DBSA

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

CORPORATE PLAN

2022/23 – 2024/25

February 2022

Contents

ACRONYMS AND ABBREVIATIONS

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

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

Executive Summary

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

The global economy is still reeling from the aftershocks of COVID-19. Countries have made great endeavour to recover socially, economically and environmentally, albeit at different paces. Developed countries, who have made significant strides in national vaccination programmes are able to focus on economic recovery and stimulus as compared to developing countries that lag primarily due to low vaccination rates and continued lockdowns which disrupt economic activity. Economic recovery in the African continent is further hampered by high debt-to-GDP levels in some key markets. This necessitated that affected countries enter the Debt Service Suspension Initiative. International support in the form of loans from the BRICS bank, the International Monetary Fund and the World Bank aimed at supporting economic recovery rates in the continent also acted as an enabler for development.

The pandemic, although socially tragic and economically devastating, has reinforced the need for countercyclical investment on the continent with DFI's such as the DBSA expected to provide a beacon of hope amidst the weak economic environment. Infrastructure is a prominent driver of economic growth. A strong infrastructure landscape is therefore the bedrock of socio-economic development.

The South African government has continued to place infrastructure at the centre of the economic recovery agenda. The government's Economic Reconstruction and Recovery Plan announced by President Ramaphosa in October 2020 has shifted focus to accelerated implementation while committing financial resources. The Infrastructure Fund, a key initiative central to the country's plans to deliver infrastructure development, was allocated a capital injection of R24 billion over the medium term to improve the scale, speed, quality and efficiency of infrastructure spending. Total allocations to 2028/29 amount to almost R100 billion.

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

The DBSA strategy adopted in October 2021 is anchored on three pillars – promoting an Inclusive Economic Recovery in South Africa, Strategic Africa Lens and Doing Things Differently. The DBSA finds itself at a critical point – key sovereign markets are under threat due to unsustainable debt levels; the municipal market is shrinking due to inherent weaknesses and funders are increasingly demanding decisiveness around climate related policies.

This Corporate Plan builds on the previous strategy themes and elevates key strategy positions – some of which have emerged since October 2020. These are (1) Liquidity and Capital Management, (2) Just Transition and Net Zero Pathway, (3) B-BBEE Funding for Transformation and Access, (4) Integrated approach to municipal funding and lending, and (5) Scaling Up and Fast-tracking infrastructure development. The plan also outlines operational areas that have been clarified because they have a bearing on DBSA's mandate and strategy.

Despite the negative market conditions, the DBSA is targeting disbursements of R13.5 billion in our core sectors. This is testament to the countercyclical role that is expected of any DFI in challenging economic times. Added impetus is also given to development outcomes. Our key objective in playing a key role in the green economy finds expression through specific targets to achieve this.

1. Organisational Overview

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

2. Purpose

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

2.1 Vision

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

2.2 Mission

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

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

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

2.3 Values

The values that underpin the DBSA's operations are:

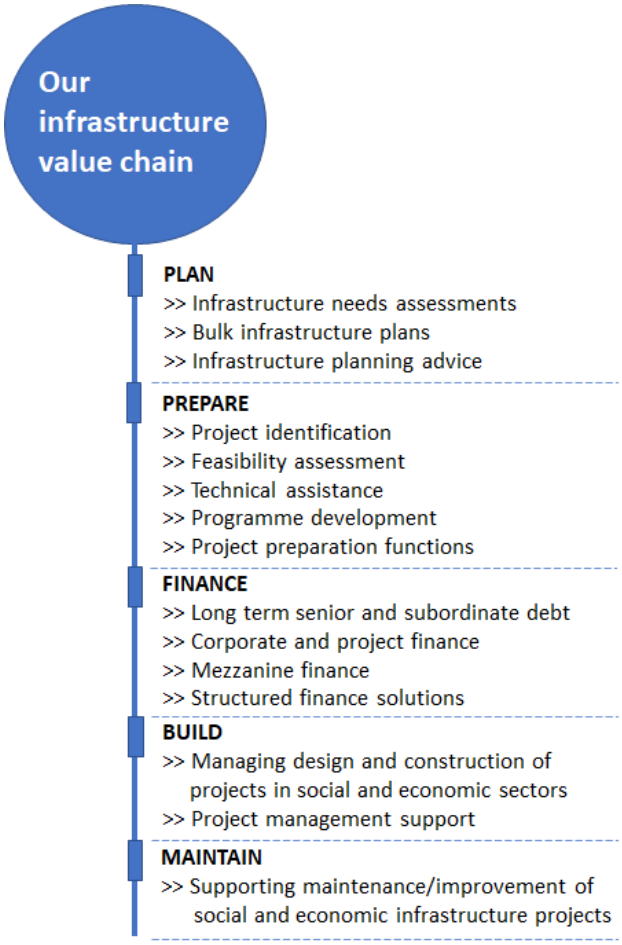
Value	Operations
Shared Vision	We share and keep the sustainability, strategic intent and mandate of the DBSA top of mind in all our decisions and actions.
Service Orientation	We deliver responsive and quality service that speaks to the needs of our clients and continuously build relationships that result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

2.4 Legislative mandate and other key development imperatives

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

2.5 Principal Activities and Sector Focus

The DBSA primarily plays a key role in the planning, preparation, funding, building and maintenance phases of the infrastructure development value chain. The diagram below illustrates the various services as well as the key target markets per value chain segments.



2.6 Regional Mandate

South Africa has concluded various binational and trade agreements with countries across the continent to support broader regional integration in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa (PIDA) and AU Africa Agenda 2063. The DBSA's regional development and integration strategy is aimed at both SADC and the rest of Africa. For example, the tripartite free trade area linking SADC, Common

Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) as well as corridor development. The strategy notes the huge infrastructure backlogs in the African continent and prioritises smart partnerships, country prioritisation using country ratings, taking a long-term perspective and taking into consideration the South African political and economic aspirations in response. Continental opportunities will be explored in the following countries:

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

3 Macro-economic context

Large scale global vaccine campaigns have made it possible for many economies to start relaxing COVID-19 lockdown restrictions, which has supported the global economic recovery. New variants of the virus and successive infection waves were the key concerns globally, as evidence suggests that booster vaccine shots will likely be necessary to ensure protection. Concerns also remain around access and equitable distribution of vaccines, especially on the African continent.

The increase in commodity prices, especially that of Brent crude, has been positive for resource-exporting countries as higher prices support stronger export earnings. South Africa's current account of the balance of payments registered surpluses in 2021.

The government announced a budget-neutral support package amounting to R38,9 billion package or 0,7 per cent of the estimated 2021/22 budget, in response to the social unrest which erupted in parts of KwaZulu-Natal, Gauteng and Mpumalanga resulting in significant damage to property, businesses, and supply chains. The spending will go towards the reintroduction of the Social Relief of Distress grant until March 2022, support for uninsured businesses that incurred

losses during the unrest, an allocation to the South African Special Risks Insurance Association (SASRIA), and the security cluster.

According to Bloomberg's vaccine tracker, more than 9,8 billion doses of vaccines have been administered globally by mid-January 2022. About 27 per cent of the South African population has been fully vaccinated. The country has missed its target to vaccinate 70 per cent of the adult population by December 2021 due to low vaccine uptake.

South Africa's sovereign rating remained below investment grade, in line with elevated government debt and weak economic growth. The South African 10-year government bond yield increased by 22 basis points on a quarter-on-quarter basis in the fourth quarter of 2021. Foreign holdings of government bonds declined from 37,3 per cent in January 2020 to roughly 30,0 per cent by mid-October 2021 and further to 28,2 per cent in December 2021. Bond yields will come under pressure as an increasing number of developed central banks begin to raise interest rates and curtail their bond-buying programmes.

Climate change remains a priority on the global agenda, and the DBSA continues to support green investment, while also remaining aligned with the adoption of the greenhouse gas emission target by the government.

3.1 Global Economic Highlights

As the global economy gradually emerges from the great shutdown, restrictions have been relaxed in some countries, while other regions have had to contend with resurgences in COVID-19 cases. Although fiscal policy will likely remain supportive of the economic growth recovery, central banks on the other hand are expected to start normalising interest rates in 2022, and gradually unwind COVID-19 related support. This will result in changes in the global financial conditions, capital flows and exchange rates. The recent acceleration in global inflation has been due to supply-demand imbalances, rising commodity prices and consumption stimulus, especially in developed countries. The IMF projects global GDP to be about 4,4 per cent in 2022. Global trade is expected to benefit from the envisaged easing of supply chain disruptions, as well as the rebalancing of goods and services consumption.

3.2 Sub-Saharan Africa Outlook

Economic growth in is expected to be divergent among Sub-Saharan Africa (SSA) countries, largely due to unequal access to vaccines. Economic recovery for tourism-dependent economies is likely to start materialising in the near future, in line with the recent relaxation of global travel restrictions. Although inflation is expected to moderate from 2022 onwards, SSA central banks will likely start raising interest rates to normalise their policies.

Although the fiscal balance is expected to narrow over the medium-term, government debt will likely remain high. The IMF Debt Service Suspension Initiative (DSSI) came to an end in December 2021. Post-DSSI and in cases where debt is not sustainable or where financing requirements are significant, countries may have to look at debt restructuring. The outlook for growth in the region depends largely on the continuation of the global economic recovery, access to vaccines as well as the speed of the normalisation of global interest rates.

3.3 South Africa Outlook

South Africa's real GDP growth contracted in the third quarter of 2021, following the social unrest, lockdown restrictions and load shedding. Business confidence has remained lacklustre in the fourth quarter, while the downward trend in the leading business cycle indicator suggests that growth could moderate over the next 6 to 12 months. Growth is expected to resume its upward trend in the fourth quarter. Growth is forecasted to accelerate to 4,6 per cent for the whole of 2021, before moderating to 2,1 per cent in both 2022.

The official unemployment rate increased from an already high 34,4 per cent in the second quarter of 2021 to a new all-time high of 34,9 per cent in the third quarter. The expanded definition of unemployment (which includes discouraged work-seekers) increased from 44,4 per cent to 46,6 per cent over the same period.

3.4 Prices

Since 2018, the inflation rate has remained contained around the midpoint of the target range of 3 – 6 per cent. The inflation rate averaged 4,5 per cent in 2021, mainly on account of the acceleration in fuel, food and electricity prices. Prices are expected to hover around the mid-point of the inflation target range over the next two years, due to weak demand. However,

expectations are for the SARB to continue raising interest rates in 2022, in line with the expected central bank rate normalisation globally.

Since mid-2020, the exchange value of the rand has remained resilient, even against the backdrop the COVID-19 waves of infection. Due to increased uncertainty, the exchange value of the rand has been largely impacted by risk-on and -off modes. Since May 2021, the exchange value of the rand depreciated against major currencies (US dollar, euro and pound). The rand is likely to remain range bound, with more risks toward depreciating further in the medium term.

3.5 Fixed Investment

After a contraction of 11,7 per cent in the first quarter of 2021, Gross Fixed Capital Formation (GFCF) recovered somewhat to 4,7 per cent in the second quarter before declining to -0,1 per cent in the third quarter again. We expect a gradual pickup in GFCF growth over the next 24 to 36 months as the infrastructure-led focus takes shape.

4 Strategy review

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

4.1 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

- Active involvement across entire infrastructure value chain
- Strong brand reputation
- Early-stage risk taker
- Long term investor (A/L matching)
- Perceived as having trusted advisory status (local, sovereign)
- Project preparation and execution to develop a bankable project pipeline
- Excellent skills base and human capital

Opportunities

- Facilitate and drive infrastructure-led economic recovery
- Leveraging multilateral, BRICs, bilateral and grant funding for infrastructure
- Increase and diversify investor base
- Diversifying sector investments
- Self-generated and strategic infrastructure funding opportunities
- Participate in the just transition

Weaknesses

- Low access to competitively priced and diversified funding
- Limited sources of concessional funding
- Slow ERR to commitment turnaround times
- Low integrated approach to operations
- Concentration of lending in energy and transport

Threats

- Domestic and regional macroeconomic cyclicality
- COVID-19 effects on clients and projects
- Increased competition in the municipal finance environment
- High cost of funding
- Credit quality deterioration, e.g., NPLs

4.2 Our Strategic Intent

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

and implementing sustainable infrastructure projects, capitalising on our position and expertise as well as smart partnerships.

Conceptualizer

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

Catalyser

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

Implementer

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

Response to dynamic environment

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

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

4.3 The DBSA's overarching strategic objectives

4.3.1 Financial sustainability

The DBSA aims to achieve financial sustainability through income growth, balance sheet growth and cost optimisation. Achieving disbursement 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. The levers for achieving financial sustainability are the ability to grow quality and profitable disbursements, increasing self-originated disbursement opportunities and improving our operational efficiencies as part of cost optimisation.

4.3.2 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 reduce poverty, unemployment and inequality. The aim is to drive quality transactions, while ensuring greater development impact of our investments. Accelerating the development outcomes includes stimulating infrastructure development through a programmatic approach, for a secure and scaled development trajectory while contributing to creating inclusive and sustainable socio-economic growth. Priority is placed on increasing the development impact of disbursements and projects in our core sectors as well as in the South African municipal districts. The DBSA works to create an integrated development environment in the value chain in order to respond to the rapid changes in the environment.

4.3.3 Future-fit-DBSA

The DBSA will harness the power of technology to drive internal efficiencies while maintaining its relevance through a future-fit workforce and a culture of high performance and accountability. The pandemic has shown that there is an ever-increasing need to prepare our workforce for the workplace of the future, which requires an understanding and appreciation of the value creating power of new technologies, as well as the ability to adapt to ensuing challenges. The long-term impacts of the pandemic epitomised by the Work-from-Home (WFH) environment means that workplace dynamics as we have hitherto been accustomed to have been permanently redefined. Accordingly, preparing the organisation to adapt, to be responsive to our customers and to thrive under these circumstances must be prioritised. The Bank will also ensure that the capacity to drive a future-fit-DBSA is in place.

4.3.4 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. The Bank pursues such partnerships inside and outside South Africa to fulfil its mandate.

4.4 Strategic enablers

The following key enablers underpin our corporate strategy*:*

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

4.5 DBSA's strategic focus areas

The DBSA will, during the period 2022/23 – 2024/25, continue with the implementation of the current strategy, underpinned by the following key focus areas linked to the DBSA mandate:

- **Inclusive economic recovery in South Africa** – The focus area is directed towards meaningful growth in South Africa and seeks to build on existing initiatives while adapting to current changing market conditions. Agility and focus on the development mandate are

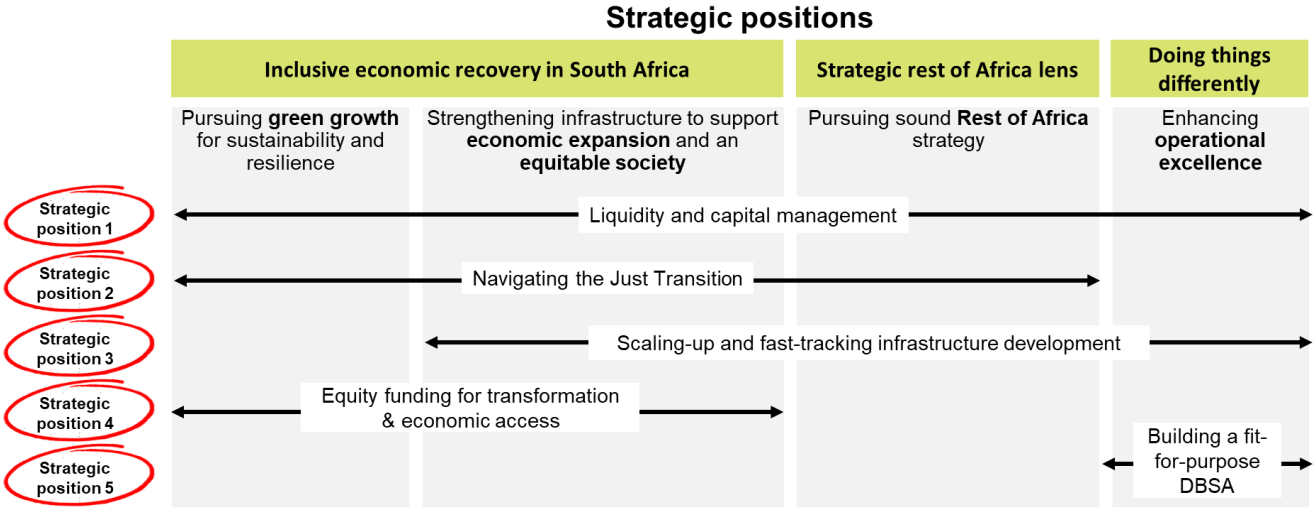
critical to the successful attainment in this focus area. Inclusive economic recovery requires strong governance and the strengthening of institutions which is a by-product of various DBSA initiatives. This focus area incorporates both economic access and transformation. The latter emphasizes patterns of ownership of the South African economy. In this regard, appropriate interventions have been identified to accelerate meaningful black economic transformation and gender mainstreaming in the infrastructure space.

