sharing. Regulatory issues and shareholding will be reviewed for possible support on this matter. This priority will result in an improved financial base that enables the DBSA to optimise development impact across sectors and regions.
2) **Boost and develop key partnerships:** The Bank's aptitude to nurture strategic partnerships that are mutually beneficial in achieving the mandate is a strategic imperative. These strategic partnerships include building relationships with other DFIs, state-owned entities, and the public

and private sector. Strong relationships with strategic investment partners nationally, regionally, and internationally enhance the development and growth of the Bank's infrastructure pipeline. Synergies created through these partnerships also have the benefit of enhancing the DBSA's reputation as one of the leading African DFIs.

3) **Operational excellence:** Develop a high-performance and accountability culture, while attracting and developing strategic job families which are critical to bolstering core banking and developmental skills to enhance internal processes. Excelling in strategy execution through ensuring corporate strategy execution is key. Working as a team through collaborative efforts will lead to a higher success rate of achieving these goals.

4) **Strong and effective corporate governance**: As the bedrock on which to cultivate a culture of integrity, leading to positive performance and a sustainable business outcome. Good governance is of paramount importance within governments and business to meet stakeholder expectations in the short, medium, and long term. The DBSA strives to continuously improve governance and risk management.

5) **Doing things differently:** There is a need for the DBSA to differentiate itself and serve as a catalyst for crowding-in funding and implementing largescale, high-impact projects in the region. The DBSA's potential development impact is bolstered with a strong pipeline of projects and when the project preparation, deal origination, and finance teams are able to engage more potential clients by offering attractive deals. This pipeline is critical to sustain the organisation for years to come. Key priorities are to include a review of the Bank's operating model for improved agility and efficiencies.

4.5. ENABLERS

The following are among the key enablers that underpin our corporate strategy:

4.5.1. Optimal Balance Sheet Management: through diversified funding options, managing the cost of funds and maintaining healthy liquidity levels.

4.5.2. Drive a Digital DBSA: The DBSA recognises the transformative power of digitalisation. This transformative journey goes hand-in-hand with ensuring organisational excellence, underpinned by a renewed organizational design, culture, and change management. The DBSA will make extensive investments in technology to bolster its capabilities and effectiveness.

4.5.3. Develop a high performance and accountability culture: while attracting and developing strategic job families which are critical to bolstering core banking and developmental skills to enhance internal processes. Excelling in strategy execution through working as a team through collaborative efforts will lead to a higher success rate of achieving goals.

4.5.4. Optimal organizational design to enable strategy execution: The DBSA could be more effective through tailoring products, services, and organisational capabilities to respond to stakeholder's needs. There is a need to improve collaboration and integration internally, as well as to completely digitalise the Bank. This will require an integrated approach operationally and a shift from strategic implementation through individual performance to team performance and outcomes.

4.5.5. Build strategic partnerships: The Bank's aptitude to nurture strategic partnerships that are mutually beneficial in achieving its mandate is an asset. These include building relationships with other DFIs, SOEs, the public sector and the private sector. Our strong relationships with strategic investment partners nationally, regionally and internationally enhance the development and growth of the Bank's infrastructure pipeline. Synergies created through these partnerships also have the benefit of enhancing the DBSA's reputation as one of the leading African DFIs.

4.5.6. Adherence to sound governance and risk management principles is of paramount importance within governments and in business to meet stakeholder expectations in the short, medium and long term to ensure organizational sustainability. The DBSA strives to continuously improve governance and risk management.

4.6. DBSA'S STRATEGY INITIATIVES

The Bank implements its strategy through strategy initiatives. For the 2024/25 medium term, the Bank will focus on the implementation of six strategy initiatives to achieve its strategic goals, as shown in the figure below:

4.6.1 Integrated Municipal Approach

The DBSA has a long-standing history of supporting municipalities that was founded on the very principle of supporting local economies. Our 10-year review, done in the 2022/23 financial year, shows that the DBSA has made significant inroads in contributing to the development impact at municipality level. Notable impact between 2013 and 2022 include:

- DBSA market share of local government funding – 44%.
- Infrastructure investment in local government – R70,4 billion.
- Household income of R22,5 billion through 84 600 jobs.

Millions of households have benefitted from the projects/programmes we have supported. The DBSA Board adopted the Integrated Municipal Approach as the strategy position to be pursued on municipalities. This approach seeks to, among others:

- Partner and support specific districts.
- Utilise the development subsidy to enable IDD to unlock municipal projects.
- Implement frontloading of municipal grants.
- Pursue project finance type opportunities, e.g., EGIP, Water Partnership Office, etc.
- Pursue opportunities in the municipal water sector.

The Approach is implemented through the Partner-A-District (PaD) platform which aims to invest in critical infrastructure, deliver and manage infrastructure, strengthen governance and the institutional architecture of municipalities and support local economic development.

4.6.2 Just Transition

Based on the development position of the Bank, the net zero statement was adopted which advocates for sustainable solutions to infrastructure projects. The position of the Bank is that no new fossil fuel transactions will be funded unless they are underpinned by a clear and unambiguous just transition plan. However, given the lagging development of just transition plans and the strategic importance of the current and available sources of energy to the regional economy, the DBSA will need to continue assessing requests to support these transactions individually. The DBSA is supporting the IPP programme, embedded public and private power generation projects in pursuance of the Nationally Determined Contributions aimed at limiting global warming to below 1.5°C of pre-industrial levels. A clearly defined transition path will assist with the creation of local manufacturing opportunities, e.g., battery storage, as manufacturing opportunities for solar and wind power components have likely passed for the South African market. The Bank is still doing more work in ensuring that there can be value created through the Just Transition, by embracing climate change, environmental protection, social sustainability, gender mainstreaming and embedding sustainability in all its investment opportunities.

4.6.3. Regional Integration

Regional economic integration forms part of the developmental strategies for African economies. Regional integration is an important tool that is used to promote economic growth. The DBSA has identified a need to refine and articulate its regional drive through the rest of Africa strategy given the Bank's growth ambitions. There are concerns around the lack of competitive advantage due to, among others, high cost of funding. However, geopolitics and socio-economic considerations dictate opportunities within the continent. Investment in the rest of Africa is currently 25% of the Bank's asset book and as such is strategically key to sustaining and growing revenue.

4.6.4. Shareholder alignment

Given the continued growth and development challenges, the DBSA should play an increased role to influence economic development policy through actions (especially capital formation and capacity development) and contributions to policymaking. It is for this and the obvious investor confidence boosting reason that would indirectly lower our cost of funding that the DBSA embarked on a process to explore the concept of SARB regulation. Many DFIs are regulated by their central banks. As a leveraged financial institution, a key measure of the credit quality of debt instruments of the DBSA is the level of the Bank's shareholder capital (equity) relative to its total risk weighted assets (RWA). Banks are judged largely on the adequacy of their available capital relative to their risk weighted assets, which is the sum of a bank's credit risk, market risk, operational risk, and other risk types unique to that institution. The DBSA's capital adequacy is currently regulated, however, through a simple leverage ratio that limits the Bank's gearing to a maximum of 2.5 times equity, a measure that, whilst conservative, is ignorant of the extent of risk assumed in the Bank's operations from time to time.

The matter of shareholder diversification is also to be considered. The Bank aims to develop a business case for diversifying its shareholder base, in order to improve the cost of funding, risk sharing and asset base growth. The shareholder diversification is envisaged to contribute to the Bank achieving regional development and integration at greater scale, grow the asset base and improve the overall credit rating.

4.6.5. Elevating development impact

Improving the quality of life of people in Africa is the fundamental focus of our development impact. Our product solutions span all phases of the infrastructure development value chain from infrastructure planning and project preparation, across a range of financing and non-financing activities, to infrastructure implementation and delivery. The DBSA's development practice defines development as an inclusive process towards enriched and sustainable livelihoods achieved through growing the economy, reducing poverty, unemployment, and inequalities, creating local economic development platforms and capabilities as well as contributing to alleviating climate change in the African continent. This initiative responds to the requirements for economic growth, lowering unemployment, inequality, and poverty. As a DFI, we seek to make impact in all that we do through supporting and driving our development goals and working towards our aspirational end-state of reduced unemployment, poverty and inequality, net zero effect and promoting economic access. We are development activists at heart.

4.6.6. Fit-for-purpose DBSA

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

To promote inclusive growth and a transition to green growth under this strategy, the Bank will tackle key constraints to boosting intra-African trade and investment, increasing the continent's participation in regional and global value chains thereby supporting development. Regional integration will help create larger markets that are attractive to the investment and trade which are critical for generating sustained growth, creating jobs and transitioning to inclusive growth.

4.7. DBSA'S SCENARIOS 2035

The implementation of the DBSA's strategy is meant to steer the DBSA towards its preferred future, based on the five scenarios that have been defined as shown in the figure below.

CURRENT AND LIKELY

PREFERRED

Control

Scouting

The DBSA operates in an environment where it has considerable control over its actions but lacks clear certainty about the future. Like ants sending out scouts to explore new territories, the DBSA adopts an agile approach to gather information and adapts swiftly to emerging opportunities and risks. It invests in research and data analysis to identify sectors and projects with growth potential. By proactively scouting the market, the institution remains responsive to changing dynamics and maintains a competitive edge in financing transformative initiatives. It is, however, not leading development initiatives and remains largely responsive.

Building

The DBSA has a strong grip on its operations and a clear understanding of the economic landscape it serves. It possesses robust control mechanisms and operates in an environment with predictable outcomes. Like diligent ants building a colony, the institution thrives, focusing on expanding its lending portfolio, launching new financial products, cultivates new developments and investing in infrastructure projects that make a difference to poverty, health and hunger. It confidently navigates the market, identifying development opportunities and grows its partnership, especially with the private sector, and invests to facilitate economic growth. It is fostering development across various sectors, encouraging entrepreneurship

Wild Card

Relocate

In this wild card scenario, the DBSA faces insurmountable challenges and perceives no hope for recovery or sustainable operations in its current mandate and location. Similar to ants relocating to a new habitat, the institution contemplates a complete shift. It explores the possibility of establishing a new base or expanding its presence in more favourable environments. The institution works closely with its stakeholders, including governments, development agencies, and potential host countries, to facilitate a smooth transition and maintain continuity in its mission to foster economic growth and development. In absolute survival mode, development leadership is dropped for low risk projects that eventually lead to mediocracy.

Uncertain | Certain

The DBSA finds itself in a situation where it lacks both control over its operations and certainty about the future. Similar to ants fleeing an inhospitable environment, the DBSA realises that continuing on its current course may lead to adverse consequences. It prioritises risk management over development leadership and takes decisive actions to reduce exposure to unstable markets or sectors, thus losing real influence over new development. This may involve downsizing operations, diversifying its investment portfolio, or even temporarily suspending lending activities until conditions improve. The DBSA seeks collaboration with international partners to address systemic challenges and rebuild a solid foundation for future endeavours.

The DBSA faces a situation where it lacks sufficient control over internal and external factors but can accurately predict the future environment. Just as ants instinctively restructure their colonies when faced with challenging conditions, the DBSA acknowledges the need for adaptation. It strategically reviews its organisational structure and culture, streamlines processes, and adjusts its investment approach to mitigate risks. The institution proactively collaborates with other stakeholders, such as governments and international funding organisations, to influence and implement regulatory changes and foster stability. It is, however more adaptive and reactive than being a leader in development.

Flight

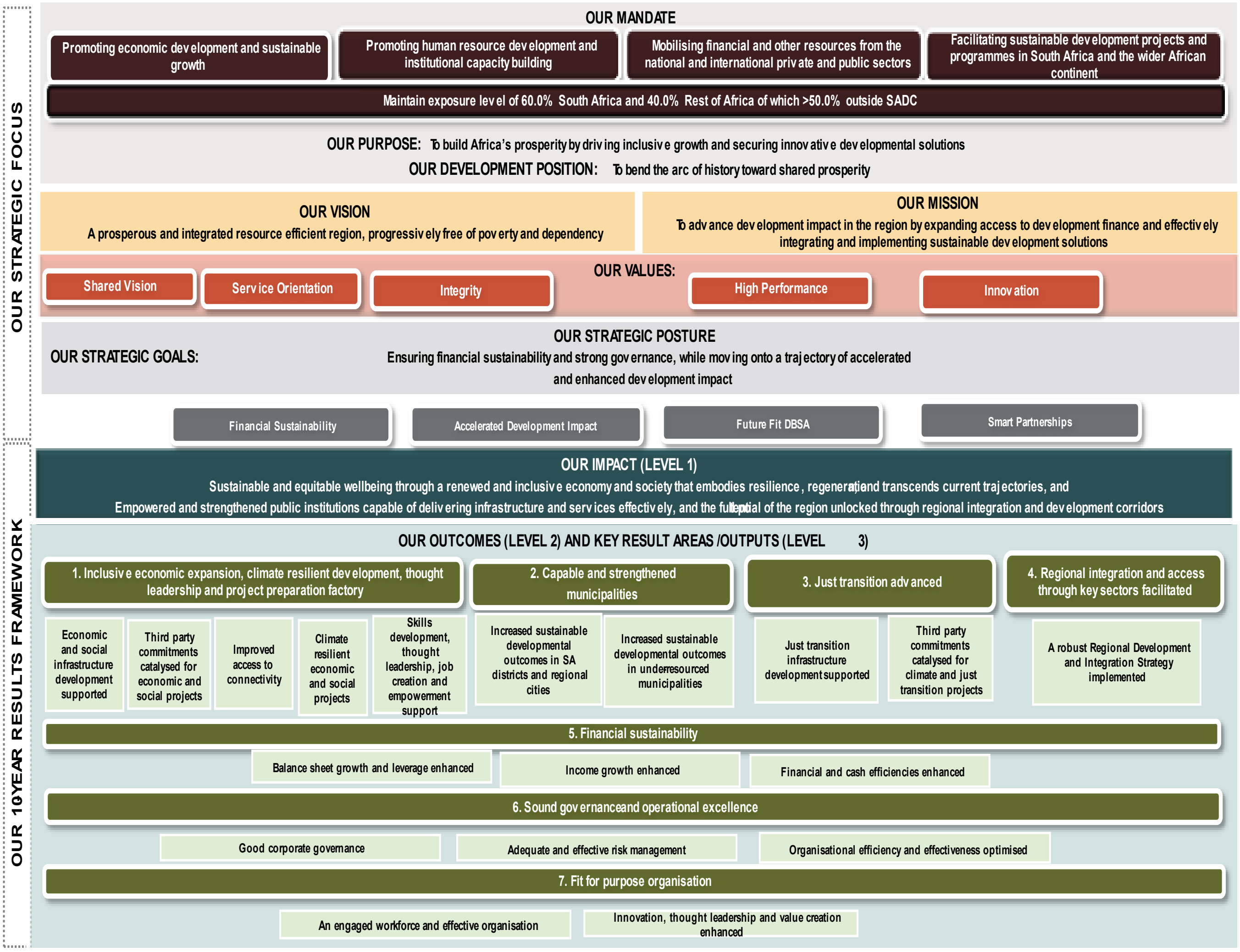
Absence of Control

Restructure

5. MEASURING OUR PERFORMANCE

A visual representation of the DBSA ten-year strategic framework, as defined in the Corporate Strategic Plan for 2024-2034, is presented below:

DBSA 2024-2034 strategy at a glance



Informed by its mandate and line of sight to global, regional and national policy, the DBSA defines its impact – the long-term developmental result that it seeks to realise - as:

"*Sustainable and equitable wellbeing through a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories; and public institutions capable of delivering infrastructure and services effectively, and the full potential of the region unlocked through regional integration and development corridors*".