- **Strategic Africa lens** – This focus area is aimed at growing and maintaining a strong position on the rest of the continent while still aligning with the mandate statement, maintaining strong profitability and ongoing liquidity and credit risk management. A sound rest of Africa strategy includes ongoing management of non-performing loan risk and continued collaboration with in-country partners.
- **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.

4.6 DBSA's call to action

At the October 2021 strategy session, the Bank adopted eleven accelerators which underpin the strategy and include **five strategic positions** as well as **six clarified operational approaches** that have a bearing on our mandate and strategy. From a strategic perspective these accelerators require short term prioritisation in order to achieve long term success.

4.6.1 New strategic positions



4.6.1.1 Liquidity and capital management – SDG 9

- Pursue prudential regulation for the DBSA and continue implementing the capital allocation model for DBSA.

4.6.1.2 Navigating just transition towards net zero target – SDG 7, 13

- The Integrated Just Transition Investment Framework adopted by the Bank in 2021 is aimed at ensuring that the energy transition is just, equitable and underpinned by a purposeful shift from an extractive economy to a regenerative economy as well as to ensure that the negative impact of the transition on communities that depend on these energy producing assets is minimised.
- Ongoing activities will be coordinated through a cross functional Sustainable Finance Transformation Working Group (SFTWG) to determine the most appropriate climate related goals, the adequate execution thereon and timeous measurement of these goals.
- A “Green Deep Dive” is underway to assess the current portfolio and recommend the future DBSA portfolio and other relevant details to the approved Integrated Just Transition Investment Framework. These activities will be detailed under the integrated sustainability approach which will be sector specific. Targets will be developed for transitioning the DBSA book to the adopted position by 2050 in a responsible manner with interim targets set to include 2030 milestones and in alignment with Nationally Determined Contributions.

- The DBSA has issued a position statement for the just transition and net zero pathway that is aligned to national policy positions. **(See https://www.dbsa.org/press-releases/dbsa-statement-net-zero)**

4.6.1.3 Scaling-up and fast-tracking infrastructure development – SDG 1,3,4,5, 8,9,11,17

- IF institutionalization and engaging on relevant exemptions to be escalated as part of fast-tracking.
- Pursuing front-loading for under-resourced municipalities on the back of their grants will be prioritised.

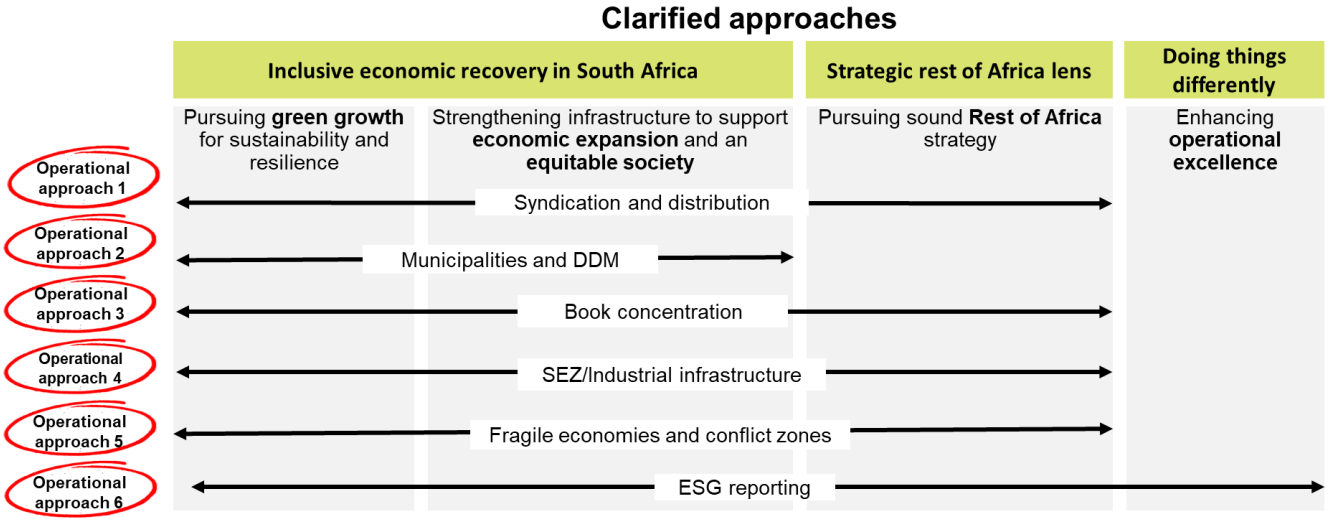
4.6.1.4 B-BBEE funding for transformation and economic access – SDG 1,5,7,9

- Intensify/accelerate origination across all relevant divisions in the Bank by replicating IPP model in other sectors. All initiatives to be aligned with DBSA sectors.
- Increase weight to relevant Group Executives personal KPIs towards BBBEE achievement.
- Provide support for developers who have inadequate equity by offering equity or equity financing.

4.6.1.5 Building a fit-for-purpose DBSA

- 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, start the digital transformation, review the post-lockdown working model and ensuring adequate capacity.

4.6.2 Clarified Operational Approaches



4.6.2.1 Syndication and distribution

- Define and quantify value proposition as well as applicable situations (e.g., approaching limits) for syndication and distribution proposals and implement syndication and distribution policies.

4.6.2.2 Municipalities and the DDM - SDG 1, 3, 4, 5, 6, 7, 8, 10, 11

The integrated approach to municipal funding and lending will entail amongst others:

- Developing and implementing one enhanced and comprehensive Ray Nkonyeni Model (targeted long-term approach) for the Bank, i.e., adopt and support specific districts. This approach will create a borrowing facility to fund intermediate cities, and low-capacity municipalities through the District Delivery Model, bilateral engagements and proactive origination of lending opportunities. It will also improve internal processes for municipal activities – with an added focus on the water sector in rural municipalities. Collaborations will be explored.
- Establishing channels for gathering municipal intelligence through research.

4.6.2.3 Book concentration

- Increase business in other sectors (e.g., social sectors) and broaden geographic reach where risk is acceptable. It also entails applying the agreed syndication and distribution approaches as well as sector diversification to reduce book concentration.

4.6.2.4 Fragile economies and conflict zones

- The Bank will continue to support these areas in a targeted manner to bring stability. It is however key to understand country risk thoroughly and develop a system for analytics and reporting on fragile economies (processes, policy, limits). Partnerships with locals (smart partnerships) is emphasised and if applicable looking through fragility to find value will be applied to invest.

4.6.2.5 SEZ/Industrial infrastructure

- Understand stakeholders' responsibilities and commitments before getting involved is key. The focus will be on basic infrastructure investment and we will utilise partnerships for participating in infrastructure finance and refurbishment/revitalization on a case by case (viable) basis.

4.6.2.6 ESG reporting frameworks – SDG 7, 13

- We will improve and implement ESG reporting, enhance ESG reporting by including fragile economies and undertake ESG research where relevant to gain insights.

4.6.3 Existing initiatives

There is a number of existing initiatives that are ongoing, including the high impact investment portfolio, the development laboratories, innovation hub, off-grid campus, building a digital DBSA, and SA Inc. These initiatives are aimed at acceleration economic development.

4.7 The Balanced Scorecard for the period 2022/23 – 2024/25

The BSC that drives this strategy is provided below:

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
Financial sustainability	• ROE (calculated on sustainable earnings)	CFO	5%	SDG 9	6.56%	5.11%	5.04%	5.16%
	• Cost to income ratio – financing business[1]	CFO	3%	SDG 9	24.0%	32.4%	33.2%	32.8%
Sustainable Growth	• Total Disbursements[2]	GE: Coverage GE: Transacting	15%	SDGs 3, 4, 5, 6, 7, 9, 10, 11, 13, 17	R13.5 billion	R13.5 billion	R13.7 billion	R14.2 billion
Increased self-originated disbursement opportunities	• Value of prepared projects approved	GE: Project Prep	2%	SDG 7, 13	-	R2.5 billion	R3.0 billion	R3.5 billion
Increase SA fixed capital formation	• Value of Infrastructure Delivered	GE: IDD	2%	SDG 1, 3, 4, 5, 8, 9, 11, 17	R3.7 billion	R4.2 billion	R4.9 billion	R5.4 billion
Municipal support	• Value of infrastructure unlocked in under-resourced municipalities	GE: Coverage GE: Project Prep	2%	SDGs SDG 7, 13, 17	R1.2 billion	R1.25 billion	R1.5 billion	R1.5 billion
Unemployment reduction	• Number of jobs facilitated[3]	GE: FinOps GE: Coverage GE: IDD GE: Transacting CIO: DLabs	4%	SDG 1, 8, 9	-	21 000 (Finance = 11 610) (IDD = 9 375) (DLabs = 15)	22 000 (Finance = 11 410) (IDD = 10 580) (DLabs = 10)	24 000 (Finance = 12 505) (IDD = 11 485) (DLabs = 10)

[1] Ratio excludes IDD and includes developmental expenditure, PPD and grants. Where developmental expenditure is underspent, this ratio will be calculated using the budgeted expenditure

[2] The 2022/23 R13.5 billion total disbursements will be disbursed as follows: top 5 metropolitan cities (R2.5 billion), M2/M3 municipalities (R0.5 billion), other social infrastructure excluding municipalities (R0.5 billion), economic infrastructure (R4.9 billion) and Rest of Africa (R4.8 billion).

[3] Strategy map refers to unemployment reduction which includes direct and indirect jobs created and facilitated.

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
Increase SA fixed capital formation	• Provide strategic and operational support to the Infrastructure Fund in order to execute its mandate	Chief Economist	2%	SDG 9, 11	Implementation of the approved business plan by the IF	Implementation of the approved business plan by the IF	Implementation of the approved business plan by the IF	Implementation of the approved business plan by the IF
Increased sustainable developmental outcomes in SA Districts	• Execution of municipal initiatives	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	4%	SDG 1, 3, 4, 5, 6, 7, 8, 10, 11	(i) DDM M&E Framework submitted to the OSC for approval by March 2022 (ii) IMS solution Module 1 (One Plans) deployed by end of March 2022 (iii) Consolidated Lessons Learned Report submitted to OSC for approval by end of March 2022	Number of district municipalities adopted for programmatic approach: 5	Number of district municipalities adopted for programmatic approach: 5	Number of district municipalities adopted for programmatic approach: 5
Increase outcomes through programme outputs	• Number of feasibility studies/student beds through SHIP programme	GE: Project Prep	2%	SDG 4, 8, 9, 11	12 Feasibility studies completed by the end of FY2021/22/ to support ongoing construction activities	6 248 beds	13 688 beds	17 050 beds
Increasing sustainable finance impact through leveraging third party capital	• Value of projects approved for funding by DBSA's existing Climate and Environmental Facilities (e.g., CFF, EGIP etc.)	GE: Project Prep	2%	SDG 7, 13	R400 million	R400 million	R500 million	R500 million
Innovation Initiatives	• Number of D-Labs	CIO	2%	SDG 1,8, 11	2 fully executed and functional programs + 3 new DLabs disbursing	3 new sites disbursing + 3 new DLabs contracted	3 new sites disbursing + 3 new DLabs contracted	3 new sites disbursing + 3 new DLabs contracted
	• Number of transactions approved through the High Impact Investment Portfolio	CIO	2%	SDG 9, 11	2 transactions approved for funding 2 transactions committed for funding	2 transactions approved for funding 2 transactions committed for funding	3 transactions approved for funding 3 transactions committed for funding	4 transactions approved for funding 3 transactions committed for funding

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
Empowerment support	• Number of transactions that are committed for DBSA funding to black-owned entities (50% shareholding and above)	GE: Coverage GE: Transacting	4%	SDG 1, 5, 7, 9	5	6	6	8
	• Number of transactions that are committed for DBSA funding to black women-owned entities (30% shareholding and above)	GE: Coverage GE: Transacting	4%	SDG 1, 5, 7, 9	3	3[4]	4	5
	• Value of projects for black-owned entities (in accordance with relevant sector codes) approved for project preparation funding	GE: Project Prep	2%	SDG 7	-	R1.25 billion	R1.5 billion	R1.6 billion
	• Percentage of procurement spend on black woman owned suppliers for IDD third party fund (30% and above shareholding)	GE: IDD	2%	SDG 1, 5, 7, 9	30% of total procurement spend from B-BBEE suppliers	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
	• Emerging Contractors through the Working Capital Facility - number of transactions approved, committed and disbursing	GE: IDD CIO	3%	SDG 1, 5,7,9	(i)Number of Emerging Contractors Transactions Approved: 5 (30% weight) (ii)Number of Emerging Contractors Transactions Committed: 3 (25% weight) (iii)Number of Emerging Contractors Transactions Disbursing: 2 (25% weight)	Number of emerging contactors transactions disbursing: 4[5]	Number of emerging contactors transactions disbursing: 10	Number of emerging contactors transactions disbursing: 15
	• Establish a ring-fenced SMME lending facility in collaboration with others	GE: Coverage GE: Transacting	2%	SDG 1, 5,7,9,17	R100 million	R100 million	R100 million	R100 million
	• Value committed from funds allocated for BBBEE equity support	GE: Coverage GE: Transacting	3%	SDG 1, 5,7,9,17	-	R100 million	R150 million	R200 million

[4] The estimated value of the current pipeline for Black Women Owned business is R331.7 million

[5] The estimated value of emerging contractor facilities is R42,5 million

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
Increase DBSA efficiency and effectiveness	• Digital DBSA (digitalisation, automation and process re-engineer)	CFO	5%		2 business processes automated for our core business	2 business processes automated for our core business	3 business processes automated for our core business	3 business processes automated
Develop a high performance and accountability culture	• Align DBSA architecture / design and people process to the growth strategy of the organisation	GE: Human Capital	4%		• More than 80% of the PSC sent on time and quality			
					• More than 80% performance review meeting conducted	2 People Processes aligned as per core business requirements	2 People Processes aligned as per core business requirements	2 People Processes aligned as per core business requirements
					• Approval of >80% of PDPs and adherence to PDP			
Smart partnerships	• Client satisfaction survey	GE: Coverage GE: Transacting GE: Project Prep GE: IDD	2%		3.7	3.8	4.0	4.0
	• Stakeholder satisfaction survey	All GEs	2%		-	3.0	3.3	3.5
Improve DBSA governance and risk management	• Irregular, unauthorised and fruitless and wasteful expenditure	Chief Financial Officer	5%		Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure	Classify 0.0% (R value) of expenses as irregular, unauthorised and fruitless and wasteful expenditure
	• Ethical behaviour	Corporate Secretariat	5%		Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour	Decisive consequence management for unethical behaviour

Objective & Strategy Map Link	Key performance indicator	Owner	Weighting	SDG alignment to BSC	Target 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
	• Compliance with the PFMA	Chief Risk Officer	5%		Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline	Submit all PFMA submissions within the stipulated deadline
	• Unqualified Audit opinion	Chief Financial Officer	5%		Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis	Achieve unqualified audit opinion without matter of emphasis

5 Annexures

5.6 ANNEXURE A: COMPLIANCE CHECKLIST

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

5.7 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 a greater development impact, facilitates future lending, provides resilience in tough economic periods, assists in attracting private funding and supports future growth.

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

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

The financial projections (see below) take into account the affordability of the DBSA planned activities without negating the expected delivery on its mandate. The budgets prepared for this plan for the three-year period project approximately R41.7 billion in loan and equity disbursements. The proposed budgets are informed by the need to pay closer attention to the DBSA's balance sheet. 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).

5.7.1 Three-year financial planning assumptions

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

Year	2022/23	2023/24	2024/25
Total ECL coverage ratio	14.00%	14.00%	15.00%
USD/ZAR rate	15.38	16.35	16.96
Year on year inflation rate	4.34%	4.45%	4.60%
Funding base rates	**2022/23**	**2023/24**	**2024/25**
Jibar 6M	4.93%	5.56%	5.93%
Gov't rate 10 to 13 Years	10.09%	10.27%	10.41%
Libor	0.36%	0.77%	0.87%
Approved headcount	**2022/23**	**2023/24**	**2024/25**
Bank	561 (54 vacancies)	561	561
IDD	135 (15 vacancies)	135	135
Green Fund	4	4	4
Total approved	**700**	**700**	**700**

5.7.2 Capital Expenditure Plan

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

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

5.7.3 Loan Book Summary

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

Loan book summary	March 2022 Forecast	2023	2024	2025
SA Financing				
Gross loan book	69,996,380,302	75,086,107,915	79,074,034,777	81,940,586,652
Impairment provision (Incl. interest in suspense)	(4,328,770,964)	(4,748,770,964)	(5,198,770,964)	(5,678,770,964)
Net loan book	65,667,609,338	70,337,336,951	73,875,263,813	76,261,815,688
International Financing				
Gross loan book	26,550,124,806	29,153,744,671	31,846,022,411	33,773,231,260
Impairment provision (Incl. interest in suspense)	(8,273,495,698)	(9,253,495,698)	(10,303,495,698)	(11,423,495,698)
Net loan book	18,276,629,108	19,900,248,973	21,542,526,712	22,349,735,562
Total DBSA	**83,944,238,446**	**90,237,585,924**	**95,417,790,525**	**98,611,551,250**

5.8 Three-year Financial Plan

THREE YEAR FINANCIAL PLAN					
Balance Sheet	**Actual**	**March Forecast**	**3 Year Forecast**		
	FY 2020/21 R'mil	**FY 2021/22 R'mil**	**FY 2022/23 R'mil**	**FY 2023/24 R'mil**	**FY 2024/25 R'mil**
Assets					
Cash & cash equivalents	8,979	9,043	6,025	6,132	6,238
Financial market assets	1,248	812	790	769	749
Equity investments	5,007	5,271	4,673	4,105	3,602
Development loans	82,750	83,944	90,238	95,418	98,612
Development Bonds	1,279	1,230	1,230	1,229	1,228
Fixed assets	487	518	629	747	873
Other assets	296	280	294	309	324
Total Assets	**100,048**	**101,098**	**103,878**	**108,708**	**111,625**
Liabilities					
Other liabilities	902	1,008	1,056	1,103	1,151
Deferred income	503	510	595	669	732
Repurchase agreements	868	-	-	-	-
Medium to long term: debt securities (existing)	35,045	33,398	17,913	13,520	8,765
Medium to long term: lines of credit (existing)	23,452	23,686	17,766	16,097	15,204
Medium to long term: derivatives	127	267	183	159	135
Medium to long term: New debt	-	-	22,063	30,728	36,922
Total Liabilities	**60,897**	**58,869**	**59,577**	**62,276**	**62,910**
Equity					
Share capital	200	200	200	200	200
Retained earnings	24,366	27,558	29,630	31,760	34,044
Other reserves	14,584	14,472	14,472	14,472	14,472
Total Equity	**39,150**	**42,230**	**44,302**	**46,432**	**48,716**
Total equity & liabilities	**100,048**	**101,098**	**103,878**	**108,708**	**111,625**
Debt : Equity Ratio	153%	137.0%	132.1%	131.7%	126.8%
Debt : Equity Ratio (incl R20bn callable capital)	101%	93%	91%	92%	90%

THREE YEAR FINANCIAL PLAN					
INCOME STATEMENT	**FY Mar 2021**	**March 2022 Forecast**	**3 Year Forecast**		
	Actuals R'mil	**2021/22 R'mil**	**FY 2022/23 R'mil**	**FY 2023/24 R'mil**	**FY 2024/25 R'mil**
Total Interest Income	8,341	8,737	8,753	9,260	9,764
Interest expense (post hedging)	(3,449)	(3,228)	(3,550)	(3,778)	(3,929)
Net interest income	**4,892**	**5,508**	**5,203**	**5,482**	**5,835**
Net fee income	46	107	17	31	45
IDD Management fees and other income recovery	138	167	229	259	285
Dividend income	31	13	4	6	5
Project preparation income	19	33	64	66	67
Green Fund deferred income recognised	(10)	3	50	53	55
Other operating income	23	19	-	-	-
Operating income	**5,137**	**5,851**	**5,568**	**5,897**	**6,293**
Impairments	(1,165)	(1,601)	(1,401)	(1,501)	(1,601)
Revaluation on equity investments	(354)	(30)	9	10	6
Operating expense	(1,103)	(1,274)	(1,486)	(1,560)	(1,646)
- Personnel expenses : DBSA	(698)	(742)	(844)	(886)	(931)
- Other expenses : DBSA	(217)	(305)	(357)	(373)	(390)
- Depreciation : DBSA	(31)	(36)	(38)	(38)	(39)
- Personnel expenses : IDD	(135)	(150)	(177)	(189)	(208)
- Other expenses : IDD	(17)	(37)	(56)	(60)	(64)
- Depreciation : IDD	(1)	(1)	(1)	(1)	(1)
- Personnel expenses : Green Fund	(2)	(3)	(9)	(10)	(10)
- Other expenses : Green Fund	(1)	(1)	(3)	(3)	(3)
- Depreciation : Green Fund	-	-	-	-	-
Development expenditure					
Project Preparation	(35)	(60)	(85)	(90)	(90)
Corporate Social Investment	(32)	(26)	(30)	(32)	(33)
Municipal interest subsidy	(1)	-	(20)	(21)	(22)
Municipal planning and capacity support	(77)	(96)	(153)	(157)	(161)
Stakeholder Relation Costs	(0)	(1)	(17)	(18)	(19)
Strategic initiatives (IF, DLABS)	(52)	(91)	(133)	(200)	(230)
Green Fund Grants	(3)	-	(40)	(42)	(44)
Sustainable earnings	**2,316**	**2,670**	**2,212**	**2,287**	**2,455**
Forex adjustments	(893)	514	(74)	(88)	(102)
Revaluation gains / (losses) on other financial instruments	(0)	26	(67)	(68)	(69)
Net profit	**1,423**	**3,211**	**2,072**	**2,130**	**2,284**
RoE (on average equity) - Sustainable earnings	6.04%	6.56%	5.11%	5.04%	5.16%
Net interest margin *	5.25%	5.9%	5.4%	5.5%	5.6%
Cost to income (DBSA)	25.36%	26.5%	35.3%	35.9%	35.7%
Cost to Income ratio IDD	111.17%	112.1%	102.2%	96.4%	95.7%
Cost to Income ratio excl IDD	23.00%	24.0%	32.4%	33.2%	32.8%

THREE YEAR FINANCIAL PLAN					
CASH FLOW STATEMENT	**Actual**	**Forecast**	**3 Year Financial Plan**		
	FY 2020/21 R'mil	**FY 2021/22 R'mil**	**FY 2022/23 R'mil**	**FY 2023/24 R'mil**	**FY 2024/25 R'mil**
Net profit:	**1,423**	**3,211**	**2,072**	**2,130**	**2,284**
Adjustments:	**(2,102)**	**(3,949)**	**(3,482)**	**(3,578)**	**(3,779)**
- Depreciation	32	37	39	39	40
- TA Grants	149	184	221	291	326
- Dividends	(4)	(13)	(4)	(6)	(5)
- Losses on asset disposals	(0)	(0)	-	-	-
- Fee accruals	31	(109)	-	-	-
- Equity gains	322	(15)	(9)	(10)	(6)
- Revaluation gains/(losses)	202	389	-	-	-
- Forex (gains) / losses on equity investments	893	(514)	(167)	(179)	(32)
- Forex (gains) / losses on USD assets	-	-	(939)	(1,316)	(872)
- Forex (gains) / losses on USD funding	-	-	1,179	1,583	1,006
- Impairments	1,165	1,601	1,401	1,501	1,601
- Net interest income	(4,892)	(5,508)	(5,203)	(5,482)	(5,835)
Subtotal	**(680)**	**(738)**	**(1,410)**	**(1,447)**	**(1,495)**
Change in other assets	12	(169)	(14)	(15)	(15)
Change in other liabilities	(77)	(151)	133	121	112
Interest & dividends received	8,305	7,267	8,757	9,266	9,769
Interest paid	(3,109)	(2,746)	(3,550)	(3,778)	(3,929)
Net cash from operating activities	**4,451**	**3,463**	**3,916**	**4,146**	**4,441**
Cash flows from development activities	**(1,977)**	**(960)**	**(6,201)**	**(4,899)**	**(3,706)**
Development loan disbursements	(13,459)	(11,411)	(13,500)	(13,700)	(14,200)
Development loan repayments	11,003	10,487	6,761	8,329	10,209
Net increase in equity investments	134	(78)	758	764	611
Grants paid	(70)	(136)	(221)	(291)	(326)
Net advances on National Mandates	416	178	-	-	-
Cash flows from investment activities	**1,331**	**(31)**	**(128)**	**(137)**	**(146)**
Purchase of PPE & intangible assets	(23)	(75)	(150)	(158)	(165)
Proceeds from PPE	0	-	-	-	-
Movement in FMA	1,354	45	22	21	20
Cash flows from financing activities	**2,352**	**(2,408)**	**(605)**	**995**	**(484)**
Capital raised	-	-	-	-	-
Financial market liabilities repaid	(21,187)	(11,072)	(16,018)	(10,052)	(11,018)
Financial market liabilities raised	23,540	8,664	15,413	11,048	10,534
Net increase / (decrease) in cash & cash equivalents	6,158	64	(3,018)	106	106
Effect of exchange rate movements on cash balances	(638)	1	-	-	-
Movement in cash & cash equivalents	**5,520**	**65**	**(3,018)**	**106**	**106**
Cash & cash equivalents beginning of the year	**3,459**	**8,979**	**9,043**	**6,025**	**6,132**
Cash & cash equivalents end of the year	**8,979**	**9,043**	**6,025**	**6,132**	**6,238**

5.8.1 Dividend policy

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

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

The initial proposal was that the DBSA will allocate an amount equivalent to 3% of sustainable earnings, with reference to the most recent audited annual financial statements. Further engagements on refining the dividend policy will be planned for 2022/23 for final approval at the Annual General Meeting.

5.8.2 Procurement Policy

In line with the requirements of the Public Finance Management Act (1999), the Bank has developed and implemented procurement policies and procedures that also address the BEE requirements set out in government policy and relevant legislation. The DBSA also strives to promote Exempt Micro Enterprises and Qualifying Small Enterprises through its preferential procurement practices. It is currently rated overall as a Level 5 contributor in terms of the Broad-Based Black Empowerment Act and has plans to implement strategies to significantly improve this rating whilst improving participation to 51% black women owned enterprises.

5.8.3 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.

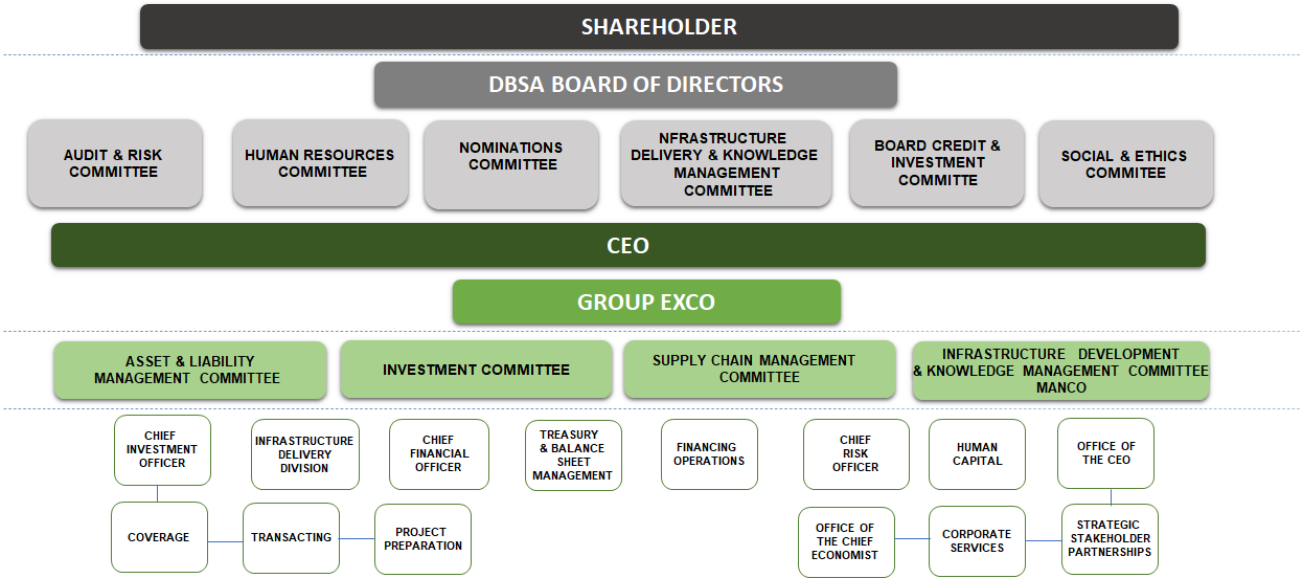
Materiality	Proposed Framework	Resulting figures for 2022/23
Materiality Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements, financial information and non-financial information. Materiality depends on the size and nature of the omission or misstatement.	Quantitative: 1% of Total Assets Qualitative: All losses as a result of Criminal conduct, irregular and fruitless and wasteful expenditure are material. The DBSA has zero tolerance on all acts of criminal conduct.	R 1 billion
Significant		
Section 54(2) of the PFMA states that the accounting authority for a public entity must inform the relevant treasury and submit relevant particulars to its executive authority for approval in respect of any of the following qualifying transactions:		
(a) Establishment or participation in the establishment of a company.	All transactions	-
(b) Participation in a **significant** partnership, trust, unincorporated joint venture or similar arrangement.	1% of the value of total assets	R 1 billion
(c) Acquisition or disposal of a **significant** shareholding in a company.	1% of the value of total assets This excludes transactions in the ordinary course of the business of the DBSA and within the DBSA mandate. This also excludes transactions within the powers and objects of the Bank as stipulated in the DBSA Act.	R 1 billion
(d) Acquisition or disposal of a **significant** asset	1% of the value of total assets.	R 1 billion

Materiality	Proposed Framework	Resulting figures for 2022/23
	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.	
(e) Commencement or cessation of a **significant** business activity.	1% of the value of total assets	R 1 billion
(f) Change in the nature or extent of its interest in a **significant** partnership, trust, unincorporated joint venture, or similar arrangement.	1% of the value of total assets	R 1 billion
(g) Regardless of the above significant threshold, the following transactions are also considered significant; Any transaction that: • Results in the DBSA acquiring or disposing of a shareholding of at least 20% in any entity or structure; • Regardless of the percentage holding, any transaction that results in a direct equity investment exceeding 7.5% of total assets (as per the 2019/20 financial year) of the Bank. • Results in the DBSA being deemed to have control over any entity regardless of the shareholding acquired.	All transactions 7.5% of total assets All transactions	R 7.5 billion

5.9 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 2021 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 12 directors, 9 of whom are independent non-executives, 1 is a National Treasury shareholder representative and 2 are executive directors. The Chief Executive and the Chief Financial Officer are the only executive directors. The

Board charter does not distinguish fiduciary responsibilities of shareholder representatives from that of independent non-executive directors. The Board is the focal point of corporate governance in the DBSA as it is ultimately accountable and responsible for the performance, affairs and behaviour of the Bank.