This is enabled by: *"A sustainable and capable DBSA playing a catalytic role in mobilising partnerships and co-producing impactful development solutions".*

Towards realising this impact over time, the DBSA defines its targeted results (outcomes) to be achieved over the period of its ten-year corporate strategic plan. In delivering the outcomes, the DBSA corporate scorecard reflects the outputs, output indicators, and annual targets for the medium term (2024/25 to 2026/27). These targets are designed to facilitate the Bank's transition from the **Scouting** (current and likely) scenario to the **Building** (preferred) scenario, and to maintain this state when achieved.

5.1. CORPORATE BALANCED SCORECARD FOR THE PERIOD 2024/25 – 2026/27

The scorecard that tracks the execution of the strategy over the 2024/25 medium-term period is provided below:

Outcomes	Focus area	Key performance indicator	Owner	Weighting	SDG and NDP alignment to BSC	Target	Target	Target	Target	
						2023/24	2024/25	2025/26	2026/27	
CORE MEASURES: FINANCIAL OUTCOMES (30%)										
Financial Focus: Financial Outcomes (17%)										
Financial sustainability	Financial sustainability	ROE (calculated on sustainable earnings)	CFO	10%	SDG 9 NDP 13	6%	6%	6%	6%	**1**
		Cost to income ratio – financing business	CFO	7%	SDG 9 NDP 13	30%	30%	30%	30%	**2**
Financial Focus: Internal Levers (13%)										
Inclusive economic expansion, climate resilient development, thought leadership and project preparation factory. **Regional integration and access through key sectors facilitated** **Just transition advanced**	Grow good quality and profitable disbursements	Total Disbursements[2]	GE: Coverage GE Transacting GE: PPD	13%	SDGs 3, 4, 5, 6, 7, 9, 10, 11, 13, 17 NDP 4, 6, 8, 9, 10	R14 billion	R14.5 billion	R15 billion	R15.5 billion	**3**
CORE MEASURES: DEVELOPMENT OUTCOMES (38%)										
Development Focus: Development Impact and sustainable development										

2 Refer to Annexure J for breakdown.

Outcomes	Focus area	Key performance indicator	Owner	Weighting	SDG and NDP alignment to BSC	Target	Target	Target	Target	
						2023/24	2024/25	2025/26	2026/27	
Inclusive economic expansion, climate resilient development, thought leadership and project preparation factory.	Contribute to the unemployment reduction through the facilitation of jobs	Number of jobs facilitated	GE: FinOps GE: Coverage GE: Transacting GE: IDD	5%	SDG 1, 8, 9, 10 NDP 1, 3	22 000	24 000	26 000	28 000	**4**
Capable and strengthened municipalities	Contribute to the increase of SA fixed capital formation	Value of Infrastructure Delivered	GE: IDD	5%	SDG 1, 3, 4, 5, 8, 9, 11, 17 NDP 4	R4.9 billion	R5.6 billion	R6.5 billion	R7.5billion	**5**
	Increased sustainable developmental outcomes in SA Districts	Value of infrastructure unlocked in district municipal spaces adopted for programmatic approach	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	6%	SDG 1, 3, 4, 5, 6, 7, 8, 10, 11 NDP 4	5 programmes approved[3]	R300 million	R500 million	R700 million	**6**
	Increased sustainable developmental outcomes in under-resourced municipalities	Value of infrastructure unlocked in under-resourced municipalities (excluding the partnered municipal spaces)	GE: Coverage GE: PPD	5%	SDGs SDG 7, 13, 17 NDP 1, 2, 6, 11	R1.5 billion	R1.8 billion	R2 billion	R2,2 billion	**7**
Just transition advanced	Achieving a Just Transition	Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g., CFF, EGIP etc.)	GE: Project Prep GE: Transacting	5%	SDG 3, 7, 13 NDP 3	R500 million	R500 million	R600 million	R700 million	**8**
Inclusive economic expansion, climate resilient development, thought leadership and project preparation factory	Empowerment support	Number of transactions that are committed for DBSA funding to black-owned entities	GE: Coverage GE: Transacting GE: PPD	6%	SDG 1, 5, 7, 9 NDP 9	6	8	10	12	**9**
	Gender mainstreaming	Percentage of procurement spend on black woman owned suppliers for IDD third party fund (30% and above shareholding)	GE: IDD	6%	SDG 1, 5, 7, 9 NDP 9	35% of total procurement spend from B-BBEE suppliers	35% of total procurement spend from B-BBEE suppliers	40% of total procurement spend from B-BBEE suppliers	40% of total procurement spend from B-BBEE suppliers	**10**
ENABLERS (12%)										

[3] The target for FY2023/24 was based on the number of programmes approved for implementation in district spaces which should result to the value of infrastructure unlocked in district municipal spaces adopted for programmatic approach from FY2024/25 onwards.

Outcomes	Focus area	Key performance indicator	Owner	Weighting	SDG and NDP alignment to BSC	Target 2023/24	Target 2024/25	Target 2025/26	Target 2026/27	
Sound governance and operational excellence **Fit-for-purpose organisation**	Increase DBSA efficiency and effectiveness	Digital DBSA (digitalisation, automation, and process re-engineer)	CFO CRO	4%	NDP 11, 13	3 business processes automated	3 business processes automated	3 business processes automated	3 business processes automated	**11**
	Develop a high performance, accountability, and suitable organisational culture	Align DBSA architecture / design people process to the growth strategy of the organisation Implementation of culture change initiative	GE: Human Capital Chief Executive Officer GE: Human Capital	2% 2%	NDP 11	2 People Processes aligned as per core business requirements Develop a Board espoused culture strategy for the DBSA	2 People Processes aligned as per core business requirements Implementation of the approved culture strategy	2 People Processes aligned as per core business requirements Implementation of the approved culture strategy	2 People Processes aligned as per core business requirements Implementation of the approved culture strategy	**12**
	Smart partnerships	Client and Stakeholder satisfaction survey	GE: Coverage GE: Project Prep GE: Transacting GE: IDD	4%	NDP 13	4	4	4	4	**13**
	GOVERNANCE AND COMPLIANCE (20%)									
Sound governance and operational excellence	Improve DBSA governance and risk management	Irregular, unauthorised and fruitless and wasteful expenditure	Chief Financial Officer	5%	NDP 11, 12	Classify 0.0% (R value) of expenses as irregular, unauthorized and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorized and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorized and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorized and fruitless and wasteful expenditure	**14**
		Ethical behaviour	Corporate Secretariat	5%	NDP 12	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	**15**
		Compliance with the PFMA	Chief Risk Officer	5%	NDP 11, 13	Process all PFMA submissions within the	Process all PFMA submissions within the	Process all PFMA submissions within the	Process all PFMA submissions within the	**16**

Outcomes	Focus area	Key performance indicator	Owner	Weighting	SDG and NDP alignment to BSC	Target	Target	Target	Target	
						2023/24	2024/25	2025/26	2026/27	
						stipulated deadline	stipulated deadline	stipulated deadline	stipulated deadline	
		Unqualified Audit opinion	Chief Financial Officer	5%	NDP 11	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	**17**

ANNEXURES

ANNEXURE A: CORPORATE PLAN COMPLIANCE CHECKLIST

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

No	Description	Reference	Status
16	Breakdown of Disbursement Targets	Annexure J	✓
17	Description of SDG and NDP outcomes	Annexure K	✓

ANNEXURE B: CAPITAL EXPENDITURE AND FINANCIAL PLAN

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

The DBSA maintains a strong focus on profitability, sustaining inflation-linked growth in equity and generating sufficient cash to meet all our obligations as and when they arise. Over the past few years, we have implemented a capital management project to quantify the Bank's portfolio on a risk weighted basis in order to fully assess all the business risks. In preparing the three-year financial plan of the DBSA, domestic and international macroeconomic environment factors have been considered.

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

THREE-YEAR FINANCIAL PLANNING ASSUMPTIONS

Year	2024/25	2025/26	2026/27
Average impairment factor	2.1%	3.0%	2.7%

Foreign Exchange Rate	Mar-23	FCT Mar 2024	2024/25	2025/26	2026/27
USD/ZAR rate	17.78	18.43	18.02	18.16	18.18

Inflation Rates	Mar-23	FCT Mar 2024	2024/25	2025/26	2026/27
Year on year CPI	7.10%	5.43%	4.75%	4.73%	4.62%

Funding Base Rates	2024/25	2025/26	2026/27
Jibar 6M	8.27%	7.99%	7.99%
Gov't rate 10 to 13 years	11.27%	10.96%	10.79%

Funding Base Rates	2024/25	2025/26	2026/27
SOFR	4.49%	3.50%	3.30%

Funding Margins	2024/25	2025/26	2026/27
Jibar 6M	1.62%	1.62%	1.62%
Gov't rate 10 to 13 Years	2.50%	2.50%	2.50%
SOFR	2.95%	2.90%	2.90%

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

Approved Headcount	2024/25	2025/26	2026/27
Bank	561	561	561
IDD	135	135	135
Green Fund	4	4	4
Total approved	**700**	**700**	**700**

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

**December 2023*

CAPITAL EXPENDITURE PLAN

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

Asset Type	Projection 2024/25	Projection 2025/26	Projection 2026/27
Building	R178.7mn	R178.7mn	R178.7mn

Asset Type	Projection 2024/25	Projection 2025/26	Projection 2026/27
Computer equipment	R30.2mn	R30.2mn	R30.2mn
Intangible assets	R33.6mn	R33.6mn	R33.6mn
Total	R242.5mn	R242.5mn	R242.5mn

LOAN BOOK SUMMARY

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

Loan book summary[4]	2024 Forecast	2025	2026	2027
SA Financing				
Gross loan book	75,525,021,570	80,454,485,805	84,565,714,638	87,060,824,581
Impairment provision (Incl. interest in suspense)	(5,146,211,686)	(5,804,237,166)	(6,495,163,921)	(7,220,637,013)
Net loan book	70,378,809,884	74,650,248,639	78,070,550,717	79,840,187,568
International Financing				
Gross loan book	32,322,644,574	31,764,298,621	32,474,188,708	32,727,724,848
Impairment provision (Incl. interest in suspense)	(9,236,516,263)	(10,417,552,610)	(11,657,640,775)	(12,959,733,347)
Net loan book	23,086,128,311	21,346,746,011	20,816,547,933	19,767,991,501
Total DBSA	93,464,938,195	95,996,994,649	98,887,098,650	99,608,179,069

[4] This summary shows stock values and does not show the massive flows from disbursements and repayments.