Board of Directors

			
Prof Mark Swilling (61) Chairman: DBSA Co-Director, Centre for Complex Systems in Transition, Stellenbosch University	**Mr. Patrick Dlamini (51)** Chief Executive and Managing Director	**Ms. Boitumelo Mosako (43)** Chief Financial Officer	**Ms. Patience Nosipho Nqeto (63)** Director of companies
Independent Non-executive Director effective 1 August 2014 Deputy Chairman of the DBSA Board as from 27 September 2019 Acting Chairman of the DBSA Board as of 6 August 2021 **Expertise:** Research, policy analysis, sustainable development, energy transition, urban development and governance **Academic qualifications:** • PhD, Department of Sociology, University of Warwick, UK • Bachelor of Arts Honours, Department of Political Studies, Wits University • Bachelor of Arts, Wits University **Other directorships:** • Member of the International Resource Panel (IRP) and Convenor of the Cities Working Group of the IRP, convened by the United Nations Environment Programme, 2007 - 2020 • Fellow of the World Academy of Arts and Science	DBSA staff member and CEO effective 1 September 2012 **Expertise:** Strategic leadership, human capital development and finance **Academic qualifications:** • Master of Science in Global Finance (MSGF), HKUST-NYU Stern • Advanced Executive Programme, Kellogg School of Management, USA • EDP, University of the Witwatersrand's Business School • Advanced Specialist Financial Management Programme, Business Studies Unit, Natal Technikon • BCom, University of KwaZulu-Natal **Other directorships:** • BOPHYLD: Director • Lanseria Group: Non-executive Director • Morgan Cargo Group: Director	DBSA Group Executive as of 1 April 2018 DBSA staff member and group executive effective: 1 April 2018 and executive director as of 1 June 2018 **Expertise:** Auditing, financial management and strategy **Academic qualifications:** • Advanced Management Programme, Harvard Business School • Chartered Accountant (SA) • Higher Diploma in Auditing, Accounting Professional Training Ltd • Post Graduate Diploma in Accounting, University of Cape Town • BCom Accounting, University of Cape Town **Other directorships:** • None	Independent Non-executive Director effective: 1 August 2017 **Expertise:** Business management, strategic management, people management, financial management, policy management and administration **Academic qualifications:** • MBA, University of Charles Sturt, Australia • Honours (Economics), University of South Africa • BCom, University of Transkei **Other directorships:** • Bongo Strategic Compass (Pty) Ltd: Non-executive Director

• Co-ordinator of the State Capacity Research Group • Director, Friends of Sustainability Education (Non-Profit Company) • Senior Advisor, SystemIQ Plc (London) • Director, Teif IQ (Pty) Ltd (Stellenbosch & Addis Ababa) • Centre for Sustainability Transitions, Stellenbosch • Member of the Advisory Board of the Urban Futures Studio, Utrecht University University-Co-Director and member	• Interloc Freight Services: Director • Siba Advisory Services		

Board of Directors (continued)

			
Ms. Martie Janse van Rensburg (64) Director of companies	**Ms. Anuradha Sing (50)** Executive: Strategic Business Operations MTN Group	**Dr. Blessing Mudavanhu (50)** Founder and President of Dura Capital Ltd	**Ms. Malijeng Ngqaleni (62)** Deputy Director General: Intergovernmental Relations (IGR), National Treasury
Independent Non-executive Director effective: 1 January 2016 **Expertise:** Finance, treasury, project finance, infrastructure delivery and strategy **Academic qualifications:** • Executive Programme in Strategy and Organisation, Stanford University Business • Chartered Accountant (SA) • BCompt Hons, UNISA • BCom, University of the Free State **Other directorships:** • Sephaku Holdings Limited: Non-executive Director and Chairman of the Audit and Risk Committee, member of Remuneration and Nominations Committees • Etion Ltd – AltX listed: Non-executive Director and Chairman of Audit and Risk Committee, member of Remuneration, Nominations and Social and Ethics Committees • Ivanhoe Mines Ltd – TSX listed: Non-executive Director • Independent Regulatory Board for Auditors (IRBA): Non-executive Director, Chairman • First Rand Bank: Non –executive member of the International and Specialised Finance Wholesale Credit Committee • Ashburton Investments: Non-executive member of Investment Credit Committee	Independent Non-executive Director effective: 1 August 2014. **Expertise:** Finance, business investment and strategy **Academic qualifications:** • Being a director part 1 & 2, Institute of Directors • Advanced Management Programme, Insead • MBA, Wits Business School • BSc Eng. (Mechanical), University of Natal (Durban) **Other directorships:** • None	Independent Non-executive Director effective: 1 August 2017 **Expertise:** Banking, director risk management, business management and development finance **Academic qualifications:** • Ph.D. Mathematics, University of Washington, USA • M.S. Financial Engineering, University of California at Berkeley, USA • M.S. Applied Mathematics, University of Washington, USA • B.S. Honours Mathematics, University of Zimbabwe **Other directorships:** • Dura Capital: Executive Director • CBZ Holdings Limited: Executive Director	Independent Non-executive Director effective: 1 January 2019 (Shareholder Representative) **Expertise:** Economics, policy, development finance and intergovernmental relations **Academic qualifications:** • MSc. Agricultural Economics: University of Saskatchewan, Canada • BA Economics: National University of Lesotho **Other directorships:** • None

Board of Directors (continued)

			
Advocate Maseapo Kganedi (47) Company Secretary and Head of Governance, Risk and Legal Compliance – South African Tourism	**Mr Gaby Magomola (77)** Director of Companies	**Mr Petrus Matji (55)** Managing Director of Lion Infrastructure Africa	**Mr Bongani Nqwababa (55)** Director of Companies
DBSA Non-executive Director as from 2 October 2020 **Expertise:** Legal, governance and public sector **Academic qualifications:** • LLM (Corporate Law), University of Johannesburg • Diploma in Legislative Drafting LLB, University of Johannesburg • LLB, University of Johannesburg • Bachelor of Procurius (BProc), University of Johannesburg • Certificate in Driving Government Performance, Harvard Kennedy School • Certificate in Corporate Governance, University of South Africa • Certificate in Pension Law, University of South Africa **Other directorships:** • Gauteng Partnership Fund • Kganedi Business Service	DBSA Non-executive Director as from 2 October 2020 **Expertise:** Credit risk, project finance and strategic leadership **Academic qualifications:** • BCom (Accounting and Economics), University of South Africa • MBA (International Finance), Ball State University, USA • London Banking School (Credit) • Athens (Greece) Banking School (Foreign Exchange) • Diploma (Management of R&D, Innovation and Technology) Massachusetts Institute of Technology, USA **Other directorships:** • Thamaga Pipeline (Pty)Ltd • Gabby Magomola & Ass (Pty)Ltd • Sekwati Group • Letcoflo (Pty) Ltd • Stand 20 Atholl (Pty) Ltd	DBSA Non-executive Director as from 2 October 2020 **Expertise:** Project management, project finance, infrastructure delivery and management. **Academic qualifications:** • BSc (Physics and Applied Mathematics), University of the North • BSc (Hons) Computational Fluid Dynamics, University of the Witwatersrand • MSc (Engineering Sciences, Civil Engineering), University of Stellenbosch • Certificate (Project Management), Damelin Management School • Diploma (Business Management), Varsity College • Management Advanced Programme, Wits Business School • MBL, University of South Africa **Other directorships:** • Overberg Water Board • Morwakoma Matji Investment Holdings (Pty) Ltd • Lion Infrastructure Africa (Pty) • Machidi Development Foundation	DBSA Non-executive Director as from 2 October 2020 **Expertise:** Financial management, risk management operations and strategic leadership **Academic qualifications:** • BAcc (Hons), University of Zimbabwe • FCA, Institute of Chartered Accountants of Zimbabwe • MBA with Merit, jointly awarded by Universities of Wales, Bangor and Manchester **Other directorships:** • Babcock Ntuthuko Engineering (Pty) Ltd • Babcock Plant Services (Pty) Ltd • BCG Consulting • BN Africa Capital (Pty) Ltd • Twenty Fifty Energy (Pty) Ltd

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 Human Resources, Remuneration and Nominations Committee of the Board considers nominations for appointments, and proposes a list to the Board, after which recommendations are made to the Minister for approval. Directors are appointed on a performance contract of three years and are eligible for reappointment, depending on satisfactory performance. The Act further allows the Board to co-opt persons with special knowledge to its committees. A Board induction is conducted for all new Board members.

Board Charter

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

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

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

Board Committees

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

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

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

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

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

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

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

South Africa	MS1 – MS10	Higher than MS10	Higher than Above MS13
Public sector	R1 billion	R500 million	BCIC
Private sector	R500 million	R250 million	BCIC
State Supported Programmes	R250 million	R125 million	BCIC
Rest of Africa	MS1 – MS10	Higher than MS10	Higher than Above MS13
Low risk countries	R1 billion	R300 million	BCIC
Medium risk countries	BCIC	BCIC	BCIC

Project Preparation	IC	BCIC
South Africa and common monetary area	<R30 million	>R30 million
International (outside of common monetary area)	<USD 2 million	>USD 2 million

- **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 Nomination Committee. During the year under

review, 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. As a result, the committee's name changed from Human Resources, Remuneration and Nomination Committee (HRNC) to Human Resources and Remuneration Committee (HRC).

- **Nominations Committee (NOMCO)**

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. 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.

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

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

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

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

Composition of DBSA Board and Board Committees

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

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

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 II. 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 III 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 Finance 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 (58)	**Mr. Paul Currie (59)**	**Ms. Bathobile Sowazi (49)**	**Ms. Catherine Koffman (49)**
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 **Directorships** None	**Chief Investment Officer** DBSA staff member and Group Executive as from: 17 May 2010 **Academic qualifications** • Advanced Management Programme, INSEAD • MBA (with distinction), Institute of Financial Management, Manchester Business School and University of Wales • Chartered Accountant (SA) • Postgraduate Diploma in Accountancy, University of Port Elizabeth • BCom (Accounting), University of Port Elizabeth. • BSc (Physiology), University of Cape Town **Directorships** None	**Company Secretary** DBSA Company Secretary from 1 May 2010 **Academic qualifications** • LLB, Rhodes University • BA Law, University of Swaziland • Advanced Banking Law, University of Johannesburg • Project and Infrastructure Finance Programme, London Business School • Transition to General Management Programme, INSEAD **Directorships** Batsano Investments (Pty) Ltd	**Group Executive: Project Preparation** DBSA staff member and Group Executive as from 1 February 2021 **Academic qualifications** • Admitted Attorney • Master of Laws, University of the Witwatersrand • Bachelor of Laws, University of the Witwatersrand • Bachelor of Arts (Law), University of the Witwatersrand • Master of Business Administration: London School Economics; New York Business School Stern; HEC Paris **Directorships** • Adapt IT Holdings Ltd • SwissRe (Pty) Corporate Solutions Africa Ltd

Executive Management (continued)

			
Mr. Michael Hillary (51)	**Mr. Mohan Vivekanandan (48)**	**Mr. Chuene Ramphele (47)**	**Ms Sheila Motsepe (52)**
Group Executive: Financing Operations DBSA Staff member and Group Executive as from 1 October 2012 **Academic qualifications** • MBA, University of Witwatersrand. • BCom Hons, University of Witwatersrand • CAIB (SA), Institute of Bankers **Directorships** Chairman: Old Mutual Housing Impact Fund: (DBSA nominee)	**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 • Bachelor of Arts (Honours) in Economics and Mathematical Methods in the Social Sciences (MMSS), Northwestern University, USA • Project and Infrastructure Finance Programme, London Business School **Directorships** One & Only Hotel Cape Town (DBSA nominee)	**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 • Baccalaureus Technologiae: Public Management, UNISA • Advanced Management Development Programme, University of Pretoria • National Diploma: Public Management and Administration, Technikon Northern Transvaal **Directorships** • Supplier Development Facility (Pty) Ltd: Non-executive Director • Ecocars Traders (Pty) Ltd: Non-executive Director	**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 **Directorship** None

Executive Management (continued)

		
Ms. Zodwa Mbele (50)	**Mohale Rakgate (47)**	**Mpho Kubelo (44)**
Group Executive: **Transacting** DBSA Staff member as of 10 October 2016 and Group Executive as from 1 October 2017 **Academic qualification** • Advanced Management Programme, Harvard Business School • Executive Development Programme, University of Stellenbosch Business School • Management Advanced Programme, WITS Business School • Certificate in International Treasury Management ACT (UK) • CA (SA) • Bachelor of Accounting Science Honours Unisa • Baccalaureus Paedonomia University of Zululalnd **Directorship** • Stanlib Infrastructure Fund: Credit Committee • Vodacom Insurance and Life Assurance Companies: Non-Exec Director • Vergenoeg Mining (Pty) Ltd: Non-Executive Director • Merchant West (Pty) Ltd: Non-Executive Director	**Chief Investment Officer: Infrastructure Fund** DBSA staff member from 01 December 2007 Group Executive as from 01 October 2017 **Academic qualification** • Master of Science in Global Finance, HKUST-NYU Stern • Project and Infrastructure Finance Programme, London Business School • Advanced Management Programme, Harvard Business School • Post-Graduate Certificate in International Management, University of London • Bachelor of Commerce (Accounting), University of Limpopo **Directorship** Director: Proparco: (DBSA Nominee)	**Group Chief Risk Officer** DBSA Staff member as from 1 November 2007 Group Executive as from 6 October 2017 **Academic qualifications** • Executive Development Programme, GIBS (2015) • MBA, University of Witwatersrand: Business School (2013) • CFA Charter (2009) • Post Graduate Diploma in Business Administration, University of KwaZulu Natal (2003) • BSC Electrical Engineering, University of Witwatersrand (1999) • MS Risk Management, Stern Business School (New York University) (2019) **Directorship** Development Bank of Zambia (Non-executive DBSA nominee)

5.10 ANNEXURE D: EMPLOYMENT EQUITY PLAN

In support of the overall DBSA Vision, the Employment Equity (EE) vision is to build a transformed and high performing workforce that is representative of the demographics of the country. The three-year EE Plan has been developed and will be implemented 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 non-numerical goals contained in the Bank's EE Policy 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.

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

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%	70%	70%	70%	70%	50%	30%	30%	40%	50%
Senior Management	68%	65%	67%	67%	68%	37%	24%	30%	35%	37%
Professionally Qualified	72%	72%	72%	72%	72%	36%	35%	35%	36%	36%
Skilled Tech	84%	85%	85%	85%	84%	59%	61%	60%	59%	59%
Semi-Skilled	N/A	98%	98%	98%	98%	N/A	45%	45%	45%	45%
Unskilled and defined decision making		100%	100%	100%	100%		81%	81%	81%	81%
TOTAL		82%	82%	82%	82%		46%	47%	49%	51%

The Bank will henceforth focus on increasing its female representation at the top three levels to 50% over the next three 3 years, which would translate to an increase of 20%

at the Top Management, 15% at Senior Management and 5% at Professionally Qualified Middle Management. Above will be achieved through opportunities such as vacancies and retirements (for appointment and promotion), supported by definitive talent development programmes.

The Bank will also focus its efforts anew on People with Disabilities as well as opportunities for permanent employment. The Employment Equity and Skills Development Committee is fully reconstituted and have been trained on their role as a committee. The committee has identified Barriers and Affirmative Action (AA) measures through a consultation process with Bank employees. The key focus for the committee is to ensure that these barriers are addressed, and AA measures are implemented.

5.11 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 behaviors. DBSA will not condone any form of fraud, corruption or other financial crime. The DBSA guards against the perception of impropriety as well as the reality thereof.

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

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

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

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

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

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

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

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

Purpose and scope

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

Establishing a Zero Tolerance Environment

Zero-tolerance is a fundamental aspect of the plan and will be cemented into place through appropriate policy, procedures and management support. This is inclusive of

the proverbial “Tone at the Top” – which includes regular communication from the DBSA Executive and Management confirming the Zero Tolerance stance.

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

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

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

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

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

Fraud Reporting Mechanisms

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

(and higher if the employee has similar concerns in respect of their Group Executive). The DBSA Whistleblowing Policy details the escalation policy for reporting of incidents and allegations.

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

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

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

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

Tip Off's Anonymous Hotline

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Crime Typologies

- **Corruption**

It is important to note that Corruption is termed Bribery in other jurisdictions, including those in which the DBSA has formed contractual relationships. Snyman (Snyman Criminal Law 2014 (403)) defines corruption simply as **accepting** any gratification from anybody else or **giving** any gratification to anybody else in order to influence the

receiver to conduct themselves in in a way which amounts to an unlawful exercise of any duties, commits corruption.