THREE-YEAR FINANCIAL PLAN

THREE YEAR FINANCIAL PLAN					
INCOME STATEMENT	FY Mar 2023	March 2024 Forecast	3 Year Forecast		
	Actuals R'mil	2023/24 R'mil	FY 2024/25 R'mil	FY 2025/26 R'mil	FY 2026/27 R'mil
Total Interest Income	10,680	12,275	12,717	13,301	14,070
Interest expense (post hedging)	(4,162)	(5,024)	(5,474)	(5,734)	(5,926)
Net interest income	**6,518**	**7,251**	**7,243**	**7,567**	**8,145**
Net fee income	67	72	61	63	66
IDD Management fees and other income recovery	255	258	305	342	390
Dividend income	25	53	13	23	23
Project preparation income	27	22	76	91	94
Green Fund deferred income recognised	6	25	46	49	51
Other operating income	17	1	-	-	-
Operating income	**6,914**	**7,682**	**7,745**	**8,135**	**8,768**
Impairments	(1,054)	(1,512)	(1,840)	(1,932)	(2,029)
Revaluation on equity investments	(12)	(414)	(5)	2	(14)
Operating expense	(1,312)	(1,588)	(1,774)	(1,890)	(2,010)
- Personnel expenses : DBSA	(755)	(875)	(969)	(1,027)	(1,089)
- Other expenses : DBSA	(318)	(410)	(479)	(501)	(524)
- Depreciation : DBSA	(31)	(40)	(45)	(45)	(46)
- Personnel expenses : IDD	(159)	(174)	(207)	(230)	(253)
- Other expenses : IDD	(49)	(88)	(74)	(85)	(97)
- Depreciation : IDD	(1)	(1)	(1)	(1)	(1)
- Personnel expenses : Green Fund	-	-	-	-	-
- Other expenses : Green Fund	-	-	-	-	-
- Depreciation : Green Fund	-	-	-	-	-
Development expenditure					
Project Preparation	(14)	(13)	(151)	(130)	(130)
Corporate Social Investment	(33)	(11)	(31)	(32)	(34)
Municipal interest subsidy	-	(33)	(69)	(72)	(75)
Municipal planning, capacity and project implementation support	(69)	(116)	(161)	(167)	(153)
Stakeholder Relations Costs	-	(11)	(17)	(18)	(19)
Strategic initiatives (IF, DLABS etc)	(205)	(182)	(360)	(252)	(249)
Green Fund Grants	-	-	(34)	(40)	(46)
Sustainable earnings	**4,215**	**3,801**	**3,302**	**3,604**	**4,012**
Forex adjustments	860	101	(78)	(91)	(104)
Revaluation gains / (losses) on other financial instruments	135	17	(69)	(71)	(75)
Net profit	**5,210**	**3,919**	**3,155**	**3,442**	**3,833**
RoE (on average equity) - Sustainable earnings	9.31%	7.65%	6.20%	6.37%	6.66%
Net interest margin *	6.65%	6.9%	6.7%	6.9%	7.3%
Cost to income (DBSA)	23.63%	25.4%	33.5%	32.0%	31.0%
Cost to Income ratio IDD	81.68%	102.0%	92.5%	92.4%	90.0%
Cost to Income ratio excl IDD	21.40%	22.8%	31.1%	29.3%	28.2%

THREE YEAR FINANCIAL PLAN					
Balance Sheet	**Actual**	**March Forecast**	**3 Year Forecast**		
	FY 2022/23 R'mil	**FY 2023/24 R'mil**	**FY 2024/25 R'mil**	**FY 2025/26 R'mil**	**Y 2026/2027 R'mil**
Assets					
Cash & cash equivalents	6,166	9,222	6,115	6,255	6,364
Financial market assets	465	543	519	497	475
Equity investments	5,149	4,861	4,275	3,818	3,541
Development loans	93,727	97,222	99,591	102,506	103,231
Development Bonds	2,154	2,154	2,152	2,151	2,150
Fixed assets	501	547	652	755	859
Other assets	402	317	332	349	366
Total Assets	108,565	114,865	113,637	116,332	116,988
Liabilities					
Other liabilities	1,307	1,832	1,779	1,864	1,950
Deferred income	543	510	587	643	689
Repurchase agreements	-	-	-	-	-
Medium to long term: debt securities (existing)	35,018	25,000	16,619	14,671	11,758
Medium to long term: lines of credit (existing)	23,452	35,688	22,944	12,971	9,876
Medium to long term: derivatives	613	140	126	113	102
Medium to long term: New debt	-	-	16,731	27,776	30,487
Total Liabilities	60,933	63,170	58,786	58,039	54,862
Equity	-	-	-	-	-
Share capital	200	200	200	200	200
Retained earnings	33,159	37,446	40,601	44,043	47,876
Other reserves	14,273	14,050	14,050	14,050	14,050
Total Equity	47,632	51,696	54,851	58,293	62,126
Total equity & liabilities	108,565	114,865	113,637	116,332	116,988
Debt : Equity Ratio	125.2%	118.7%	103.9%	96.4%	85.2%
Debt : Equity Ratio (incl R20bn callable capital)	88%	86%	76%	72%	64%

THREE YEAR FINANCIAL PLAN					
CASH FLOW STATEMENT	**Actual FY 2022/23 R'mil**	**Forecast FY 2023/24 R'mil**	**3 Year Financial Plan FY 2024/25 R'mil**	**FY 2025/26 R'mil**	**FY 2026/27 R'mil**
Net profit:	**5,210**	**3,919**	**3,155**	**3,442**	**3,833**
Adjustments:	**(5,966)**	**(5,614)**	**(4,845)**	**(5,180)**	**(5,628)**
- Depreciation	32	41	46	46	47
- TA Grants	321	367	442	342	347
- Dividends	(25)	(53)	(13)	(23)	(23)
- Losses on asset disposals	0	(0)	-	-	-
- Fee accruals	146	83	-	-	-
- Equity gains	(5)	(18)	5	(2)	14
- Revaluation gains/(losses)	(111)	(179)	-	-	-
- Forex (gains) / losses on equity investments	(860)	(101)	290	65	101
- Forex (gains) / losses on USD assets	-	-	1,094	(175)	(28)
- Forex (gains) / losses on USD funding	-	-	(1,306)	201	31
- Impairments	1,054	1,512	1,840	1,932	2,029
- Net interest income	(6,518)	(7,267)	(7,243)	(7,567)	(8,145)
Subtotal	**(756)**	**(1,696)**	**(1,690)**	**(1,738)**	**(1,795)**
Change in other assets	(7)	17	(16)	(17)	(17)
Change in other liabilities	(143)	(192)	150	128	121
Interest & dividends received	9,519	11,224	12,730	13,324	14,093
Interest paid	(3,502)	(4,212)	(5,474)	(5,734)	(5,926)
Net cash from operating activities	**5,111**	**5,141**	**5,700**	**5,963**	**6,476**
Cash flows from development activities	**(4,990)**	**(2,315)**	**(5,453)**	**(4,620)**	**(2,909)**
Development loan disbursements	(13,687)	(16,677)	(14,500)	(15,030)	(15,560)
Development loan repayments	8,572	14,557	9,048	10,271	12,732
Net increase in equity investments	411	63	441	482	267
Grants paid	(158)	(367)	(442)	(342)	(347)
Net advances on National Mandates	(128)	110	-	-	-
Cash flows from investment activities	**31**	**(188)**	**(126)**	**(128)**	**(129)**
Purchase of PPE & intangible assets	(59)	(82)	(150)	(150)	(150)
Proceeds from PPE	-	-	-	-	-
Movement in FMA	90	(106)	24	22	21
Cash flows from financing activities	**(2,276)**	**284**	**(3,227)**	**(1,076)**	**(3,329)**
Capital raised	-	-	-	-	-
Financial market liabilities repaid	(13,175)	(4,700)	(11,823)	(13,938)	(9,711)
Financial market liabilities raised	10,898	4,985	8,596	12,862	6,382
Net increase / (decrease) in cash & cash equivalents	(2,124)	2,922	(3,106)	140	109
Effect of exchange rate movements on cash balances	300	133	-	-	-
Movement in cash & cash equivalents	**(1,824)**	**3,055**	**(3,106)**	**140**	**109**
Cash & cash equivalents beginning of the year	**7,990**	**6,166**	**9,222**	**6,115**	**6,255**
Cash & cash equivalents end of the year	**6,166**	**9,222**	**6,115**	**6,255**	**6,364**

DIVIDEND POLICY

The Dividend Policy of DBSA was approved at the 2023 AGM for implementation effective from the 2023/24 financial year. The purpose of the dividend policy is to set out guidelines for the DBSA to follow when distributing a portion of its earnings to the Shareholder. The salient features of the policy are as follows:

- The dividend payment to the shareholder shall be 3% of net profit for the year, however this amount is capped at 3% of net cash generated from operating and development activities. The dividend calculation must be made with reference to the relevant year's audited annual financial statements.
- The Board has the discretion to declare a special dividend if the cap of the 3% of net cash generated from operating and development activities is significantly lower than the 3% of net profit for the year. The special dividend must not exceed 1.5% of net profit for the year.

PROCUREMENT POLICY

In line with the requirements of Section 217(1) of the Constitution and Section 51 (1)(a)(iii) of the Public Finance Management Act of (1999), the Bank has developed and implemented procurement policies and procedures that address the B-BBEE and Preferential Procurement requirements as set out in government policy and relevant legislation. The DBSA strives to promote Exempt Micro Enterprises, Qualifying Small Enterprises, women-owned enterprises and localisation through its preferential procurement practices.

MATERIALITY AND SIGNIFICANCE FRAMEWORK

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

Materiality	Proposed Framework	Resulting Figures for 2024/25
Materiality Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements, financial information, and non-financial information. Materiality depends on the size and nature of the omission or misstatement.	Quantitative: 1.0% of total assets Qualitative: All losses as a result of criminal conduct, irregular, and fruitless and wasteful expenditure are material. The DBSA has zero tolerance on all acts of criminal conduct.	R1.1 billion
Significant		

Materiality	Proposed Framework	Resulting Figures for 2024/25
Section 54(2) of the PFMA states that the accounting authority for a public entity must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of any of the following qualifying transactions:		
(a) Establishment or participation in the establishment of a company.	All transactions.	-
(b) Participation in a **significant** partnership, trust, unincorporated joint venture or similar arrangement.	1.0% of the value of total assets.	R1.1 billion
(c) Acquisition or disposal of a **significant** shareholding in a company.	1.0% of the value of total assets This excludes transactions in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within the powers and objects of the Bank as stipulated in the DBSA Act.	R1.1 billion
(d) Acquisition or disposal of a **significant** asset	1.0% of the value of total assets. Significant acquisition and disposal of assets excludes all assets acquired or disposed in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within the powers and objects of the Bank as stipulated in the DBSA Act. Exclusion examples include equity investments, financial instruments, development loans.	R1.1 billion
(e) Commencement or cessation of a **significant** business activity.	1.0% of the value of total assets	R1.1 billion
(f) Change in the nature or extent of its interest in a **significant** partnership, trust, unincorporated joint venture, or similar arrangement.	1.0% of the value of total assets	R1.1 billion
(g) Regardless of the above significant threshold, the following transactions are also considered significant. Any transaction that: 1. Results in the DBSA acquiring or disposing of a shareholding of at least 20.0% in any entity or structure.	All transactions 1.0% of total assets	

Materiality	Proposed Framework	Resulting Figures for 2024/25
2. Regardless of the percentage holding, any transaction that results in a direct equity investment exceeding 1.0% of total assets (as per the 2022/23 financial year) of the Bank. 3. Results in the DBSA being deemed to have control over any entity regardless of the shareholding acquired.	All transactions	R1.1 billion

ANNEXURE C: CORPORATE GOVERNANCE FRAMEWORK

Governance Structure

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

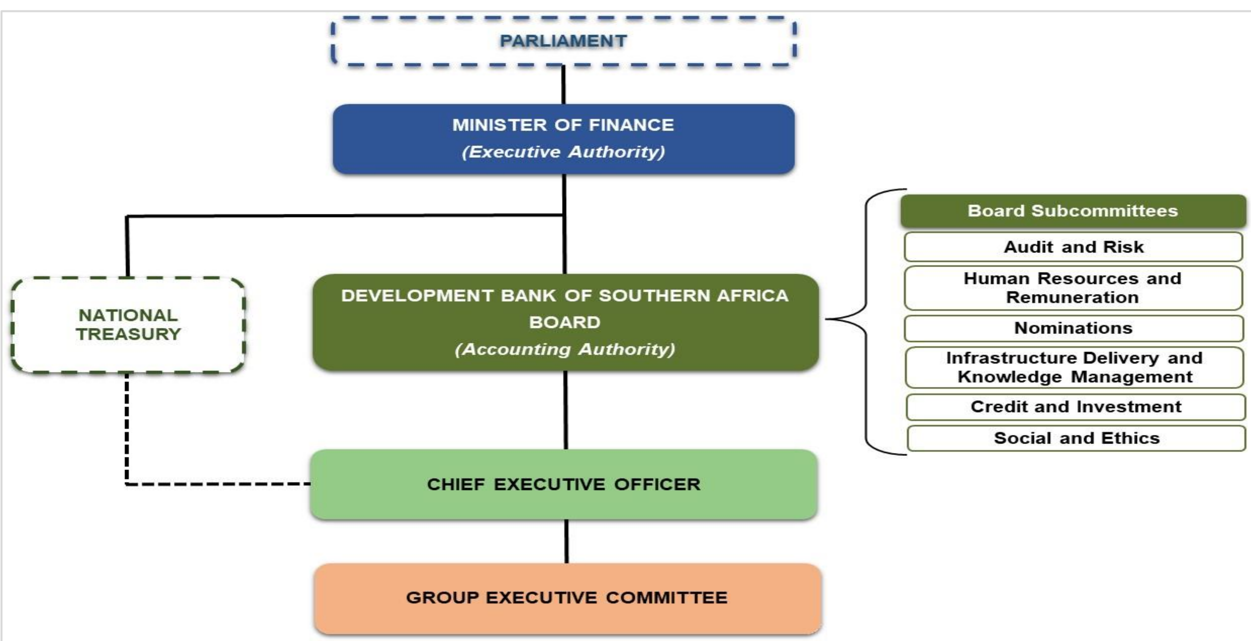
The DBSA has embraced King IV Code on Corporate Governance and has completed an assessment of its practices against the 16 applicable principles. The Application of King IV Principles 2021 included in the 2023 DBSA Annual integrated report provides details of the measures that were taken to meet the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

DBSA Board

The constitution and business of the Board of directors is governed by the DBSA Act and its regulations, as well as the relevant provisions in the PFMA and the Companies Act. The Board currently consists of 15 directors, 13 of whom are independent non-executives, and 2 are executive directors. The Chief Executive and the Chief Financial Officer are the only executive directors. The Board charter does not distinguish fiduciary responsibilities of shareholder representatives from that of independent non-executive directors. The Board is the focal point of corporate governance in the DBSA as it is ultimately accountable and responsible for the performance, affairs, and behaviour of the Bank.

The DBSA operates under the supervision of an independent board of directors, whose non-executive members are appointed by the Minister, and always strive to comply with the principles contained in the Protocol on Corporate Governance in the Public Sector (2002) and the King Code on Corporate Governance in South Africa (2016) (King IV).

DBSA governance structure



Informed by the Mandate Statement, the Minister as an Executive Authority, signs a Shareholder Compact with the DBSA Board, which confirms the mandate and strategic priorities of the DBSA.