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

Any person who. directly or indirectly –

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

Is guilty of the offence of corruption.

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

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

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

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

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

- **Theft**

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

- **Fraud**

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

- **Cybercrimes**

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

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

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

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

DBSA Response to Fraud and Corruption

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

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

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

Understanding the Risks

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

In support of the enterprise-wide risk management framework as managed by the DBSA Risk Management Unit, as well as to direct Internal Audit fraud and corruption

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

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

Proactive Defence Through Due Diligence Activities

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

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

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

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

Internal Audit are superusers for the Lexis Nexis suite of Governance Products, including the ProcureCheck database, against which all prospective employees,

consultants and suppliers are checked in order to identify potential conflicts of interest and other fraud and corruption related red flags. The DBSA Compliance Unit also performs PEP Checks. The results of such checks are shared with the SCM and Human Capital where appropriate and as required for internal policy and procedure purposes.

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

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

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

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

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

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

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

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

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

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

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

DBSA Business Processes supporting the Prevention of Fraud and Corruption

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

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

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

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

Governance, Monitoring and Review

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

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

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

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

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

Policy Enforcement and Sanctions

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

5.12 ANNEXURE F: FUNDING PLAN AND BORROWING PROGRAMME

Introduction

The purpose of this Annexure is to outline the Bank's borrowing requirements for the 2022/23 – 2024/25 financial years and recommend both the required annual borrowing limit and the updated Foreign Currency Borrowing Limit in line with the requirements of Sections 66(a) and 66(b), respectively, of the Public Finance Management Act No. 1 of 1999.

Key points on the DBSA funding strategy

The focus during 2022/23 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 Land Bank default which will be paramount both to normalising the Bank's funding operations and driving down borrowing costs to pre-pandemic levels.
- Developing a Sustainable Development Goals (SDG) Bond Framework and/or other sustainability finance frameworks to access the growing global impact investor universe.
- Exploring 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.
- Managing the redemption of the DV23 bond in order to reduce the outstanding size of the issue to within manageable levels by the bond's February 2023 maturity date.

Funding raised 1 April 2021 – 31 December 2021

Net borrowings for the period are well within the Board approved limit for the current financial year, of R6 billion. The bulk of the funding sourced was through a new Green Bond (R3bn) concluded in October, and fully subscribed to by funds managed by US fixed income manager, PIMCO.

The Bank's policy is to manage minimum liquidity levels along the lines of the Basel 30-day liquidity coverage ratio. From the onset of the COVID-19 driven market dislocation however, liquidity has more conservatively been managed at a level closer to 90-day cover, resulting in larger cash holdings during this period, and a resultant LCR well above the policy minimum of 100%.

Charts **1** and **2** below depict the Bank's funding by currency and source, respectively, as of 31 December 2021.

Chart 1: Funding split by currency as of 31 December 2021

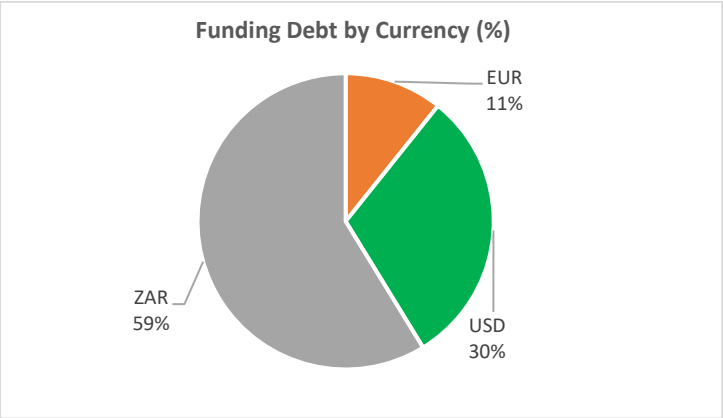
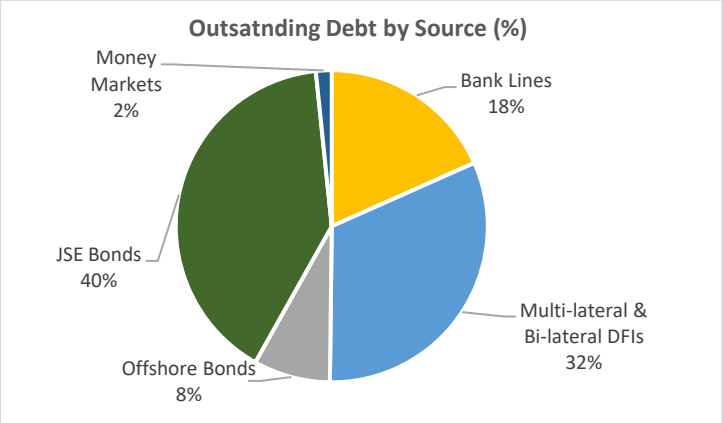


Chart 2: Funding split by source as of 31 December 2021



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. 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 ratio of 250%;
- Maintaining credit ratings at defined minimum levels; and
- Various information undertakings in terms of projects financed.

Current liability maturity profile

The Bank's liquidity gaps in the various currencies are set out in tables 1 to 3 below:

Table 1: ZAR Liquidity Gaps – 31 December 2021

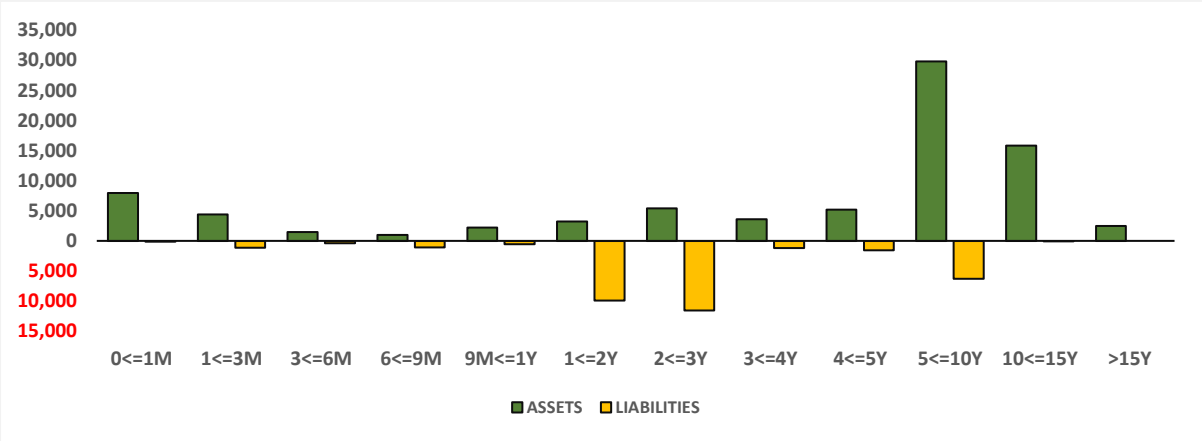


Table 2: USD Liquidity Gaps – 31 December 2021

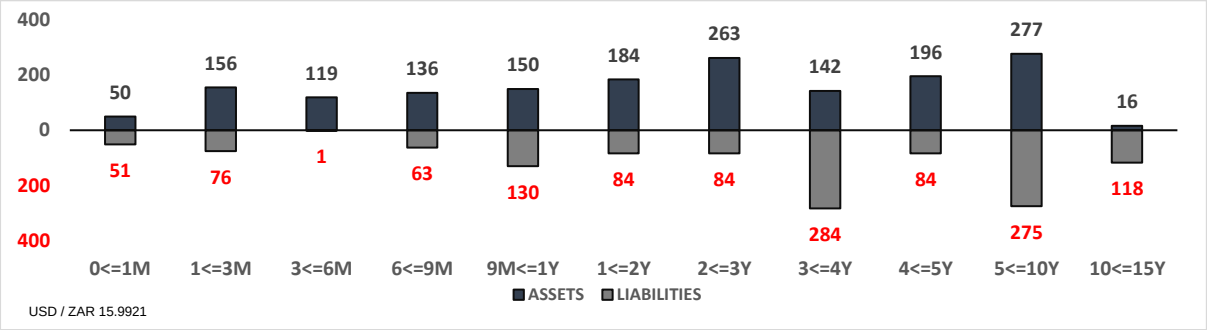
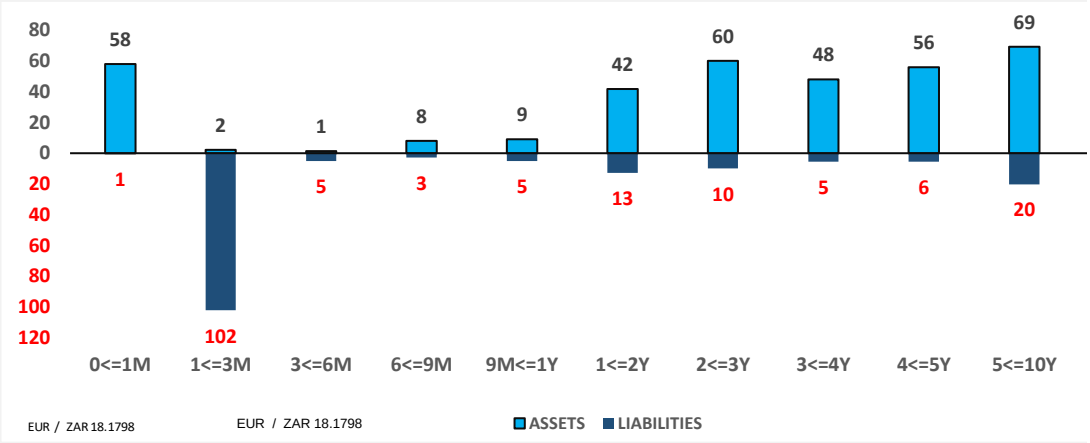


Table 3: EURO Liquidity Gaps – 31 December 2021



Proposed borrowing programme for the 2022/23 – 2024/25 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/forward exchange rate for USD / ZAR and EURO / ZAR.

The projected cashflow forecast and resultant borrowing requirements for the next three financial years is reflected in **table 4** below.

Table 4: Projected Borrowing Requirement for FY 2023 to 2025

	FY23 - Forecast			FY24 – Forecast			FY25 - Forecast		
FX rates	**1.00**	***15.3820***	**Total**	**1.00**	***16.3516***	**Total**	**1.00**	***16.9566***	**Total**
Cashflows	**ZAR**	**USD**	**ZAR**	**ZAR**	**USD**	**ZAR**	**ZAR**	**USD**	**ZAR**
Capital received	3,608	205	6,761	4,568	230	8,329	6,089	243	10,209
Interest received	7,698	69	8,757	7,713	95	9,266	7,700	122	9,769
Disbursements	8,500	325	13,500	8,600	312	13,700	8,900	313	14,200
Capital repaid	12,808	209	16,018	4,983	310	10,052	7,033	235	11,018
Interest paid	2,980	37	3,550	2,879	55	3,778	2,657	75	3,929
Other inflows	1,198	9	1,334	690	9	835	760	6	866
Other outflow	1,526	26	1,926	1,589	30	2,080	1,612	35	2,205
Total	**13,310**	**314**	**18,142**	**5,081**	**373**	**11,180**	**5,654**	**286**	**10,508**
Borrowing Limit Requirement - Total	**7,722**	**500**	**15,413**	**6,797**	**260**	**11,048**	**6,464**	**240**	**10,534**
FX debt balance		**1,757**			**1,707**			**1,712**	
FX debt balance in ZAR		**27,024**			**27,909**			**29,027**	
FX debt incl Volatility Buffer (15%)		**31,077**			**32,096**			**33,381**	

Foreign currency borrowing requirement

As at 31 December 2021, the Foreign Currency Borrowing Limit utilisation, was **USD 1.515 bn** or **R24.2 bn vs current limit of R32.520bn.**

Table 5: Total Foreign Currency Debt – 31 December 2021

Lender	EUR	USD	Total in USD (millions)
Agence Francaise Developpement	(213)	(88)	(330)
European Investment Bank		(105)	(105)
Kreditanstalt Fur Wiederaufbau	(62)	(159)	(229)
Mizuho Bank Ltd. London		(125)	(125)
Standard Chartered Bank MIGA		(147)	(147)
Standard Chartered Bank, London	(70)		(80)
The Export-Import Bank of China		(200)	(200)
The New Development Bank		(300)	(300)
		Grand Total	**(1,515)**

EURO / USD at 31 Dec 2021 - 1.1368

Table 6: Forecast on FX Utilisation

	Dec 2021 - Actual			March 2022 - Forecast			FY23 - Forecast			FY24 - Forecast			FY25 - Forecast		
Balances	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR
Cash	7,131	96	8,669	7,831	60	8,754	2,242	246	6,025	3,958	133	6,131	4,769	87	6,237
Dev loans	61,542	1,336	82,901	62,012	1,355	82,862	66,904	1,476	89,601	70,936	1,557	96,403	73,747	1,627	101,336
Equities	2,219	195	5,337	2,017	192	4,971	1,350	192	4,303	1,000	170	3,780	930	140	3,304
Other assets	6,465	76	7,681	3,455	34	3,979	3,400	50	4,169	1,500	50	2,318	1,000	60	2,017
Bonds & loans	33,552	1,515	57,773	32,552	1,466	55,094	27,466	1,757	54,489	29,279	1,707	57,189	28,710	1,712	57,737
Other liabilities	348	161	2,924	348	155	2,732	500	200	3,576	500	200	3,770	500	200	3,891
Equity	**43,458**	**27**	**43,892**	**42,415**	**21**	**42,740**	**45,931**	**7**	**46,033**	**47,615**	**3**	**47,672**	**51,236**	**2**	**51,266**

	Dec 2021 - Actual			March 2022 - Forecast			FY23 - Forecast			FY24 - Forecast			FY25 - Forecast		
Balances	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR	ZAR	USD	Total ZAR
Total assets	77,357	1,703	104,589	75,315	1,642	100,566	73,896	1,963	104,098	77,394	1,910	108,631	80,446	1,914	112,894
Total liabilities	33,899	1,676	60,697	32,899	1,621	57,826	27,966	1,957	58,066	29,779	1,907	60,959	29,210	1,912	61,629
Equity	**43,458**	**27**	**43,892**	**42,415**	**21**	**42,740**	**45,931**	**7**	**46,033**	**47,615**	**3**	**47,672**	**51,236**	**2**	**51,266**

Table 7: Projected Currency Funding Split to FY 2025

	FY23		FY24		FY25	
	ZAR	USD	ZAR	USD	ZAR	USD
Disbursements	63%	37%	63%	37%	63%	37%
Funding	50%	50%	62%	38%	61%	39%

Based on the forecast in **Tables 4** and **6**, the projected foreign currency borrowings are expected to amount to:

- For the financial years 2022/23 – R31.1 bn
- For the financial year 2023/24 – R32.1 bn
- For the financial year 2024/25 – R33.4 bn

The borrowing projections in **Table 4** incorporate a buffer of 15%. This is required to cater for the following scenarios:

a) Assessing the volatility of the of the USD/ZAR exchange rates over the period 31 December 2019 to 31 December 2021, reveals a variation of 29.7% in the exchange rate with a low of R13.4421 and a high of R19.1096. The 15% buffer incorporated therefore falls well within the aggregate exchange rate movement**;** and

b) Should local investors' appetite remain subdued for SOE paper over the next 3 years, the funding split (ZAR/USD) set out in **Table 7** would need to be revised, increasing the Bank's borrowings in USD and potentially requiring a Foreign Currency Borrowing Limit in excess of that set out in **Table 4.**

Available funding sources

As of 31 December 2021, a total of R2.8 billion funding can still be accessed through committed facilities.

Table 8: Committed Facilities

COMMITTED AVAILABLE FACILITIES					
Lender type	**Facility type**	**EUR**	**USD**	**ZAR**	**Total - ZAR**
Local bank	Credit facility			1,500	1,500
International DFI	Credit facility	22			399
International DFI	Credit facility	6	50		908
Total		**28**	**0**	**1,500**	**2,807**

USD / ZAR	15.9921
EURO / ZAR	18.1294

Funding sources

Whilst the domestic Debt Capital Markets has gradually reopened for debt issuance post its virtual shutdown following the lockdowns initiated in response to the COVID-19 pandemic, investor appetite for SOE issuance remains muted in the context of the continuing Land Bank default.