The Board is the Accounting Authority in terms of the PFMA and the Companies Act and it provides strategic direction and leadership to enhance Shareholder value and ensure DBSA's long-term sustainable development and growth. In fulfilling its responsibilities, the Board is supported by the Chief Executive Officer (CEO) and the executive team in implementing the approved corporate strategies, corporate plans, and policies.

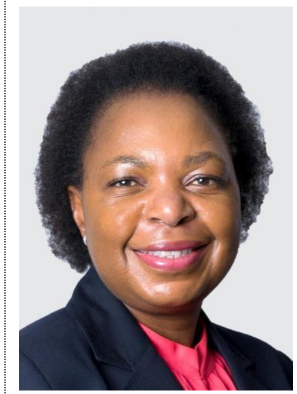
Board of Directors

				
Mr Ebrahim Rasool Born: 1962 Director of companies	**Ms. Martie Janse van Rensburg** Born: 1957 Director of companies	**Ms. Boitumelo Mosako** Born: 1978 Chief Executive and Managing Director	**Ms Disebo Moephuli** Born: 1964 Director of companies	**Mr Jonathan Muthige** Born: 1967 Director of companies
Independent Non-executive Director effective: 30 November 2022	Independent Non-executive Director effective: 1 January 2016	DBSA staff member and Group Executive effective: 1 April 2018 Executive Director as from 1 June 2018	Independent Non-executive Director effective: 2 October 2023	Independent Non-executive Director effective: 2 October 2023
Expertise Socio-Economic Development-(Social) and Strategic Leadership	**Expertise:** Finance, Treasury, Project finance, Infrastructure Delivery and Strategy	**Expertise** Strategic leadership, Auditing and Financial Management	**Expertise** Banking, Risk, Treasury and Financial Markets	**Expertise** Human Capital Strategist
Academic Qualifications • Doctor of Public Service Honoris Causa from Catham University in Pittsburgh PA. • Honorary Doctorate of Humane Letters, Honoris Causa - Roosevelt University in Chicago, USA. • Bachelor of Arts and Higher Diploma in Education- University of Cape Town.	**Academic qualifications:** • Executive Programme in Strategy and Organisation, Stanford University Business • Chartered Accountant (SA) • BCompt Hons, UNISA BCom, UFS	**Academic qualifications:** • Advanced Management Programme, Harvard Business School • Chartered Accountant (SA) • Higher Diploma in Auditing, Accounting Professional Training • Post Graduate Diploma in Accounting, University of Cape Town • BCom Accounting, University of Cape Town	**Academic qualifications:** • MBA, Dalhousie University, 1996 • BA: Economics, University of Lesotho • LEAP, INSEAD, 2018	**Academic qualifications:** • BA Hons, University of KwaZulu-Natal • PMD, Damelin • Strategic HR Management Programme, Harvard Business School • Certificate in Advanced Management Programme, Wharton Business School.

Board of Directors (continued)

				
Ms. Patience Nosipho Nqeto Born: 1957 Director of companies	**Dr Chantal Naidoo** Born: 1970 Director of companies	**Mr Barry Hore** Born: 1960 Director of companies	**Mr Bongani Nqwababa** Born: 1966 Director of Companies	**Mr Joel Netshitenzhe** Born: 1956 Director of companies
Independent Non-executive Director effective: 1 August 2017	Independent Non-executive Director effective: 2 October 2023	Independent Non-executive Director effective: 2 October 2023	Independent Non-executive Director effective: 2 October 2020	Independent Non-executive Director effective: 2 October 2023
Expertise: Strategic Management and Human Capital	**Expertise:** Investment and Corporate Banking, ESG investments and Global Climate Change	**Expertise:** ICT (Process engineering, ICT infrastructure knowledge, cyber security) and Banking Regulatory	**Expertise:** Financial Management, Risk management Operations and Strategic Leadership	**Expertise:** Strategic Leadership, Economist, Strategy, Writer, Research and Policy Development
Academic qualifications: • MBA, University of Charles Sturt, Australia • Honours (Economics), University of South Africa • BCom, University of Transkei	**Academic qualifications:** • PhD, University of Sussex, 2019 (Explored the role of Financial Services in supporting Sustainability – SA's IPP) • MA: Development Finance, Stellenbosch University, 2013 • Programme: Sustainable Leadership, University of Cambridge, 2010 • Int'l EDP, BankSeta, 2006 • PGDip: Tax Law, University of Witwatersrand, 1996 • BCom, University of Cape Town, 1992	**Academic qualifications:** • BCom, University of Natal • Advanced Management Program, Harvard University	**Academic qualifications:** • FCA, Institute of Chartered Accountants of Zimbabwe • MBA with Merit, jointly awarded by Universities of Wales, Bangor and Manchester • BAcc (Hons), University of Zimbabwe	**Academic qualifications:** • MSc: Financial Economics, University of London • PGDip: Economic Principles, University of London • Dip: Social Sciences, Moscow Institute of Social Sciences • MB ChB, University of Kwa-Zulu Natal (Incomplete)

Board of Directors (continued)

				
Mr Petrus Matji Born: 1966 Director of companies	**Ms Dinao Lerutla** Born: 1980 Director of companies	**Professor Edgar Pieterse** Born: 1968 Director of companies	**Mr. Kenneth Brown** Born: 1962 Director of companies	**Ms. Zodwa Mbele** Born: 1971 Chief Financial Officer
Independent Non-executive Director effective:2 October 2020	Independent Non-executive Director effective:30 November 2022	Independent Non-executive Director effective: 2 October 2023	Non-executive Director effective: 30 November 2022	Financial Management, Infrastructure Financing and Treasury Management
Expertise: Project Management and Finance, Infrastructure Development and Management.	**Expertise:** Investment, Banking, Capital and Financial Markets	**Expertise:** Academic, Development Studies and Leadership	**Expertise:** Investment Banking, Public Policy and Public Sector (Intergovernmental and Procurement)	**Expertise:** Financial Management, Infrastructure Financing and Treasury Management
Academic qualifications: • MBL, University of South Africa • Management Advanced Programme, Wits Business School • MSc (Engineering Sciences, Civil Engineering), University of Stellenbosch	**Academic Qualifications:** • Chartered Financial Analyst (CFA) • Masters in development finance -Stellenbosch Business School • Bachelor of Business Science (Honours)	**Academic Qualifications:** • PhD, London School of Economics & Political Science • MA: Politics of Alternative Development Strategies, Institute of Social Studies, The Hague	**Academic Qualifications:** • Master of Science (Public Policy)-University of Illinois at Urbana Champaign • Bachelor of Arts Honours (Economics)-University of the Western Cape	**Academic Qualifications:** • Chartered Accountant (SA) • Advanced Management Programme, Harvard Business School • Executive Development Programme, University of Stellenbosch Business School

• BSc (Hons) Computational Fluid Dynamics, University of the Witwatersrand • BSc (Physics and Applied Mathematics), University of the North • Diploma (Business Management), Varsity College • Certificate (Project Management), Damelin Management School		• BA: Social Science, University of the Western Cape	• Bachelor of Arts- University of the Western Cape • Primary Teachers Diploma- Perseverance Training College	• Management Advanced Programme, WITS Business School • Certificate in International Treasury Management ACT (UK) • Bachelor of Accounting Science Honours Unisa • Baccalaureus Paedonomia University of Zululalnd

Directors’ appointment and induction

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

Board Charter

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

- Ensure that the Bank achieves its mandate as defined by the shareholder through the Bank’s founding statute (the DBSA Act);
- Responsible to the broader stakeholders, which includes the present and potential beneficiaries of the DBSA’s products and services, clients, lenders and employees, to achieve continuing prosperity for the Bank;
- Exercise leadership, enterprise, integrity and judgement in directing the Board to achieve continuing prosperity and to act in the best interests of the Bank while respecting the principles of transparency and accountability;
- Provide strategic guidance to management in the formulation and review of corporate strategy, and approve major plans of action, governance policies, appropriate procurement and provisioning systems, annual budgets and business plans;
- Ensure that the technology and systems used in the Bank are adequate to run the business properly for it to compete through the efficient use of its assets, processes and human resources;
- Ensure that the shareholder’s performance objectives are achieved and that the same can be measured in terms of performance of the Board. In this regard, the Board shall annually conclude a shareholder compact as required in terms of the Public Finance Management Act (PFMA) to document key performance areas;
- The Board members shall develop and put in place a Code of Ethics outlining the values, ethics, and beliefs that guide the behaviour of the Board and define the ethical standards applicable to it and to all who deal with it; and
- Board members shall monitor the social responsibilities of the Bank and promulgate policies consistent with the Bank’s legitimate interests and good business practices.

Board Committees

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

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

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

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

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

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

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

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

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

*Link to country rating

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

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

This committee supports the Board in the execution of its duties with respect to implementation of the human capital strategy, and related matters, executive remuneration for the DBSA, and governance issues and or additional governance requirements outside the mandate of the Nominations Committee. The Board established the Nomination Committee to support it in the execution of its duties with respect to the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters.

- **Nominations Committee (NOMCO)**

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

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

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

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

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

Composition of DBSA Board and Board Committees

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

DBSA Board	Audit and Risk Committee	Board Credit and Investment Committee	Infrastructure Delivery and Knowledge Committee	Human Resources and Remuneration Committee	Social and Ethics Committee	Nominations Committee
Mr. Ebrahim Rasool		X	X	X		X
Ms. Martie Janse van Rensburg	X	Chair	X			X

DBSA Board	Audit and Risk Committee	Board Credit and Investment Committee	Infrastructure Delivery and Knowledge Committee	Human Resources and Remuneration Committee	Social and Ethics Committee	Nominations Committee
Ms. Boitumelo Mosako (CEO)		X			X	
Ms Disebo Moephuli	X	X				
Mr. Bongani Nqwababa	Chair	X		X		
Mr. Petrus Matji		X	Chair			
Ms. Patience Nqeto			X	Chair		X
Mr Jonathan Muthige				X	X	
Dr Chantal Naidoo	X	X			X	
Mr Barry Hore	X					
Ms. Zodwa Mbele (CFO)		X				
Ms Dinao Lerutla	X	X				
Mr Joel Netshitenzhe			X		X	
Mr Kenneth Brown.			X	X	Chair	
Professor Edgar Pieterse			X			

Corporate Secretariat

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

Internal control and the Internal Audit function

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

Executive management is accountable for determining the adequacy, extent and operation of control systems.

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

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

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

Combined assurance

The DBSA has implemented a combined assurance function which is coordinated and managed by internal audit. King IV describes this model as “Integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies and optimise overall assurance to the Audit and Risk committee, considering the company’s risk appetite”. The model reflects the key risks facing the DBSA coupled with the key processes and controls in place to ensure the mitigation and/or minimisation of these risks. Along with the five levels of defence strategy the DBSA has adopted, the model seeks to identify the assurance providers of the identified key risks. The assurance providers are delineated in the Combined Assurance Policy and report the consolidated outcomes of their assurance activities to the Audit and Risk Committee through the combined assurance working committee (CAWC).

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

Ethics management and fraud prevention

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

EXECUTIVE MANAGEMENT

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

			
Mr. Ernest Dietrich Born: 1963	**Ms. Bathobile Sowazi** Born: 1972	**Ms. Catherine Koffman** Born: 1971	**Mr. Michael Hillary** Born: 1970
Group Executive: Treasury DBSA staff member as from: 2 January 2001 Group Executive as from: 1 January 2016 **Academic qualifications** • CFA Charter • MBA, University of Cape Town • MSc (Mathematics), University of Western Cape • HDE, University of Western Cape	**Company Secretary** DBSA Company Secretary from 1 May 2010 **Academic qualifications** • Transition to General Management Programme, INSEAD • Project and Infrastructure Finance Programme, London Business School • Advanced Banking Law, University of Johannesburg • LLB, Rhodes University • BA Law, University of Swaziland	**Group Executive: Project Preparation** DBSA staff member and Group Executive as from 1 February 2021 **Academic qualifications** • Master of Business Administration: London School of Economics; New York Business School Stern; HEC Paris • Admitted Attorney • Master of Laws, University of the Witwatersrand • Bachelor of Laws, University of the Witwatersrand • Bachelor of Arts (Law), University of the Witwatersrand	**Group Executive: Financing Operations** DBSA Staff member and Group Executive as from 1 October 2012 **Academic qualifications** • MBA, University of Witwatersrand. • BCom Hons, University of Witwatersrand • CAIB (SA), Institute of Bankers

Executive Management (continued)

			
Mr. Mohan Vivekanandan Born: 1973	**MR. Chuene Ramphele** Born: 1974	**Ms Sheila Motsepe** Born: 1969	**Mr. Mpho Kubelo** Born: 1977
Group Executive: Coverage DBSA Staff member and Group Executive as from 24 March 2014 **Academic qualifications** • Master of Science in Global Finance (MSGF), HKUST-NYU Stern • MBA, Kellogg School of Management, USA • Project and Infrastructure Finance Programme, London Business School • Bachelor of Arts (Honours) in Economics and Mathematical Methods in the Social Sciences (MMSS), North-western University, USA	**Group Executive: Infrastructure Delivery** DBSA Staff Member as from: 1 June 2010 Group Executive as from: 1 November 2018 **Academic qualifications** • MBL, UNISA Graduate School of Business Leadership • Advanced Management Development Programme, University of Pretoria • Baccalaureus Technologiae: Public Management, UNISA • National Diploma: Public Management and Administration, Technikon Northern Transvaal	**Group Executive: Human Capital** DBSA staff member and group executive effective 1 February 2019 **Academic qualifications** • MBA, Gordon Institute of Business Science (GIBS), University of Pretoria • Master of Science (Clinical Psychology), Sefako Makgatho Health Sciences University • Bachelor of Science Honours (Psychology) (Cum Laude), Sefako Makgatho Health Sciences University • Bachelor of Social Sciences (Social Work), North West University	**Group Chief Risk Officer** DBSA Staff member as from 1 November 2007 Group Executive as from 6 October 2017 **Academic qualifications** • MS Risk Management, Stern Business School (New York University) • Executive Development Programme, GIBS • MBA, University of Witwatersrand: Business School • CFA Charter • Post Graduate Diploma in Business Administration, University of KwaZulu Natal • BSC Electrical Engineering, University of Witwatersrand

Executive Management (continued)

Mr Mpho Mokwele

Born: 1979

Group Executive: Transacting

DBSA staff member effective 1 March 2008 and Group Executive effective 1 November 2023

Academic qualifications:

- Chartered Accountant (SA)
- Advanced Management Programme, INSEAD
- Bachelor of Commerce in Accounting (Honours), University of the Witwatersrand

ANNEXURE D: EMPLOYMENT EQUITY PLAN[5]

In support of the overall DBSA Vision, the Employment Equity (EE) vision is to build a transformed and high-performing workforce that is representative of the demographics of the country. The three-year EE Plan was developed, and implementation came into effect on 1 April 2021 to enhance the achievement of the EE vision. This EE vision is in line with the DBSA's strategic objective of continuing transformation by employing staff in line with employment equity and gender mainstreaming requirements. The vision will be realised by implementing the numerical and non-numerical goals contained in the Bank's EE Plan and the EE numeral target contained in this document.

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

Occupational Level	EE TARGET (BLACK)	BLACK				EE TARGET BLACK FEMALE	BLACK FEMALE			
		BASE	FY 2022	FY 2023	FY 2024		BASE	FY 2022	FY 2023	FY 2024
Top management	70.0%	70.0%	70.0%	70.0%	70.0%	50.0%	30.0%	30.0%	40.0%	50.0%
Senior management	68.0%	65.0%	67.0%	67.0%	68.0%	37.0%	24.0%	30.0%	35.0%	37.0%
Professionally qualified	72.0%	72.0%	72.0%	72.0%	72.0%	36.0%	35.0%	35.0%	36.0%	36.0%
Skilled tech	84.0%	85.0%	85.0%	85.0%	84.0%	59.0%	61.0%	60.0%	59.0%	59.0%
Semi-skilled	N/A	98.0%	98.0%	98.0%	98.0%	N/A	45.0%	45.0%	45.0%	45.0%
Unskilled and defined decision making		100.0%	100.0%	100.0%	100.0%		81.0%	81.0%	81.0%	81.0%
TOTAL		82.0%	82.0%	82.0%	82.0%		46.0%	47.0%	49.0%	51.0%

Proposed Summary of the three-year EE numerical targets (2022–2024)

The Bank will henceforth focus on increasing its female representation at the top three levels to 50.0% over the next three years, which would translate to an increase of 20.0% at the Top Management, 15.0% at Senior Management, and 5.0% at Professionally Qualified Middle Management. The above will be achieved through opportunities, such as vacancies and retirements (for appointment and promotion), supported by definitive talent development programmes.

The Bank will also focus its efforts anew on Persons with Disabilities, as well as opportunities for permanent employment. The Employment Equity and Skills Development Committee identified Barriers and Affirmative Action measures through a consultation process with Bank employees. The key focus for the committee was to ensure that these barriers are addressed, and Affirmative Action measures are implemented. To realise this, the committee has developed an action plan to address the barriers identified and meet on a quarterly basis to track progress. The key focus areas for the third year of the EE Plan will be to ensure that all Affirmative Action measures have been implemented to address the barriers, and to ensure that the numerical targets are adhered to in recruitment and

[5] *The Bank is in the process of developing the FY2024/25 - FY2026/27 for implementation in 2024 once approved.*

other talent management processes. With the current EE Plan coming to an end on 31 March 2024, we will commence with the development of the next EE Plan. There will be engagement sessions held with various stakeholders as part of developing the next EE Plan.

ANNEXURE E: FRAUD PREVENTION PLAN[6]

INTRODUCTION AND DEFINITIONS

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

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

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

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

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

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

1) Creation of a zero-tolerant environment;
2) Understand and manage the risks;
3) Be proactive in defence; and
4) React swiftly and efficiently to the appearance or allegations of crime and irregularities.

These pillars provide the framework of the DBSA Fraud and Corruption Prevention Plan.

Any reference to the term "employee" should be read as to include all permanent, temporary, and contract staff, DBSA directors, DBSA Board members (non-executive directors), independent contractors, fixed-term consultants, contracted service providers, and contracted subcontractors, all of whom are to comply with the DBSA Fraud and Corruption Policy and its underlying plans and directives.

Any reference to the term "client" should be read to include all recipients of funding from the DBSA, in whatever form. Any bidder for tenders issued by the DBSA or awardees of tenders issued by the

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

DBSA is expected to comply with both the word and spirit of the DBSA Fraud and Corruption Prevention Policy.

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

PURPOSE AND SCOPE

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

ESTABLISHING A ZERO TOLERANCE ENVIRONMENT

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

Such executive and management level communication of the zero tolerance stance will take place on a regular basis, not only during internal meetings with employees, but during external meetings as well, such as those with suppliers, clients, and business partners.

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

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

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

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

FRAUD REPORTING MECHANISMS

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

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

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

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

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

TIP OFF'S ANONYMOUS HOTLINE

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

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

Regular initiatives will be embarked upon to ensure third-party suppliers, clients, bidders, and recipients of DBSA funding in any form, are aware of DBSA's zero tolerance to fraud and corruption and that any suspicions can be reported to the DBSA Tip Off's Anonymous Hotline; this will include the advertising of the facility in DBSA contracts, tender documents, invoices, and agreements, as well as on the DBSA internet site.

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

- The DBSA Fraud and Corruption Policy.

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

The DBSA will assess the degree of publication required (internal and/or external) on a case by case basis, taking cognisance of confidentiality and privacy issues, inclusive of Protection of Personal Information Act (Act 4 of 2013) and General Data Protection Regulation where appropriate.

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

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

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

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

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

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

- The legal aspects of various financial crimes, focusing on fraud and corruption.
- Conflicts of Interest as the ‘gateway’ to corruption.
- The Prevention and Combating of Corrupt Activities Act, No 12 of 2004.
- ‘Lessons learnt’ through previous forensic investigations and audit reviews.
- Fraud risk indicators and ‘red flags’.
- The DBSA Fraud and Corruption Prevention Plan and Response Plan.
- The DBSA Whistleblowing Policy.
- The DBSA Code of Ethics.

- The DBSA Gifts and Hospitality Policy.
- The DBSA Conflict of Interest Policy.
- The DBSA Fruitless, Wasteful and Irregular Expenditure Policy.
- Relevant sections of the PFMA; and
- The Protected Disclosures Amendment Act, Act 5 of 2017 (PDA).

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

FINANCIAL CRIME TYPOLOGIES

Corruption

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

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

Any person who. directly or indirectly –

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

    Is guilty of the offence of corruption.

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

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

> *Any person who holds a position of authority and who knows or ought reasonably to have known or suspected that any other person has committed one of the offences below, involving an amount of **R100,000** or more, must report such knowledge or suspicion to any police official, failing which he or she commits an offence carrying a maximum sentence of 10 years imprisonment.*
>
> *Any of the corruption offences (including attempt, conspiracy etc.); or the offence of theft, fraud, extortion, forgery or uttering a forged document.*
>
> There is therefore an obligation on the DBSA to report any such matter as reflected above (given reasonable knowledge or reasonable suspicion).

Theft

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

Fraud

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

Cybercrimes

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

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

- Unlawful access – which includes the unlawful and intentional access to data, a computer programme, a computer data storage medium, or a computer system (commonly referred to as "hacking").

- Unlawful interception of data – which includes the acquisition, viewing, capturing, or copying of data of a non-public nature through the use of hardware or software tools.

- Unlawful acts in respect of software and hardware tools – being the unlawful and intentional use or possession of software and hardware tools that are used in the commission of cybercrimes (such as hacking and unlawful interception).

- Unlawful interference with data, computer programmes, storage mediums and computer systems – being the unlawful and intentional interference with data, a computer programme, a computer data storage medium, or computer system; and

- Cyber fraud – being fraud committed by means of data or a computer programme, or through any interference with data, a computer programme, a computer data storage medium, or a computer system.

DBSA RESPONSE TO FRAUD AND CORRUPTION

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

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

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

UNDERSTANDING THE RISKS

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

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

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

PROACTIVE DEFENCE THROUGH DUE DILIGENCE ACTIVITIES

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

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

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

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

Internal Audit are superusers for the Lexis Nexis suite of governance products, including the Procure Check database, against which all prospective employees, consultants, and suppliers are checked in order to identify potential conflicts of interest and other fraud and corruption related red flags. The DBSA Compliance Unit also performs politically exposed persons checks. The results of such checks are shared with Supply Chain Management and Human Capital where appropriate and as required for internal policy and procedure purposes.

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

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

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

Internal control policies, systems, and procedures (Level 1 - 3) are actively monitored and, in most instances, reviewed by Internal Audit; reviewed and updated as required by the relevant division, department, or unit; and approved by DBSA Exco. Furthermore, audits which test prevention measures are performed on a regular basis.

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

DBSA employees are encouraged to speak out when they have concerns. The “Whistle-blowers” fraud and corruption reporting hotline (0800 204 933) is in place and advertised widely to employees, suppliers, and business partners. Regular “Tip Off’s Anonymous” activities include the placement of topical articles in appropriate internal media, as well as guest speakers where appropriate.

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

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

- That the entity the DBSA contracts with or with whom the DBSA has a formal signed agreement, shall adhere to the DBSA counter fraud and corruption policies and procedures in place and as amended from time to time; and

- That provides the DBSA has access to bidder/contractor/supplier/client records relating to bids, contracts, projects, funding or awards from the DBSA, in the event that this is needed to support the investigation of complaints of fraud, corruption, or related financial crimes.

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

DBSA BUSINESS PROCESSES SUPPORTING THE PREVENTION OF FRAUD AND CORRUPTION

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

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

- Furthermore, the DBSA regularly assess all significant business processes for control and procedural weaknesses and implements remedies. Where absolutely necessary, the DBSA will consider implementing ‘forensic controls’, taking current legislation and regulations and policy into consideration.

- Strong culture of best practice corporate governance, driven by DBSA Corporate Secretariat, including visible Executive Management support for counter fraud and corruption initiatives.

- A strong Code of Ethics, which is regularly communicated to all employees through the Ethics Officer, and clearly stipulates the Bank’s stance on corporate values, compliance issues, conflicts of interest, business gifts, use of corporate resources, and the consequences of dishonest behaviour.

- The implementation of a register to advise of business partners, former employees, contractors or service providers/vendors/subcontractors who have been implicated in acts of fraud, corruption, or other irregular dishonest conduct, as well as the reporting of such individuals/entities to National Treasury for inclusion on the National Treasury restricted list of suppliers.

- The implementation of a cooling-off period clause through the DBSA Conflict of Interest Policy.

- Lessons learnt processes, providing investment officers and other employees with best practice information from previous audits and investigations on how to avoid and mitigate areas of potential risk.

- The implementation of probity checks on suppliers, contractors, and subcontractors to be appointed by the DBSA in order to determine their bona fides and whether there are any conflicts of interests or other significant issues which may impact on their ability to deliver on contractual obligations:

- The application of compliance database tools in order to identify any politically exposed person, prominent influential persons, or sanctioned persons in accordance with relevant legislation, regulations, and policy directives, which enable decision-making committees to apply their minds during investment and other critical authorisation processes.

- A strong, independent, and effective Board Audit and Risk Committee that has been in existence for many years.

- Strong and independent internal audit, compliance, and risk functions.

- Independent external auditors; and

- Ethical, equitable, and thorough employment practices and policies.

GOVERNANCE, MONITORING, AND REVIEW

Cognisance is taken of financial crime risks, specifically fraud and corruption risks in all policy, systems, and procedure implementations and changes, through reviews of internal controls in place to identify and manage fraud and corruption risk.

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

To this end, the DBSA takes cognisance of the ISO 37001 standard in respect of anti-bribery management systems. The standard is designed to assist organisations in implementing and maintaining specific measures which assist them in preventing, detecting, and addressing bribery across the organisation and its business activities. The DBSA states its desire to commence a journey that will result in the implementation of the ISO 37001 standard. This will subsequently enable the use of external specialists or verification agencies to independently evaluate the effectiveness of the DBSA Fraud and Corruption Prevention Plan and anti-bribery and corruption controls put in place at the DBSA.

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

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

POLICY ENFORCEMENT AND SANCTIONS

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

ANNEXURE F: FUNDING PLAN AND BORROWING PROGRAMME

1. INTRODUCTION

The purpose of this document is to outline the Bank's borrowing programme for the 2024/25 financial year.

2. KEY POINTS ON THE DBSA FUNDING STRATEGY

The focus during 2024/25 financial year will continue to be on:

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

3. FUNDING RAISED 1 APRIL 2023 – 31 DECEMBER 2023

Net borrowings of approximately R2.7bn for the period are well within the Board approved limit for the current financial year. The bulk source of the funding raised was through bi-lateral facilities concluded with DFI's.

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

Charts 1 and **2** below depict the Bank's funding by currency and source, respectively, as of 31 December 2023.