The Bank has nevertheless, through a concerted strategic shift managed to conclude a number of funding arrangements with select bond fund managers and other bi-lateral lenders. In addition to the funds raised through this strategy over the past 18 months, the Bank has a healthy pipeline of funding sources at different stages of negotiation in ZAR, Euro and USD. Of this, some R6 billion of new funding is expected to be concluded by 31 March 2022, with the conclusion being subject to loans disbursement demands.

The table below depicts potential funding sources for FY2022/23. 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. Funding facilities at various stages of negotiation are depicted in **Table 9** below.

Table 9: Potential sources of funding

FACILITIES UNDER NEGOTIATION					
Lender	**Lender type**	**Facility type**	**Currency**	**Amount in currency**	**Amount in ZAR**
International Bank	Commercial Bank	Syndicated Loan	USD	200,000,000	3,198,420,000
International Bank	Commercial Bank	Syndicated Loan	Euro	20,000,000	362,588,000
DFI	DFI	Line of Credit	Euro	50,000,000	906,470,000
DFI	DFI	Line of Credit	USD	200,000,000	3,198,420,000
Local Bank	Commercial Bank	Credit facility	ZAR	1,500,000,000	1,500,000,000
Local Bank	Commercial Bank	Credit facility	ZAR	1,500,000,000	1,500,000,000
DFI	DFI	Line of Credit	ZAR	3,300,000,000	3,300,000,000
Total in ZAR Equivalent					**13,965.898,000**

USD / ZAR	15.9921
EURO / ZAR	18.1294

Table 10: Projected Funding per Instrument

	FY23			FY24			FY25		
FX Rates	**ZAR 1.0000**	**USD 15.3820**	**Total**	**ZAR 1.0000**	**USD 16.3516**	**Total**	**ZAR 1.0000**	**USD 16.9566**	**Total**
1. DOMESTIC BORROWINGS									
a. Bonds	3,500		3,500	3,000		3,000	3,000		3,000
b. Bank loans	1,600		1,600	1,000		1,000	1,000		1,000
c. Commercial paper			0			0			0
d. Money market paper	1,622		1,622	1,000		1,000	1,000		1,000
e. DFI	1,000		1,000	1,797		1,797	1,464		1,464
f. Syndicated loans			0			0			0
g. Govt loan			0			0			0
h. Other			0			0			0
2. FOREIGN BORROWINGS									
a. Bonds	0		0			0			0
b. ECAs	0		0			0			0
c. Syndication programmes		200	3,076		100	1,635		100	1,696
d. DFI/Multilateral agencies	0	300	4,615		160	2,616		140	2,374
e. Other	0		0			0			0
TOTAL BORROWINGS	**7,722**	**500**	**15,413**	**6,797**	**260**	**11,048**	**6,464**	**240**	**10,534**

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.

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 2021 were:

Table11: Credit Ratings

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

As a direct result of the protracted Landbank default Moody's both dropped the Bank's national scale rating by one notch, and in a historic first, dropped the DBSA rating a notch below that of the sovereign.

Recommendations

- **Borrowing Limit:**

  As reflected in **Table 4**, the projected funding shortfall for the 2022/23 financial year amounts to **R15.4 billion** equivalent. However, as an added prudent measure to cater for foreign exchange rate volatility, loans disbursements exceeding target levels, market driven changes in liquidity requirements, and other unforeseen events and factors that may impact on these projections, it is

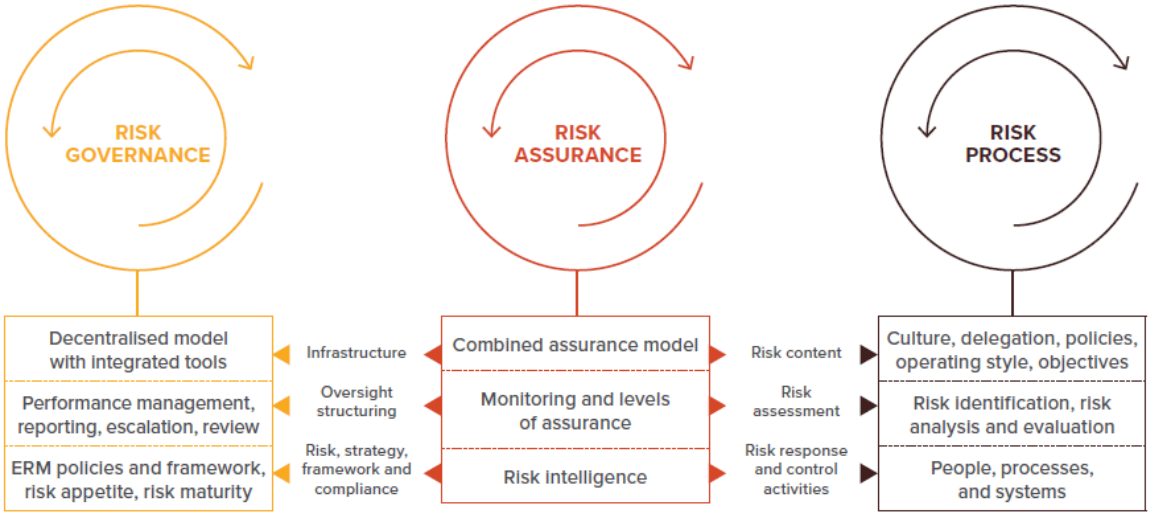
recommended that, excluding rollover of revolving credit facilities and other short-term funding, the Board approves total borrowings of **R17.4 billion** equivalent (i.e., **net** new borrowings of **R1.4 billion**) for the financial year 2022/23.

- **Foreign Currency Borrowing Limit:**
  - For the financial years 2022/23 – **R31.1 billion**;
  - For the financial year 2023/24 – **R32.1 billion; and**
  - For the financial year 2024/25 – **R33.4 billion**

5.13 ANNEXURE G: RISK REGISTER[7]

Risk management 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.



Risk Governance

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

Risk assurance

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

Risk process

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

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

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

Risk Categories

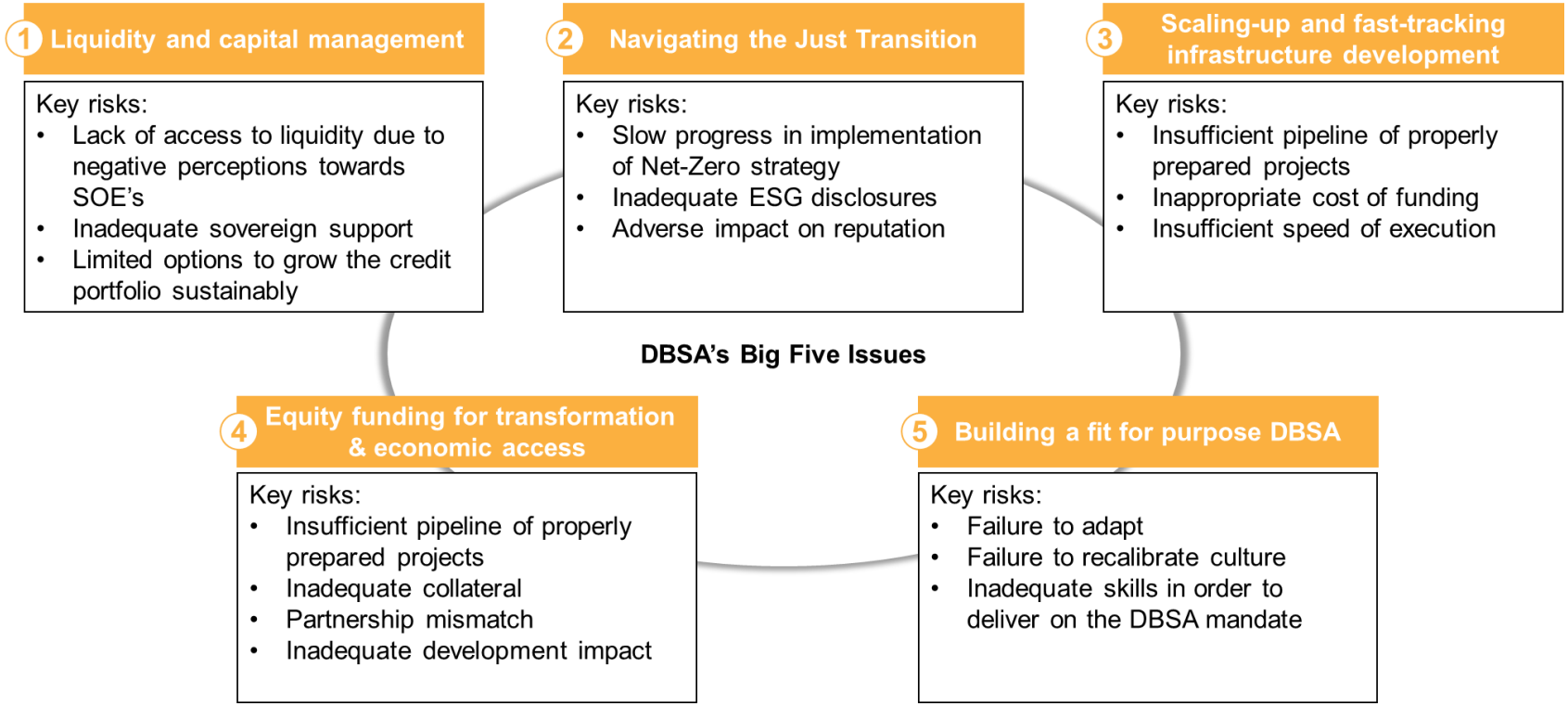
DBSA's risk universe is categorised into 4 main categories and several sub-categories.

Strategic Risk	Business Risk	Financial Risk	Operational Risk
• Strategy and operating model	• Credit default	• Liquidity	• People
• Reputation	• Credit concentration	• Market	• IT systems, data and security
• Capital	• Country	• Treasury counterparty	• Supply chain
• Sustainability	• Infrastructure implementation		• Legal
	• Development results		• Compliance
			• Conduct
			• Process
			• Occupational Health and Safety
			• Business continuity

Key risks related to the DBSA's strategy

Mandate pillars	Key risks
1. Infrastructure development is a key pillar in South Africa's growth and development agenda	• Poor process execution • Insufficient pipeline of properly prepared projects
2. Spurring the informal economy through a development dividend	• Insufficient reach of initiatives • Inadequate pace of deployment
3. Contributing to sustainability as well as climate adaptation and mitigation	• Slow progress in implementation • Inadequate resources
4. Supporting cities to promote economic growth and spatial development	• Insufficient pipeline of properly prepared projects • Under-performance in municipalities
5. Providing planning and implementation support to municipalities, with specific emphasis on lower tier secondary cities and under-resourced municipalities	• Lack of planning capacity • Deteriorating credit worthiness • Poor project selection and implementation
6. Support to large state-owned companies	• Record of under-performance and inefficiency
7. The DBSA should serve both domestic and regional requirements	• Mismatch between DBSA scope and available resources • Insufficient pipeline of properly prepared projects
8. Crowding in third parties, especially the private sector	• Increasing competition with the private sector
9. Lifting the standard of living through social infrastructure development	• Inadequate pace of deployment
10. Financial sustainability is key if the DBSA is to remain viable	• Increasing costs • Deterioration in credit quality of the book due to the economic environment
11. The DBSA should continue to identify niche markets and improve its performance	• Misaligned expectations with the shareholder
12. Performance Reporting	• Under-performance • Misalignment or inappropriate matrices for measuring performance or KPIs

DBSA's Big Five Issues and key risks



BIG ISSUE 1: LIQUIDITY AND CAPITAL MANAGEMENT (1/1)

DBSA

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
FR	1. Lack of access to liquidity due to negative perceptions towards SOE's	• History of under-performance by SOE's	• Inability to fund new deals • Inability to increase development impact	• Stakeholder and partnership management • Increased transparency • Consistent commendable financial performance
SR	2. DBSA may have inadequate sovereign support to meet its ambitious mandate	• Constrained fiscus	• DBSA may not be able to grow/scale quickly enough to meet its mandate • DBSA may become an "irrelevant DFI" as a result	• Consider pursuing being regulated by the South African Reserve Bank in order to build market confidence through greater transparency which would allow for raising additional capital
FR	3. There may be limited options to grow the credit portfolio sustainably	• DBSA mandate implies an increased risk appetite which would require funding of high-risk assets	• Increasing credit risk and subsequent NPLs	-

6

6

BIG ISSUE 2: NAVIGATING THE JUST TRANSITION (1/1)

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
SR	There may be slow progress in diversifying DBSA's loan book away from fossil fuel-based energy sources	• Insufficient clean energy deal flow • Insufficient resources to pursue more green projects • Long term nature of existing energy projects	• Conflict between DBSA and its international funding partners • Adverse impact on reputation	• Develop and implement a Net Zero strategy • Consider selling the book off, to create headroom for cleaner projects
OR	DBSA may fail to disclose its current ESG performance adequately and thereby create an incorrect impression with funders and other stakeholders	• Poor data quality on projects • Misalignment of process that make reporting more challenging	• Increasing pressure to improve ESG performance • Adverse impact on DBSA's reputation • Reduced ability to source funding particularly concessional green funding to balance out more expensive sources	• Adoption of an appropriate ESG reporting framework and Net-Zero strategy

7

7

BIG ISSUE 3: SCALING UP AND FAST-TRACKING INFRASTRUCTURE DEVELOPMENT(1/1)

DBSA

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
FR	There may be an insufficient pipeline of properly prepared projects	• Market and regulatory uncertainty • Cumbersome processes • Political uncertainty	• Stagnating or decreasing loan book • Failure to meet mandate	-
FR	Inappropriate cost of funding i.e., higher than competitors	• Financial market conditions especially perceptions of SOE's • DBSA's cost structure	• Rapid loan book run off • Increasing need to pursue projects where there is no debt market yet	-
OR	Insufficient speed of execution of projects	• Lengthy processes (timelines) • Inadequate resources • Inadequate planning and preparation	• Stakeholder dissatisfaction	-

8

BIG ISSUE 4: Equity Funding for Transformation (1/2)

DBSA

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
SR	1. Insufficient pipeline of properly prepared projects	• Insufficient funding and other resources for preparation activities	• Inadequate development impact	• Project preparation activities
FR	2. Prospective partners may have insufficient collateral	• Lack of a track record and relevant assets	• Inadequate development impact	-
SR	3. There may be partnership mismatches where DBSA is unable to find a suitable business partner (BEE/BWO, Communities or interested parties).	• Inappropriate selection criteria • Inappropriate expectations from the market • Warehousing for a short-term with the aim to dispose after, exposes the bank to possibility of not finding a business partner/buyer.	• Financial losses • Adverse impact on reputation	• Flexible equity warehousing strategy • Marketing strategy to ensure awareness

BIG ISSUE 5: BUILDING A FIT FOR PURPOSE DBSA (1/2)

DBSA

Doing Things Differently

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
OR	1. Failure to maintain adequate responsiveness and agility to respond to the changing Digital Transformation Environment	• Scarcity of technical talent to drive automation. • Failure to respond timeously and ratify decisions made as required • Failure to adopt adequate technical infrastructure or prioritise IT investments • New and more powerful forms of automation are emerging rapidly. These include robotic process automation (RPA) and cognitive automation tools deploying machine learning, natural language processing, and other forms of artificial intelligence. • The working from home induced by Covid-19 pandemic	• Loss of Business opportunities • Failure to improve business relationships through digitization (both internal and external)	• ICT to apply agile project management approach for their strategy e.g., Microsoft has migrated recordings to OneDrive with email-based permission controls and Microsoft Training provided • Strategic drive to Digital transformation of key support functions such as procurement, legal, human resources, etc. • Cutting internal red tape where relevant • Performance management • Flexible work arrangements and moving to incorporate hybrid working model • Ensure that we have digitally savvy employees. • Ensure user-friendly technology.

10

BIG ISSUE 5: BUILDING A FIT FOR PURPOSE DBSA (2/2)

DBSA

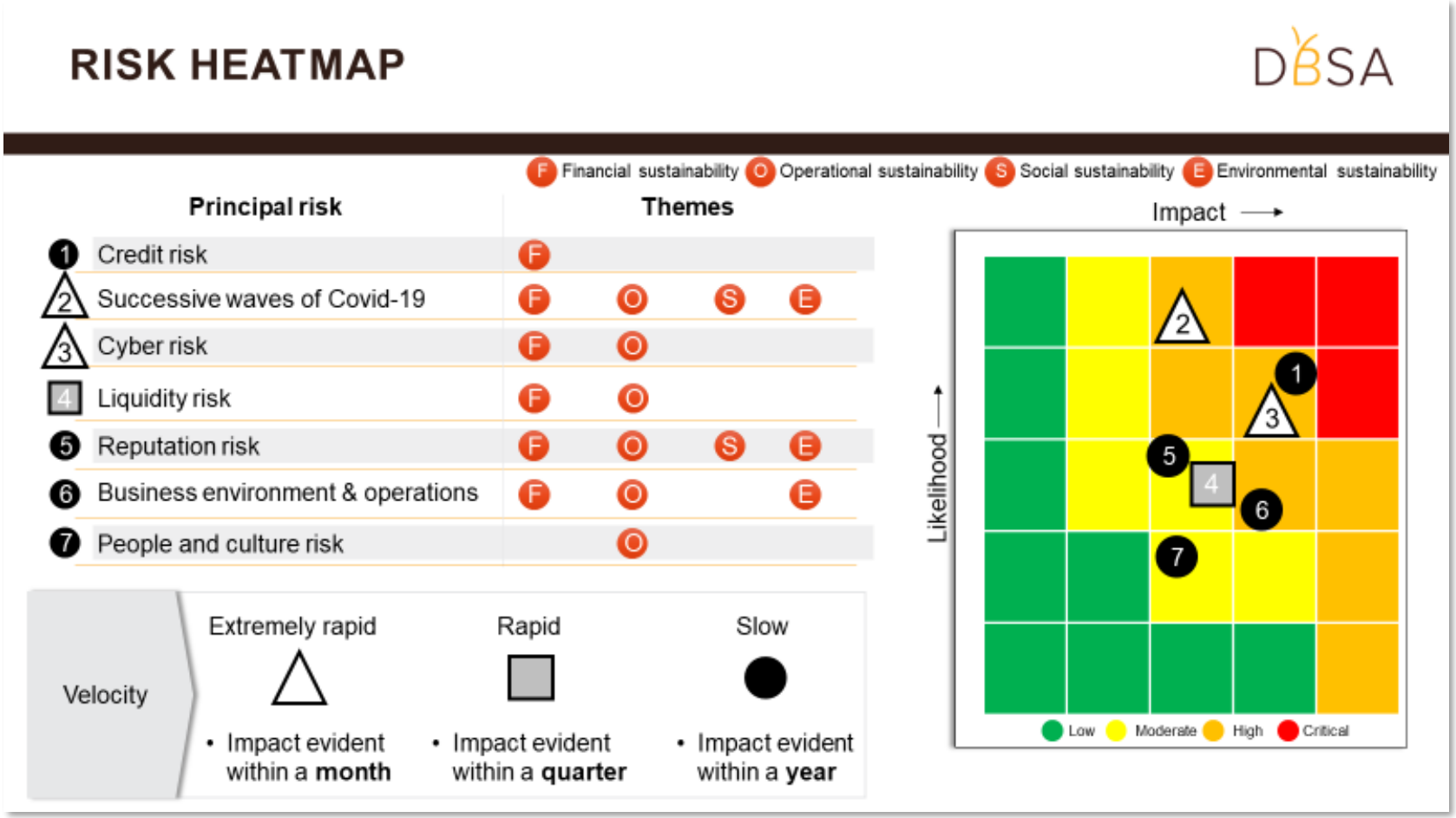
Doing Things Differently

Risk Category: Strategic Risk (SR) | Business Risk (BR) | Financial Risk (FR) | Operational Risk (OR)

Residual Risk Rating: Low | Moderate | High | Critical

	Potential event/change	Cause	Consequence	Response
OR	2. Failure to recalibrate 'company culture' to the changing environment	• Informal connection is difficult • Work From Home poses a barrier to informal learning • Inclusion and progression is more difficult • Workplaces are focusing on mental health and bonding • People are re-evaluating their relationship to work • The pandemic has deglamourised the #hustle • Work-life priorities are shifting - better work/life balance (without the commute) • "The 4-day work week is suddenly catching on" - Quartz	• The work culture transition will start with hybrid working conditions (home and work) as employees get used to increasingly distributed teams and the office becomes less appealing • Company cultures formulate around networks of teams' vs geography. Connection between teams is fostered through online communities of interest.	• HC applied an inclusive decision making approach with staff as to what will be the best way forward • Business Continuity plan includes progressive staff return plan aligned to Covid status

Principal Risks



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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✗

Risk Owner/s	CIO, GE:Fin Ops, CRO

Key drivers

- Possible material loss arising from the possible non-performance of a single large credit exposure or multiple exposures that are closely correlated
- There were no additions to the Watchlist as at 30 June 2021
- It is of note that the City of Tshwane with an exposure of R4.9 billion and a rating of MS14 (high risk), is expected to service interest repayments in the next financial years and will repay capital in the years 2035, 2036 and 2041, despite recent downgrade by Moody's.
- There have been some migrations in the loan book as risk ratings deteriorated marginally for Angola MoF and Ghana Cocoa Board
- The deterioration is driven by the impact of Covid-19 and further deterioration is expected due to successive waves of infections
- The NPL ratio has decreased from 7,7% (March 2021) to 7,11% (June 2021)

Key impacts

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

Response (Due date/status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Appetite: Moderate

Risk rating scale: Critical | High | Moderate | Low

MoF = Ministry of Finance

2 Successive waves of Covid-19 – Increase in infections and fatalities as economies reopen may lead to reinstatement of hard lockdowns leading to depressed economy (globally and locally)

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✓

Risk Owner/s	CRO

Key drivers

- Easing of lockdowns across the world and gradual return to work in some sectors
- Vaccine hesitation may lead to an increase in new infections
- Global vaccination rollout is progressing faster in developed countries compared to developing countries
- New variants that may be more transmittable than the initial virus
- Ineffective enforcement of physical distancing and ineffective use of PPE
- South Africa has moved to adjusted Level 1 lockdown

Response (Due date/Status)

- Resumption Plan will continue to guide the phasing in of the workforce, guided by the new regulations.(On-going)
- Work from Home principle remains primary (On-going)
- Exploring options to build a Hybrid Working Model are underway.
- COVID Protocols still apply in order to access campus granted via application to management (On-going)
- National vaccination program which is open to individuals that are 18 years and older (On-going)

Key impacts

- Increase in the lockdown level in RSA and across the world
- Consequential impacts on liquidity and credit risk as well as business operations
- Stalling of construction projects in IDD
- Projects in M2/3 sector is constrained by the cost of capital increases due to COVID-19
- 38 Positive COVID-19 cases were reported to the DBSA Clinic for quarter 2. (99 cases in total reported to date.)

Inherent Risk Rating	High	Residual Risk Rating	High

Moderate

Appetite

Critical High Moderate Low

Risk rating scale

18

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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✓

Risk Owner/s	CFO

Key drivers

- COVID-19 pandemic has forced organisations and individuals to embrace new practices such as remote working. Cyber criminals around the world may be capitalizing on the use of less secure "at home" networks.
- A spike in phishing attacks, malicious spam and ransomware attacks as attackers are using COVID-19 as bait to impersonate brands thereby misleading employees and clients.
- Recent notable cyber incidents at PPS (a local insurer), Transnet, Department of Justice, Telkom, etc.

Key impacts

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

Response (Due date/Status)

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

Inherent Risk Rating	High	Residual Risk Rating	High

Low — Appetite

Critical | High | Moderate | Low — Risk rating scale

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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✗

Risk Owner/s: GE: Treasury, CFO

Key drivers

- Prolonged uncertainty regarding economic recovery globally and on-going effects of Covid-19 may impact DBSA's fund raising
- Increase in the cost of funding
- Contagion impact of other SOE's (e.g., Landbank)

Key impacts

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

Response (Due date/Status)

- Engaging with key clients to understand funding requirements and align with DBSA funding availability (e.g. Transnet, EDM, Metros) (On-going)
- Prioritizing and/or delaying disbursements where feasible through the Disbursement & Commitment Committee (On-going)
- 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 (On0going)
- Regular monitoring of prudential limits (On-going)
- The bank has secured an increase in the Foreign Currency Borrowing limit for FYE 21 and 22 (Completed)
- 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	Risk rating scale
Moderate	Critical / High / Moderate / Low

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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✓

Risk Owner/s	CE

Key drivers

- SCOPA inquiry into governance at the DBSA after allegations were made relating to investment governance, PAIA applications and Board appointments
- Any significant delays in the implementation of the District Delivery Model and/or the Infrastructure Fund
- DBSA may be perceived to be unable to make adequate counter-cyclical investments in support of socio-economic recovery in response to the pandemic
- DBSA may be unable to honour all disbursements if liquidity deteriorates
- Insufficient deal flow may negatively affect overall development impact
  - For example, municipalities may change their plans on infrastructure spending and reprioritise budgets to Covid-19 relief efforts and thereby limit DBSA's role in increasing development impact
  - Uptake of Green economy projects may be deprioritised in the market
- Perceived misalignment to the global standards and sustainable development goals (e.g. 350Africa.org petition against funding Karpowership deal in RSA)
- Incidents where the bank is found legally liable or contravening regulation or national policy e.g. matters relating to climate change

Key impacts

- Loss of stakeholder goodwill
- Failure of key partnerships
- On-going negative mainstream and social media coverage

Response (Due date/Status)

- Positive annual results despite challenges
- Public relations and stakeholder management to communicate mandate and performance outcomes (On-going) key highlights FYE2021:
  - R26.6bn Infrastructure delivered
  - R2.4bn infrastructure spend benefitting B-BBEE companies
  - 11 new schools and 51 refurbished schools benefitting 6909 and 33125 learners respectively
  - 13 completed municipal projects
  - The Bank provided a comprehensive response to COVID-19 which included support to the National Disaster Management Centre as well as support to municipalities through the provision of isolation pods, testing kits, mobile toilets, water tankers, energized boreholes
- Utilising the Development Position and related Development Index to align stakeholder expectations regarding DBSA's contribution and performance (On-going)
- Infrastructure Fund, the District Delivery Model, non-financial support to under-resourced municipalities and the High Impact Investment Fund. (On-going)
- Adoption of a Climate-aligned Integrated Energy Investment Framework that will enable the Bank to support the Just Transition (On-going)
- Development of a Net Zero emissions strategy (On-going)
- The Bank obtained an unqualified opinion for March 2021 financial year.

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Appetite	Risk rating scale
Moderate	Critical / High / Moderate / Low

SCOPA = Standing Committee on Public Accounts, PAIA = Promotion of Access to Information Act

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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✓

Risk Owner/s	CFO, CIO, GE:Fin Ops, CRO

Key drivers

- The business is growing rapidly in the frontline divisions in order to implement DBSA's strategic initiatives such as the Infrastructure Fund, District Delivery Model etc.
- Capacity shortages are emerging in the support functions (Legal, SCM etc.) with the Frontline being the most affected
- Depressed deal pipelines in RSA and the region (changes in governmental budgeting)
- Potential shifts in priorities of governments in the region
- Increasing pressure on the workforce in a volatile "new normal" where work and personal life are integrated
- Ability to attract, train and retain strategic job groups may be hampered in the current environment

Response (Due date/Status)

- Increasing focus on the non-core lending aspects of the business i.e. Breakthrough agenda initiatives, Infrastructure Delivery Division, District Development Model etc. (On-going)
- Investigating options to reshape the loan book from fewer larger deals to increased volumes of smaller deals (On-going)
- Strengthening partnerships and increased collaboration with other DFI's
- Increasing digitalization in operations (On-going)
- Improving the effectiveness of learning and development initiatives to build adequate skills (On-going)
- Improving strategy alignment and execution through an enhanced Balanced Scorecard process (On-going)

Key impacts

- Adverse impact on Support Functions as they have not yet increased to match increasing demand from Frontline divisions
- Adverse impact on financial performance of the Bank
- Inability to achieve social-economic growth goals

Inherent Risk Rating	High	Residual Risk Rating	High

Moderate	Critical	High	Moderate	Low
Appetite	Risk rating scale			

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

DBSA

Strategic Theme 1 ✓ Strategic Theme 2 ✓ Strategic Theme 3 ✓

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

Key drivers

- Disruption in work practices/routines occurred as a result of Covid19 lockdown creating instant pressure to manage a dispersed workforce.
- Social and mental issues may arise as a result of the isolation of people that has been caused by the Covid-19 pandemic.
- Longer working hours experienced to accommodate home schooling and baby-sitting activities.
- Anecdotal observations of staff continuing to be online and working during mandatory leave, stories of some employees showing signs of burnout
- Several divisions have raised risks around "keyperson" dependencies and unclear succession planning

Key impacts

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

Response (Due date/Status)

- Business Resumption plan is in place which activates the work from home policy (On-going)
- Contingency plans relating to succession for critical skills (On-going)
- Weekly COVID19 task team meetings (On-going)
- Periodic communications take place from the CEO via DBSA Briefs ("Message from Patrick").(On-going)
- E-mail platforms have been created for employee engagement such as:
  - covid@dbsa.org for any COVID-19 related queries or guidance (Completed)
  - haveyoursay@dbsa.org to send any questions and/or suggestions for EXCO's attention (Completed)
- Staff members have been trained on Microsoft Teams (Completed)
- ICT Helpdesk support continues to be available to staff during lockdown (On-going)
- The Careways Employee Assistance Programme is available to employees for any support, counselling, guidance, at ewp@lifehealthcare.co.za (On-going)
- DBSA check-in Pod which is an internal activity driven by voluntary staff and under the guidance of the pandemic task team. This is an open platform for staff to communicate how they are feeling and have been impacted by Covid-19. (On-going)

Inherent Risk Rating	Moderate	Residual Risk Rating	Moderate

Low — Appetite

Critical | High | Moderate | Low — Risk rating scale

5.13 ANNEXURE H: BUSINESS CONTINUITY AND ORGANISATIONAL RESILIENCE

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

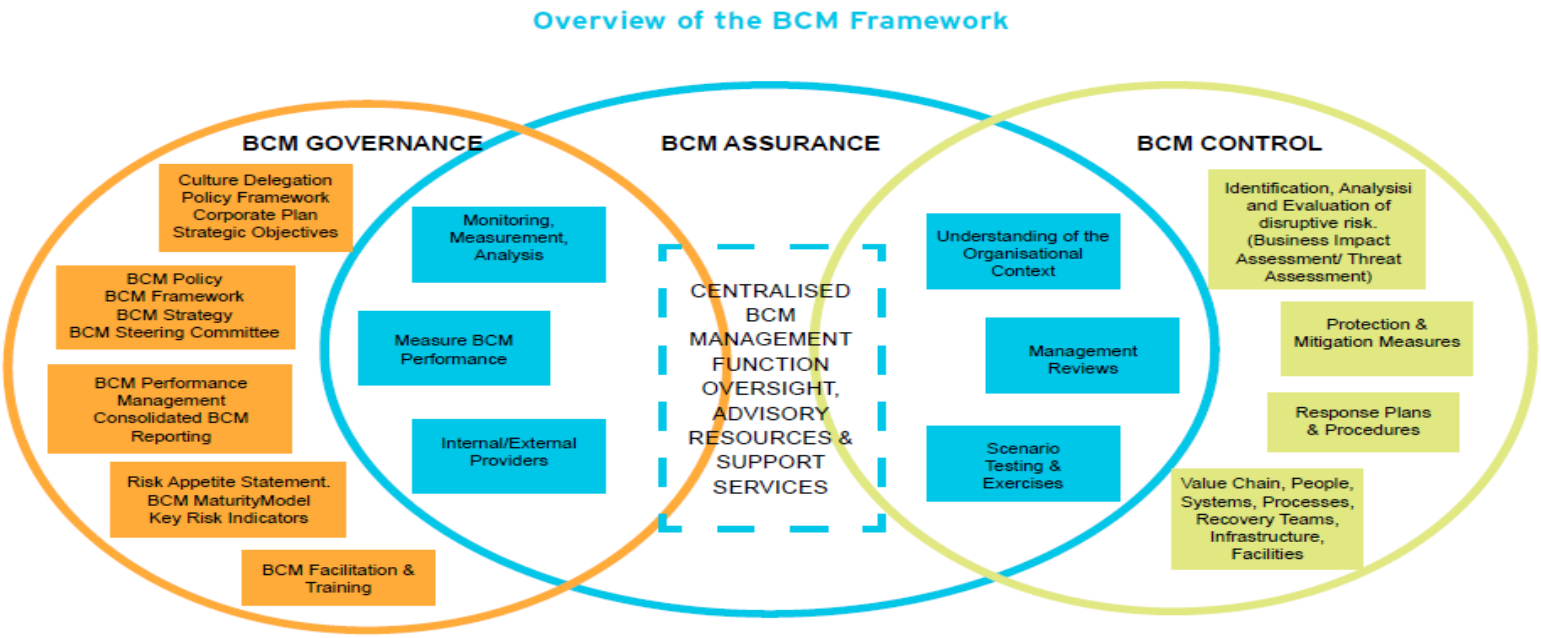
To ensure a certified business continuity capability, the DBSA has aligned to the ISO standard 22301 and the Business Continuity Institute's (BCI) Good Practice Guidelines (GPG). The objective is to provide ongoing management, coordination, and governance to ensure that all BCM activities are conducted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

Objective of the BCM Framework

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

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

- Uphold a resilience philosophy in which the business continuity capability always reflects the needs, technology, structure, and culture.