Chart 1: Funding Split by Currency as of 31 December 2023

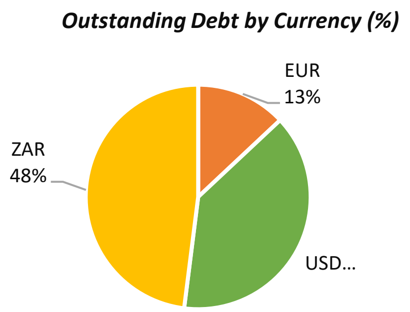
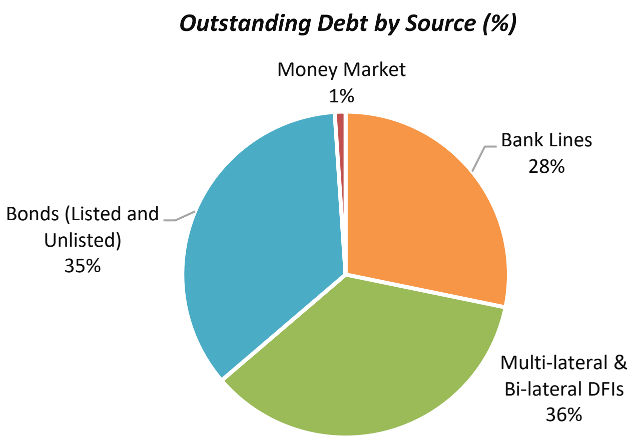


Chart 2: Funding Split by Source as of 31 December 2023



4. BORROWING TERMS AND CONDITIONS

The Bank's domestic bonds / commercial paper are issued under the JSE listed DMTN Programme which captures the terms and conditions of the bond funding. The DMTN Programme was recently updated in July 2023 to align it with the latest Debt Listing Rules.

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

Conditions include, but are not limited to:

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

5. PROPOSED BORROWING PROGRAMME FOR THE 2024/25 – 2026/27 FINANCIAL YEARS

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

- Projected loan disbursements.
- Contractual loan interest and capital receipts (cash inflows).
- Contractual debt service and repayments (cash outflows).
- Operational expenses.
- The projected prudential liquidity level required.
- The projected exchange rates for USD / ZAR and EURO / ZAR.
- Buffer of 15% to cushion against cash shortfalls due to FX volatility and disbursements above targeted levels.

A request for an increase in the Approved Borrowing Limit, shall be made to Board, in the event that borrowing requirements exceed that provided for in the limit.

The projected cashflow forecast and resultant borrowing requirements for the next three financial years are reflected in **Table 3** below.

Table 3: Projected Borrowing Requirement for FY 2024/25 to 2026/27

(Millions)	FY2024/25 - Forecast				FY2025/26- Forecast				FY2026/27 - Forecast			
FX rates	**1.00**	**18.02**	**20.84**	**Total ZAR**	**1.00**	**18.16**	**21.38**	**Total ZAR**	**1.00**	**18.18**	**21.42**	**Total ZAR**
Cashflows	**ZAR**	**USD**	**EUR**		**ZAR**	**USD**	**EUR**		**ZAR**	**USD**	**EUR**	
Capital received	4,407	180	67	9,048	5,528	183	67	10,271	7,469	203	74	12,732
Interest received	9,987	139	26	13,022	10,671	132	20	13,495	11,492	129	15	14,169
Disbursements	9,300	202	75	14,500	9,630	208	76	15,030	9,960	216	78	15,560
Capital repaid	8,853	102	38	11,481	3,528	385	140	13,518	4,842	169	61	9,226
Interest paid	3,374	28	89	5,725	3,686	41	72	5,965	4,092	55	46	6,073
Other inflows	700	0	0	700	787	0	0	787	824	0	0	824
Other outflow	2,337	0	0	2,337	2,497	0	0	2,497	2,614	0	0	2,614
Total	**8,769**	**13**	**109**	**11,272**	**2,355**	**319**	**201**	**12,457**	**1,722**	**108**	**96**	**5,748**
Borrowing Limit Requirement - Total	**9,646**	**14**	**120**	**12,400**	**2,591**	**351**	**221**	**13,703**	**1,980**	**124**	**111**	**6,611**
FX debt balance in USD at 31 Mar2024		**1,994**				**2,067**				**2,061**		
FX debt balance in ZAR		**35,933**				**37,539**				**37,474**		
Plus buffer (15%)		**41,323**				**43,169**				**43,095**		
Net new debt	**794**	**88**	**82**	**919**	**937**	**34**	**81**	**185**	**2,862**	**45**		**2,616**

6. FOREIGN CURRENCY BORROWING REQUIREMENT

Foreign currency borrowings stood at R32.9bn at 31 December 2023 against a foreign currency borrowing limit of R36.4bn. The breakdown of the borrowings to date is disclosed in foreign currency and translated to ZAR in the table below.

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

Table 4: Foreign Currency Borrowings – 31 December 2023

FX CURRENCY POSITION @ 31 DECEMBER 2023			
COUNTERPARTY	**EUR**	**ZAR**	**ALL IN ZAR**
DFI	(216,402,868)	(70,833,333)	(5,798,190,143)
DFI	(50,000,000)	-	(1,027,510,000)
DFI	(60,000,000)	(88,696,531)	(2,924,800,756)

FX CURRENCY POSITION @ 31 DECEMBER 2023			
COUNTERPARTY	**EUR**	**ZAR**	**ALL IN ZAR**
DFI	(43,544,987)	(133,143,314)	(3,434,420,452)
Commercial Bank	-	(125,000,000)	(2,384,237,500)
Commercial Bank	-	(255,000,000)	(4,863,844,500)
Commercial Bank	-	(93,333,334)	(1,780,230,686)
Commercial Bank	(50,000,000)	(50,000,000)	(1,981,205,000)
DFI	-	(200,000,000)	(3,814,780,000)
DFI	-	(260,869,565)	(4,975,800,000)
		Total	**(32,985,019,037)**

Table 5: Forecast on FX Utilisation

	FORECAST ON FX		
(Millions)	FY2024/25	FY2025/26	FY2026/27
FX debt balance in USD	1,994	2,067	2,061
FX debt balance in ZAR	35,933	37,539	37,474
Plus buffer (15%)	**41,323**	**43,169**	**43,095**

Table 6: Projected Currency Funding Split to FY2026/27

	FY2024/25			FY2025/26			FY2026/27		
	ZAR	**USD**	**EUR**	**ZAR**	**USD**	**EUR**	**ZAR**	**USD**	**EUR**
Disbursements	64%	25%	11%	64%	25%	11%	64%	25%	11%
Funding	78%	2%	20%	19%	47%	35%	30%	34%	36%

Based on the forecast in **Tables 3** and **4**, the projected foreign currency borrowings are expected to amount to:

- For the financial years 2024/25 – R41.3bn;
- For the financial year 2025/26 – R43.2bn;
- For the financial year 2026/27 – R43.1bn.

The projections in **Table 3** incorporate a buffer of 15%. This is required to cater for the following scenarios:

a) Assessing the variation of the of the USD/ZAR exchange rates over the period 1 April 2023 to 31 December 2023, reveals a variation of 13% in the exchange rate with a low of R17.5448 and a high of R19.8177. The 15% buffer incorporated therefore aligns with the aggregate exchange rate movement; and

b) Should local investors' appetite continue to remain subdued for SOE paper over the next reporting period, the funding split set out in Table 6 will need to be revised, in order to increase the Bank's borrowings in USD and potentially requiring a Foreign Currency Borrowing Limit in excess of that reflected in Table 4 and in excess of the limit approved by National Treasury in October 2023.

7. AVAILABLE FUNDING SOURCES

As of 31 December 2023, a total of R6 billion funding can still be accessed through committed facilities.

Table 7: Committed Facilities

COMMITTED FACILITIES			
Counterpart	**Currency**	**Amount Available**	**Total ZAR**
DFI	EUR	140,000,000	2,878,400,000
DFI	EUR	38,000,000	781,280,000
DFI	USD	100,000,000	1,908,000,000
DFI	EUR	22,000,000	452,320,000
		Total	**6,020,000,000**

8. FUNDING SOURCES

Table 8 below depicts potential funding sources for FY2024/25. The conclusion of any new facilities will be subject to the size and timing of funds requirements, near term projects/loans pipeline, and reaching agreement on key terms and pricing.

Table 8: Potential sources of funding

Funding Source	Facility use	ZAR	USD	EUR	Total ZAR
DFI	General corporate use		120,000,000		2,268,000,000
DFI	Social infrastructure	2,200,000,000			2,200,000,000
DFI	Embedded generation			100,000,000	2,039,000,000
DFI	General use		200,000,000		3,780,000,000
DFI	General use		300,000,000		5,670,000,000
DFI	General infrastructure		100,000,000		1,890,000,000
DFI	General infrastructure		150,000,000		2,835,000,000
Commercial bank	General corporate use	1,500,000,000			1,200,000,000
	Total	**3,700,000,000**	**870,000,000**	**100,000,000**	**22,182,000,000**

Table 9: Projected Funding per Instrument

Table 9 projects potential funding sources split across different instruments. Actual split will differ from these projections / assumptions.

(Millions)	**FY2024/25**			**FY2025/26**			**FY2026/27**		
	ZAR	**USD**	**Total**	**ZAR**	**USD**	**Total**	**ZAR**	**USD**	**Total**
FX Rates		**18.02**			**18.16**			**18.18**	
1. DOMESTIC BORROWINGS									**-**
a. Bonds	2,500		2,500	1,500		1,500	1,200		**1,200**

(Millions)	FY2024/25			FY2025/26			FY2026/27		
	ZAR	USD	Total	ZAR	USD	Total	ZAR	USD	Total
FX Rates		**18.02**			**18.16**			**18.18**	
b. Bank loans	1,000		1,000			-	600		**600**
c. Commercial paper	500		500	800		800	-		**-**
d. Money market paper	700		700	500		800			**-**
e. DFI	1,800		1,800	-		-			**-**
f. Syndicated loans			-			-			**-**
g. Govt loan			-			-			**-**
h. Other			-			-			**-**
2. FOREIGN BORROWINGS									-
a. Bonds			-			-			-
b. ECAs		1,000	1,000		1,997	1,997		909	909
c. Syndication programme		2,000	2,000		4,086	4,086		2,091	2,091
d. DFI/Multilateral agencies		3,000	3,000		4,540	4,540		1,818	1,818
e. Other	-		-			-			-
TOTAL BORROWINGS			**12,500**			**13,723**			**6,618**

9. MARKET RISK MANAGEMENT

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

10. CREDIT RATINGS

The Bank is rated by Standard and Poor's (S&P's) and Moody's. Key considerations taken into account during the ratings review process include financial sustainability, prudential liquidity, adequacy of impairments and provisioning, and risk adjusted capital which cushions the bank in the event of severe financial distress. In addition, the ratings agencies make assumptions of the expected strength and likelihood of shareholder support in the event of distress. Credit ratings as of 31 December 2023 were:

Table 10: Credit Ratings

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

11. CONCLUSION

Borrowing Limit:

As reflected in **Table 3**, the projected funding requirement for the 2024/25 financial year amounts to **R12.4bn** (including a buffer of 10% to provide for potential foreign exchange rate volatilities, loan disbursements exceeding target levels and market driven changes in liquidity requirements).

Foreign Borrowing Limit:

Based on the Bank's total outstanding foreign currency debt as at 31 December 2023, together with projected Foreign Currency cash flow requirements (including both debt service and projected new loans and investments), as reflected in **Table 3,** the Bank's forecasted Foreign Currency debt for FY24/25 to FY26/27 (including a buffer of 15% to provide for potential FX volatility) amount to:

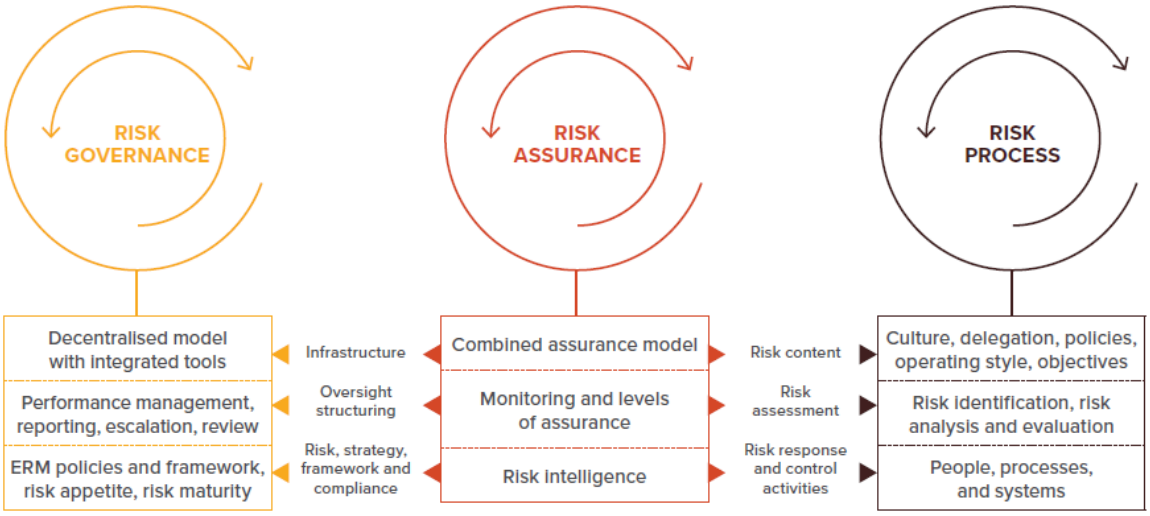
- For the financial years 2024/25 – R42bn;
- For the financial year 2025/26 – R44bn;
- For the financial year 2026/27 – R44bn.

ANNEXURE G: RISK REGISTER[7]

Risk management

1. Framework

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



1.1 Risk Governance

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

1.2 Risk assurance

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

1.3 Risk process

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

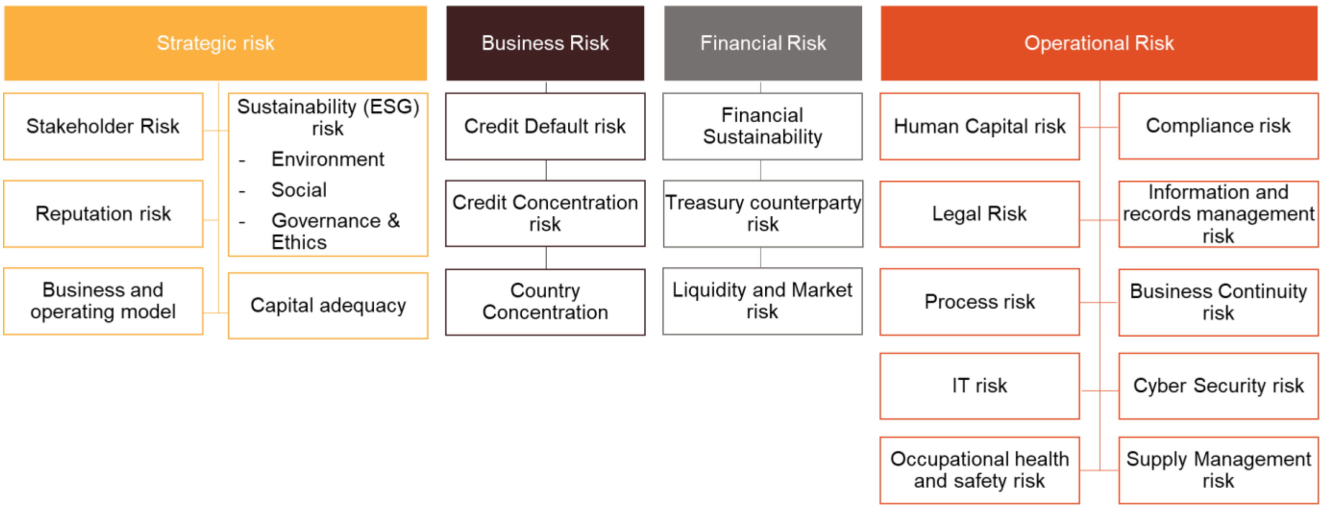
[7] *This is a summarised version of the Risk Management Plan. The detailed plan is available on request.*

2. Roles and responsibilities

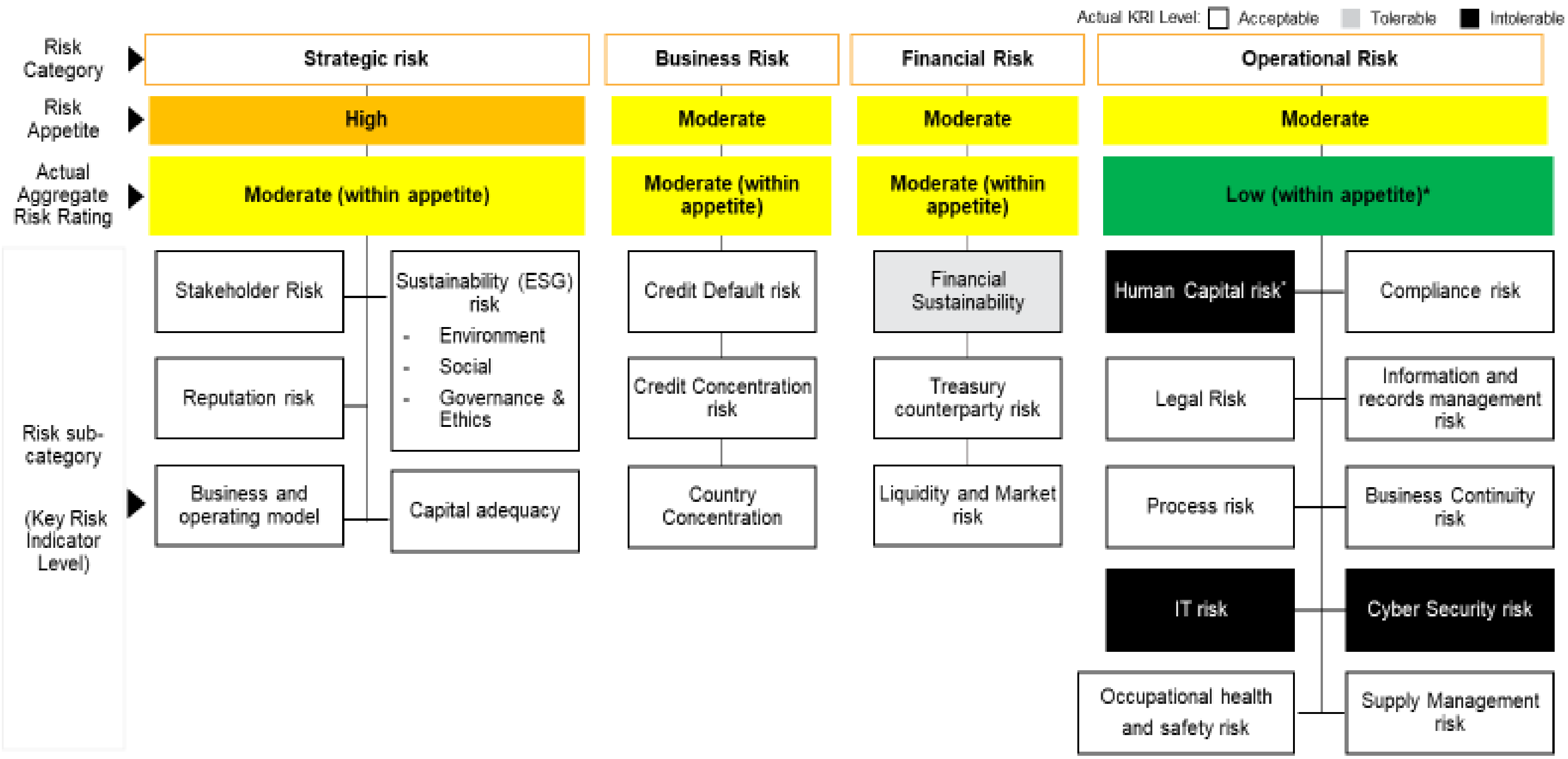
Function	Role	Responsibility
Business unit	1st line of defence	Management of risk, controlling and monitoring operations
Assurance functions	2nd line of defence	Develop policies, monitor adherence
Internal and External Auditors	3rd line of defence	Provide independent assurance
Executive Committee	4th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

3. Risk Categories

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



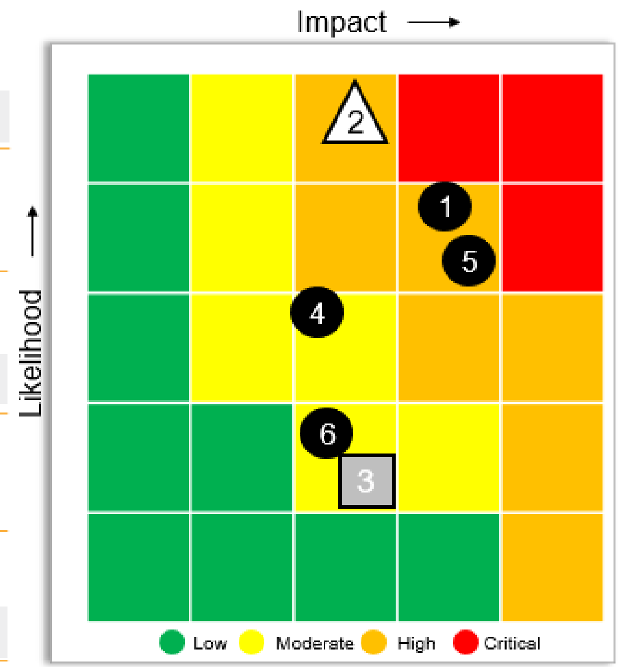
4. Risk Appetite Dashboard



PRINCIPAL RISKS

Velocity: △ Extremely rapid (month) ■ Rapid (quarter) ● Slow (year)

	Principal risk	Inherent rating	Residual rating
1	**Credit risk** An increase in the inability of clients to honour debt obligations	High	High
2	**Cyber risk** Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security	Critical	High
3	**Liquidity risk** Inability for the Bank to have sufficient funds to meet its maturing obligations and disbursement commitments	High	Moderate
4	**Reputation risk** Arising from any facet of the bank's actual or perceived conduct and performance	Moderate	Moderate
5	**Business environment & operations** Failure to maintain adequate responsiveness and agility to respond to the changing environment	High	High
6	**People and culture risk** Potential decrease in staff morale, adverse impact on work productivity, employee development and wellness	Moderate	Moderate



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

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

Risk Owner/s	GE:Fin Ops, CRO

O Changes

Key drivers

- Possible non-performance of a single large credit exposure or multiple exposures that are closely correlated
- International Portfolio with an aggregate MS rating of MS16 (High risk)
- SA Portfolio with an aggregate rating of MS 12 (Medium risk)
- O Migration of Transnet from Stage 1 to Stage 2
- O Increasing political uncertainty in exposure countries due to national elections taking place in 2024 in several countries

Key impacts

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

Response (Due date/status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite	Moderate

Risk rating scale: Critical | High | Moderate | Low

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

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

Risk Owner/s	CFO

○ Changes

Key drivers

- Increasing number and sophistication of cyber-attacks in general (globally and locally)
- Failure of key controls e.g., threat monitoring, reliance on third parties
- Inadequate password security from a user perspective
- Inadequate configuration of security measures

Key impacts

- Non-compliance to POPIA if data security is breached and personal information is compromised
- Business disruption
- Adverse impact on reputation
- ○ Increased costs to insure against cyber incidents and reduction in available cover for cyber incidents

Response (Due date/Status)

- Training and awareness using DBSA brief and virtual training(ongoing)
- Completion of all audit actions on an accelerated timeframe (see ICT report for details)
- Implement Information Security Management System (ISMS) & Cyber Security Strategy-Cyber security risk simulation
- A third-party service provider conducts on-going threat monitoring.(ongoing)
- Implementation of Managed Portfolio Process (Business Case Evaluation and Project Prioritization) (Ongoing)
- Implementation of ICT Governance Framework (ongoing)
- Virtual ICT assistance to staff (ongoing)
- Allow access to DBSA systems and tools to all staff via VPN and Vox 3G, with Multi-factor authentication enabled for VPN log ins (Complete)
- Implementation of ICT Continuity Plan (Backup & Restore Testing) (Ongoing)
- ○ Procurement of a Virtual CISO (in progress)

Inherent Risk Rating	Critical	Residual Risk Rating	High

Appetite: Low

Risk rating scale: Critical – High – Moderate – Low

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

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

Risk Owner/s	GE: Treasury, CFO

O Changes

Key drivers

- Currency volatility
- Increase in the cost of funding
- Contagion impact of other SOE's (e.g., Landbank default)
- A reduction in funding options due to ESG performance or considerations
- O Growing investor and lender concerns around the risk emanating from the Bank's exposure to the municipal and SOE sectors

Key impacts

- A temporary downward cycle in core lending performance
- Adverse impact on financial sustainability
- Reduced ability to raise affordable funding
- Bank unable to achieve mandate and development impact
- Over-utilisation of the foreign currency borrowing limit

Response (Due date/Status)

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

Inherent Risk Rating	High	Residual Risk Rating	Moderate

Appetite: Moderate

Risk rating scale: Critical | High | Moderate | Low

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

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

Risk Owner/s: CE

O Changes

Key drivers

- Perception that DBSA is focusses more on profitability and is less intentional about demonstrating development impact
- DBSA may be perceived to be unable to make adequate counter-cyclical investments in support of socio-economic recovery in response to the pandemic and may be seen as "irrelevant"
- DBSA's involvement with key programmes such as the Infrastructure Fund increase reputational risk exposure if they are perceived to be failing or not governed well
- Insufficient deal flow may negatively affect overall development impact
- Perceived misalignment to the global standards and sustainable development goals (e.g., 350Africa.org petition against funding Karpowership deal in RSA)

Key impacts

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

Response (Due date/Status)

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

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Appetite: Moderate

Risk rating scale: Critical | High | Moderate | Low

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

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

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

○ Changes

Key drivers

- Increasing influence of "Construction Business Forums" leading to disruptions in infrastructure delivery
- Inappropriate DBSA pricing and DBSA BEE score continue to reduce competitiveness in M2/M3 space
- Political landscape directly affecting DBSA business
- South African International Relations may be adversely affected by reactions to the ICJ case and subsequently affect trade deals and activity in SA or the region
- Sustained loadshedding
- Inadequate resources e.g., institutional analysts/specialists
- Depressed deal pipelines in RSA and the region
- High debt: GDP ratio in key markets
- High levels inflation globally
- Stagnant or declining economic growth
- Increasing interest rates locally and in the region
- Slow implementation of structural reforms
- ○ Increasing number of extreme weather events

Key impacts

- Adverse impact on financial performance of the Bank e.g. higher impairments, costs, reduced revenues etc.
- Inability to achieve social-economic growth goals
- Adverse impact on the ability to raise capital

Response (Due date/Status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite: Moderate

Risk rating scale: Critical | High | Moderate | Low

ICJ – International Court of Justice

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

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

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

Changes

Key drivers

- Culture survey results indicate several areas of improvement
- Employee burnout
- Several divisions have raised risks around "keyperson" dependencies and unclear succession planning
- Higher than desired vacancy levels e.g., 15.5% vs acceptable <10%
- Challenging operating environment in terms of frequent and worsening loadshedding affecting employee travel times and productivity
- Increasing adoption of artificial intelligence tools such as ChatGPT may be a positive driver for productivity improvement tools

Key impacts

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

Response (Due date/Status)

- Hybrid Working Model (On campus days are Tues and Wed for all employees) (ongoing)
- Organisational review (in progress)
- Clarify and align training policy with talent management (ongoing)
- Assess capability across all units and the feasibility of moving staff (ongoing)
- Assess corporate culture through the Deloitte "Best company to work for" survey (Survey complete – further supporting initiatives in progress)
- Integrated digital strategy (ongoing)
- Develop a senior succession plan (ongoing)
- Contingency plans relating to succession for critical skills (ongoing)
- Regular communications to staff (On-going)
- Access to the Employee Wellness Provider (EWP - ICAS) to support employees (ongoing)

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Appetite: Low

Risk rating scale: Critical | High | Moderate | Low

ANNEXURE H: BUSINESS CONTINUITY AND ORGANISATIONAL RESILIENCE

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

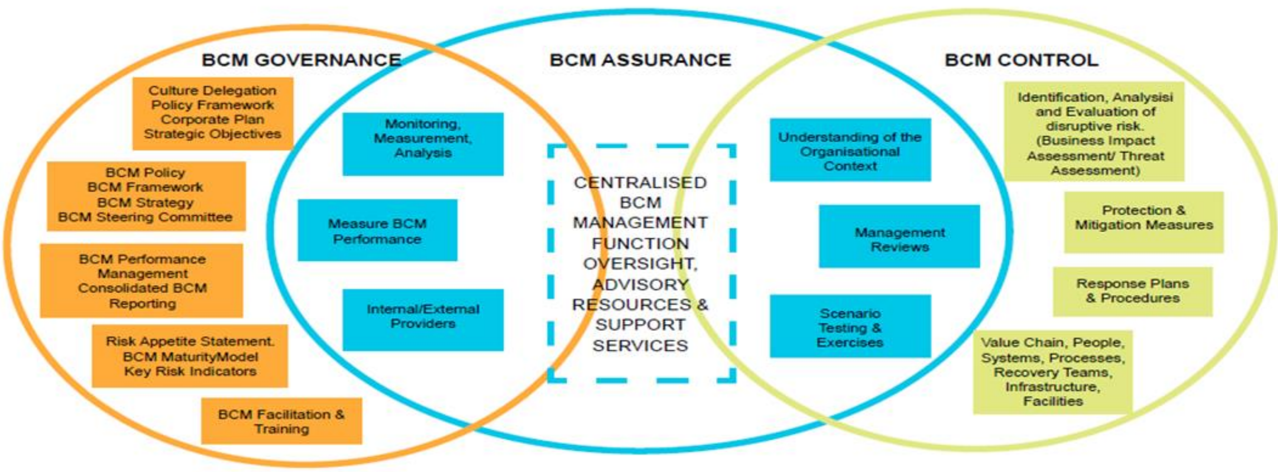
To ensure a certified business continuity capability, the DBSA has aligned to the ISO standard 22301 and the Business Continuity Institute's Good Practice Guidelines. The objective is to provide ongoing management, coordination, and governance to ensure that all BCM activities are conducted and implemented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

OBJECTIVE OF THE BCM FRAMEWORK

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

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

Overview of the BCM Framework



CONTINUITY ASSURANCE FRAMEWORK

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

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

There are five elements that form the basis for the Continuity Assurance Framework. These elements ensure that we as an organisation have the ability to adequately respond to any incident by preparation and anticipation, that we are able to prevent and mitigate a disruptive incident and, if the incident does occur, we are able to adequately respond, recover, and restore business as soon as possible, ultimately building a resilient organisation.

Continuity Assurance Framework

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

ANNEXURE I: DBSA ENVIRONMENTAL AND SOCIAL SUSTAINABILITY FRAMEWORK

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

To deliver this, the organisation aims to:

- Achieve positive social and environmentally sustainable development outcomes in DBSA operations to realise a green and inclusive economy.
- Consider environmental and social factors when making investment decisions, through application of the DBSA Environmental and Social safeguards as well as other internationally recognised standards such as the IFC Performance Standards and the Green House Gas (GHG) Protocol.
- Explicitly improve and leverage Gender mainstreaming efforts at both an investment and organisational level.
- Use its skills and influence to improve the built environment and to maintain the integrity and quality of the natural capital and cultural environments.
- Work with clients, suppliers, contractors, regulators, professional bodies and civil society at large to raise the environmental and social sustainability standards of the sectors and jurisdictions in which it operates.
- Report progress on its material environmental, social and governance related performance indicators in line with internationally recognised reporting frameworks such as the Task Force for Climate Related Financial Disclosure (TCFD).

In meeting these objectives, the organisation will:

- Deliver on its economic development mandate in line with a sustainability imperatives.
- Maintain a high standard of environmental, social and governance awareness through promotion of strategies and practices to address sustainability considerations within investments and across its operations
- Establish a “Thought Leadership” position within the wider financial sector, on Sustainable Development matters through its investments and through its stakeholders both locally and internationally.

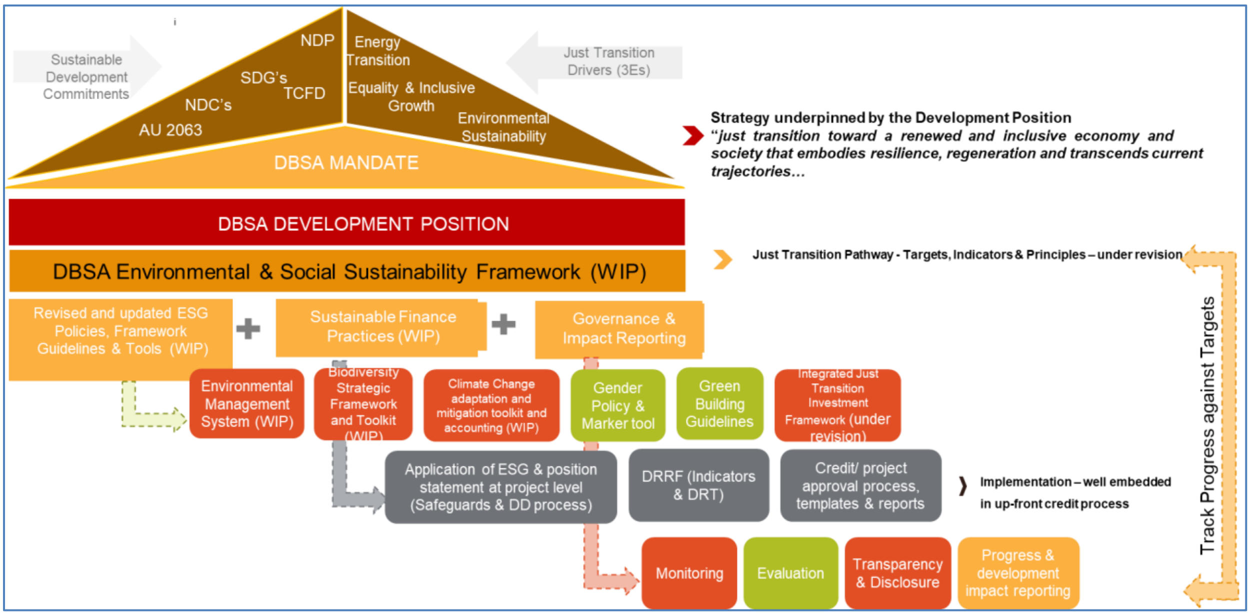


Figure 1: DBSA Sustainability Approach

The DBSA's suite of ESG and sustainability policies, frameworks and tools that outline the DBSA's approach to sustainability considerations, to form the DBSA Environmental and Social Sustainability Framework (ESSF) is in the process of revision to take cognisance of the evolving ESG landscape. The following policies, frameworks and positions form a part of the current Environmental and Social Sustainability Framework:

- DBSA Environmental and Social Safeguard Standards
- Integrated Just Transition Investment (IJT) Framework (2021)
- DBSA Green Bonds Framework approved January 2021 (under revision)
- DBSA Statement on Net Zero: Fossil Fuel funding statement
- Green Building Guidelines
- Development Results processes and procedures
- Gender Mainstreaming policy
- Other organisational wide policies such as the Health and Safety, Code of Ethics and Whistle Blowing Policy are all relevant to the revision of the Environmental and Social Sustainability framework.

The intended revision of the Environmental and Social Sustainability Framework, to incorporate relevant governance parameters pertinent to the organisation, re-confirms our commitment to developing a Precautionary Approach in both our own operating environment and with all our stakeholders in keeping with government's endeavours at protecting the environment and communities. A Climate Risk management framework which forms a part of the over-arching Environmental and Social Sustainability framework, is ear-marked for development over the next three years in line with the four recommendations of the TCFD. The DBSA Integrated Just transition framework whilst, in a state of revision, is an integral component of the overall Climate Change framework.

IMPLEMENTATION OF DBSA'S ENVIRONMENTAL AND SOCIAL SAFEGAURDS

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

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

Measuring and evaluating the sustainability impacts over time is crucial, and a set of indicators, covering a broad array of critical environmental dimensions, is being continuously updated for all DBSA projects through its Development Results Reporting Framework.

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

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

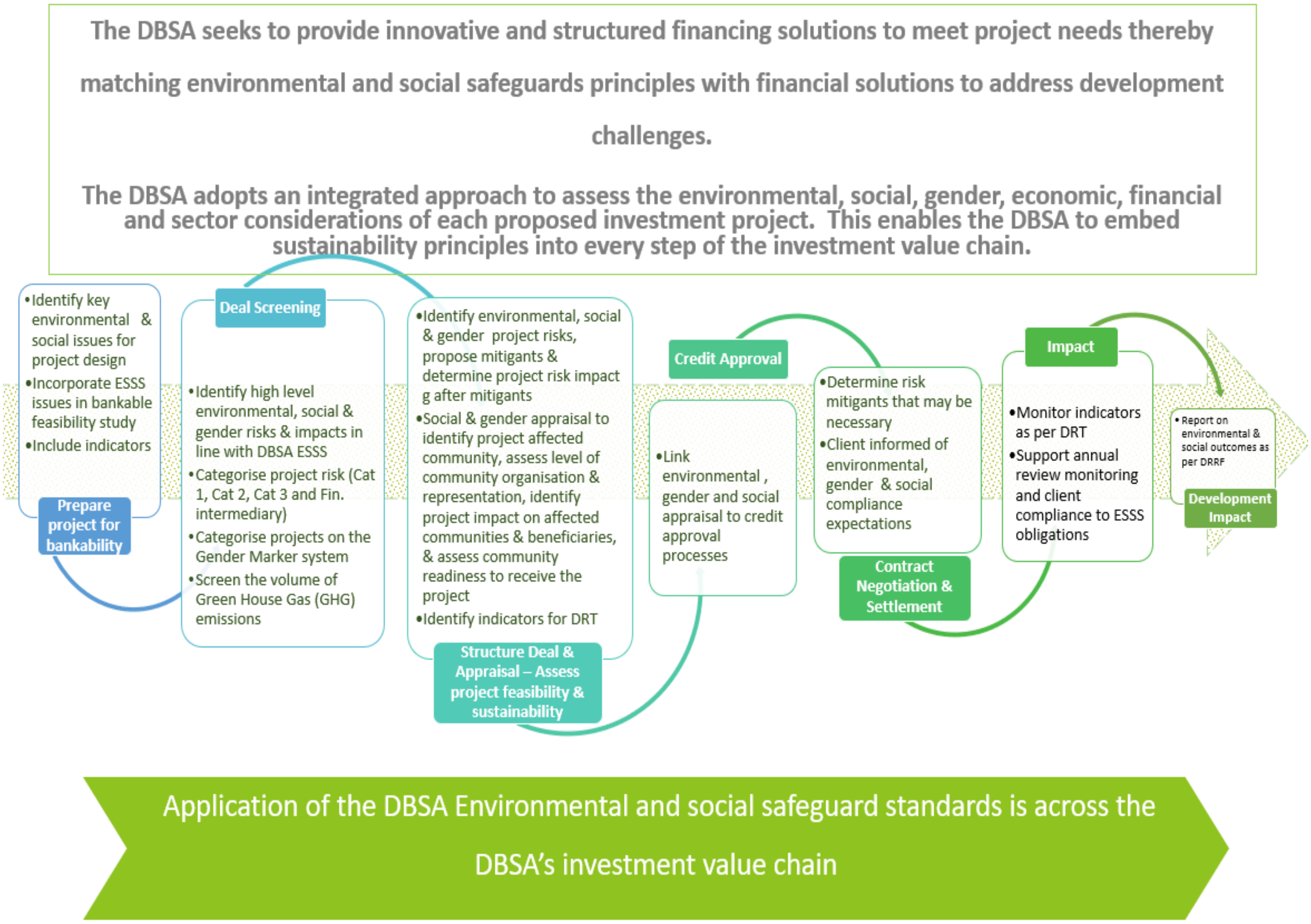


Figure 2: The environmental and social risk process as part of the organisation's investment processes.

ANNEXURE J: BREAKDOWN OF DISBURSEMENT TARGET[8]

Sector / Function Area Split	FY 2024/25	FY 2025/26	FY 2026/27
	R'm	R'm	R'm
Metro Top 5	**2600**	**2700**	**2800**
M2/M3	**460**	**480**	**500**
Social	**840**	**850**	**860**
Economic	**5400**	**5600**	**5800**
Energy & ICT	2800	2900	3000
Transport & Bulk Water	2600	2700	2800
RoA	**5200**	**5400**	**5600**
SADC	2700	2800	2900
Outside-SADC	2500	2600	2700
Total	**R14.500**	**R15.030**	**R15.560**

[8] The FY2025/26 and FY2026/27 disbursement targets have been rounded off in the Balanced Scorecard as R15 billion and R15.5 billion respectively.

ANNEXURE K: DESCRIPTION OF SDG AND NDP OUTCOMES

SOUTH AFRICAN NATIONAL DEVELOPMENT PLAN (VISION 2030) PRIORITIES

- Priority 3 - Economy and Employment
- Priority 4 - Economic infrastructure
- Priority 5 - Environmental sustainability and resilience
- Priority 6 - Inclusive rural economy
- Priority 7 - South Africa in the region and the world
- Priority 8 - Transforming Human Settlements
- Priority 9 - Improving education, training and innovation
- Priority 10 - Health care for all
- Priority 11 - Social protection
- Priority 12 - Building Safer Communities
- Priority 13 - Building a capable and developmental State
- Priority 14 - Fighting corruption
- Priority 15 - Nation building and social cohesion