Continuity Assurance Framework

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

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

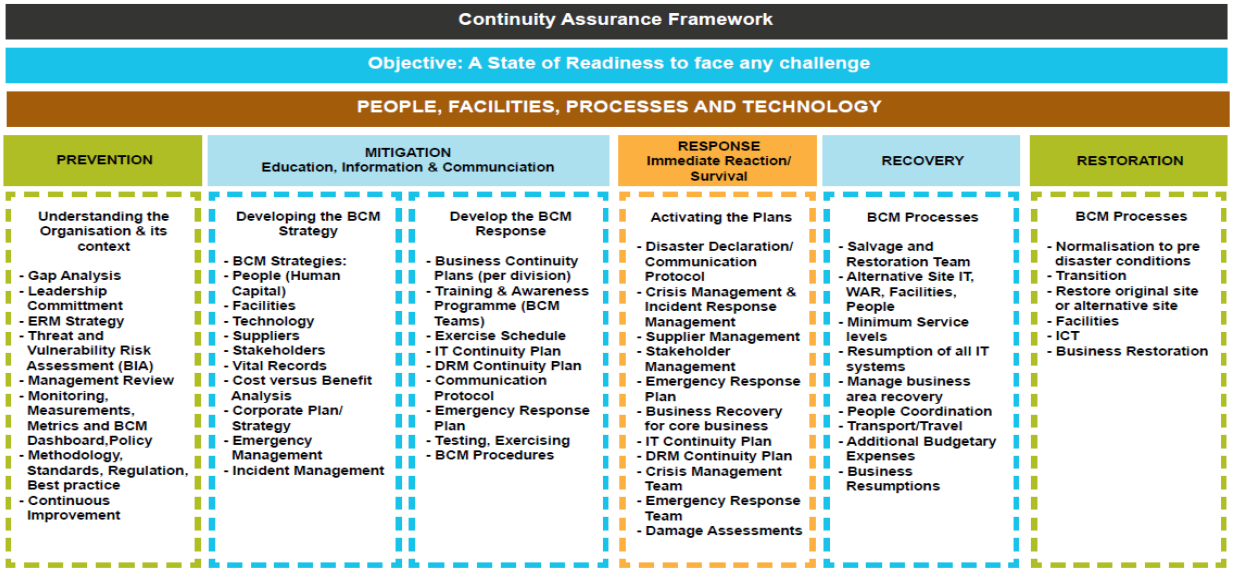
There are five elements that form the basis for the CAF. They ensure that the Bank has the ability to adequately respond. This framework enables effective measurement and reporting on the BCM capability.

COVID 19 Pandemic Risk Response

The world has changed considerably since the outbreak of the Coronavirus in December 2019. The rate of change of our global environment is far faster than we as human beings

are able to adapt and integrate into it. We have watched the world and the fight against the virus. It is now evident that the world will never be the same.

Continuity Assurance Framework



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

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

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

- Workforce unavailability due to ill employees.
- DBSA Campus unavailability due lockdown or exposure to the virus.
- General duty of care principles found to be lacking may cause reputational risk.

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

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

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

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

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

5.14 ANNEXURE I: DBSA ENVIRONMENTAL AND SOCIAL FRAMEWORK

The DBSA environmental and social framework (DBSA ESF) approved in November 2018 by the DBSA Social and Ethics Committee, outlines the DBSA approach to mainstreaming and promoting environment and social considerations in DBSA operations. The DSA ESF is available on request.

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

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

The Environmental and Social Framework builds on how DBSA can create opportunities for a green and inclusive economy. This includes economic recovery from the COVID-19 pandemic which is inextricably intertwined with global environmental issues of biodiversity loss, climate change, air and water pollution, waste management, both in terms of its origin and the implications for environmental outcomes and the future well-being of societies around the world. A green economy-driven transformation aims at building and fostering capacity of all key agents of change. We need *to step up our efforts to utilise our biodiversity sustainably and economically to support livelihoods of all South Africans including present and future generations* (National Biodiversity Economy Strategy (NBES) Department of Environmental Affairs 2016).

"The solutions are in our hands – whether it is to halve emissions by 2030; craft out a new relationship with nature; or transform the way we live, produce and consume. And we also know that time is of the essence. The window for environmental action is

shrinking". (Joyce Msuya, Deputy Executive Director of the United Nations Environment Programme, which hosts the AMCEN Secretariat 2020).

A green recovery will significantly enhance the resilience of economies and societies especially as they emerge from the current recession. DBSA is focusing on measures that can drive sustainability while boosting jobs, income and growth, helping to restore environments from damaging activities. Measuring and evaluating the environmental impacts of recovery policies over time is crucial, and a set of indicators, covering a broad array of critical environmental dimensions, is being continuously updated for all DBSA projects through its Development Results Framework8.

Environmental and Social Sustainability Policy Statement

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

- Achieve positive social and environmentally sustainable development outcomes in DBSA operations to realise a green and inclusive economy
- Communicate the Banks social, environmental and governance policies with our partners and participate in collaborative processes to incentivise and drive a green and inclusive economy

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

- Pursue global environmental, social and governance policies and global good practices in the Bank's asset management and operational activities
- Adopt a precautionary approach to environmental, social and governance in compliance with relevant legislation
  - Promote strategies and practices to address environmental degradation, social inequality and climate considerations. In 2021, DBSA committed to decarbonise its portfolio to achieve net zero carbon emissions by 2050 and align with the Paris Agreement. DBSA is also committed to promote biodiversity restoration as per its IDFC position statement and promote no net loss (2030) and net gain (2050).
  - Ensure that clients apply the DBSA social and environmental safeguard standards
  - Identify and quantify environmental and social risks, monitor and review environmental social and governance performance of all operations
  - Improve metrics of sustainability indicators, aligned to the SDGs and sharing relevant information with clients, stakeholders and partners
  - Continuously strive to improve environmental social and governance performance
  - Promote transparency in processes, outputs and outcomes
  - Ensure meaningful public engagement that particularly helps empower vulnerable people and
  - Promote gender equity (through improved policy, tools, capacity building and practices)

Documentation

The DBSA Environmental Sustainability Strategy, the DBSA Environmental and Social Sustainability Policy, the DBSA Environmental and Social Safeguard Standards and the DBSA Climate Change Policy Framework, outline the DBSA approach to Environmental and social sustainability considerations. These documents combine to form the DBSA Environmental and Social Management Framework which ensures that the DBSA's operations, programmes and projects are socially responsible, environmentally sound, financially sustainable and in line with government requirements. The last update of this document took place in 2020.

DBSA Environmental and Social Management 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 analysts implement the policies. The policies 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 (such as biodiversity, ecosystem services, water security) and social outcomes as well as net positive social and economic outcomes where opportunities present. The diagrams below highlight key procedures involved.

DBSA Environmental and Social Assessment covers multiple elements of Sustainability – examples include

Legislative & safeguards compliance

- E.g: Project compliance with Local Legislation, Country Systems and standards & DBSA ESSS
- Outline Client obligations to meet Safeguards Standards triggered by the project

Project risk/ opportunity screening & rating

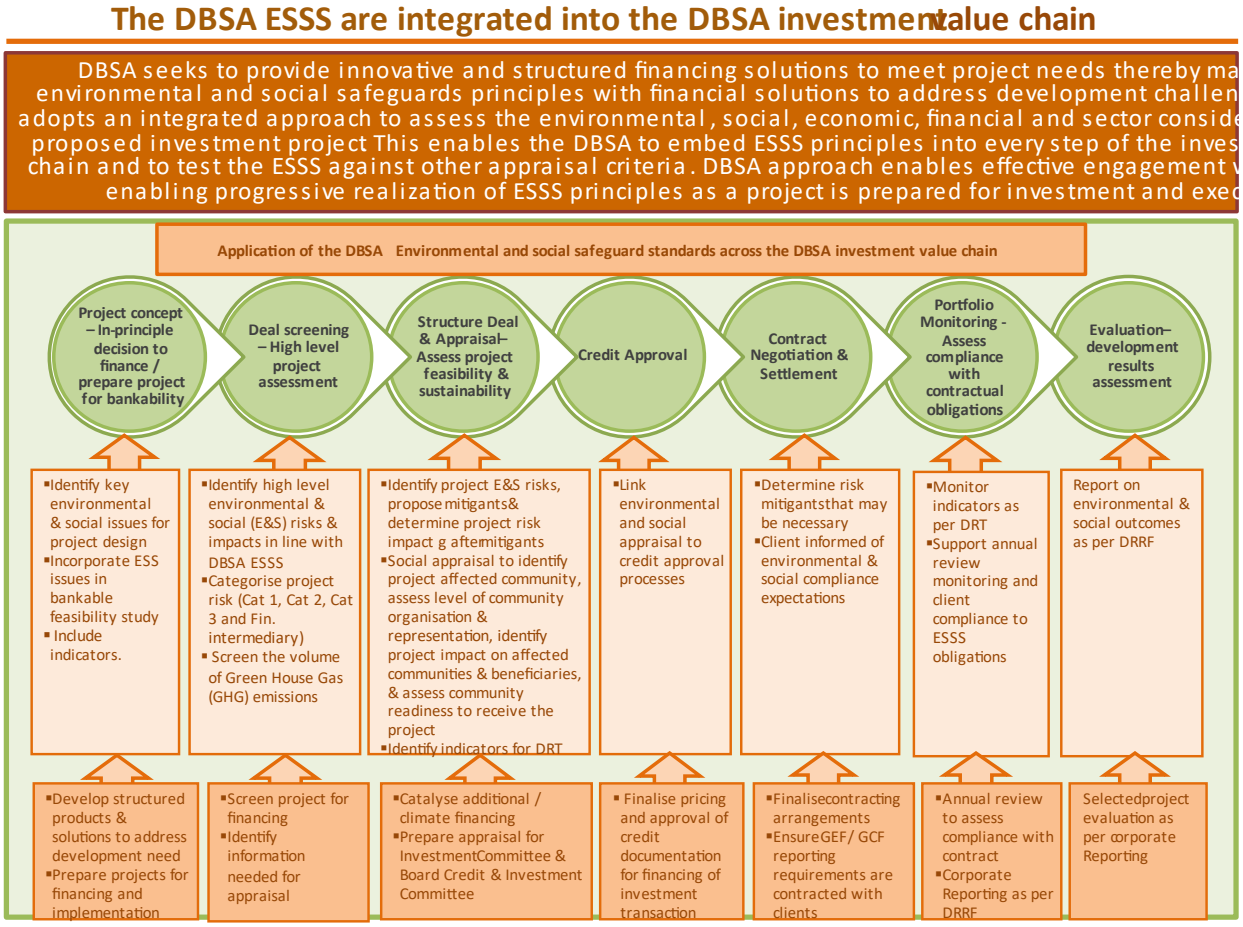
- E.g: Screen for social & environmental impacts, such as natural capital/ecoystem services dependencies and risks
- Provide a project risk rating
- Outline potential impact of mitigants proposed e.
- Seek potential for postive impact outputs and outcomes

Environmental & Social Governance

- E.g: Assess client environmental social and governance framework & institutional capacity
- Assess application of management tools to address ESG risks & impacts (e.g ESMP) through project life cycle
- Assess and address social inclusivity such as gender equity
- Address identified areas of project attention (e.g Hazard Assessment, vulnerability to climate change/ natural resource dependencies, etc)
- Promote improved monitoring, reporting against SDG aligned targets and indicators

Resource Use, Natural Resource Management, & community benefits

- E.g: Project efficiency /equity of resource use
- Address greenhouse gas emissions, climate change, ecosystem risks
- Identify opportunities for investment towards climate change adaptation, mitigation, ecosystem /bioidiversity restoration, and water resource management
- Identify opprtunities for maximising social inclusion & local stakeholder & gender benefits / restitution



DBSA's contribution towards the development of a sustainable South Africa and African continent and promoting a green economy

The Bank is working closely with DEA and the NT to facilitate and ensure greener infrastructure and sustainable development across the region.

In 2021 DBSA approved the **Integrated Sustainable Finance Approach** aimed at integrating the Bank's multiple sustainability, climate change, green, and social inclusivity initiatives across DBSA to ensure a cohesive and impactful approach to sustainable development, the just transition and the Bank's net zero approach:

- Integrated Just Transition Strategic Framework: (approved in 2021)
- DBSA Green Bond
- Green Bond Framework

- DBSA Environmental Legal Handbook
- Gender Investment framework Gender Mainstreaming is underway
- Biodiversity Strategic Framework: Currently underway
- Policy framework for Investing in situations of Fragility, Conflict and Violence
- DBSA Environmental and Social Management framework and Management System update underway
- The Safeguard Policy updated in 2020
- Deep Dive Evaluation: DBSA is assessing the current loan book and annual commitments with intent to promote the transformation to a greener Bank
- International Development Finance Club (IDFC) Partnership
- DBSA provides inputs into the Climate Action for Finance Institution's initiative

The DBSA is involved in several green climate initiatives:

- The South African National Space Agency (SANSA) and DBSA Partnership
- Managing and Implementing the Green Fund.
- DBSA was accredited as a GEF Implementing Agent in 2014 and continues to implement a pipeline of projects such as an Ecosystems for Water Security Programme with SANBI as the executing Agency
- DBSA was accredited to the Green Climate Fund (GCF) in March 2016, to implement micro to large projects nationally and within sub-Saharan Africa. GCF has approved a pipeline of projects prepared by the DBSA for financing. Examples include:
    - Municipal Solid Waste Management Programme
    - Public Private Sector Energy Efficiency Programme (PPSEEP)
    - The DBSA Climate Finance Facility Programme ("the Programme" or "CFF")
    - Embedded Generation Investment Programme (EGIP)

Integrated Reporting, Global Reporting Initiative and United Nations Global Compact (UNGC)

The DBSA reports on, and effectively considers, its economics, ethical, governance, social and environmental performance. The DBSA has adopted integrated and sustainable reporting principles. During 2013 the DBSA became a member of the United Nations Global Compact (UNGC) that addresses and integrates CSR requirements with the integrated reporting requirements. As a result, the DBSA annual report (was compiled to align with both the integrated and sustainability reporting requirements of the GRI Sustainable Reporting Guidelines, as well as the UNGC universally accepted ten principles that address the areas of human rights, labour, environment and anti-corruption.

Environmentally sustainable operations

The Bank is reducing the impact of its operations, through a green campus initiative (the Off-grid Project) which includes three phases - detailed feasibility (current status), procurement and implementation. It covers the following:

- Advancing the Environmental Management System for the campus operations
- Focusing on energy demand management and Climate mitigation: investing in solar energy on site, reducing need for staff travel and reporting on DBSA carbon footprint reductions
- Integrated waste management including increased avoidance, reuse and recycling
- Water resource management and consumption reduction
- Sustainable campus landscape design and management (rehabilitation of grassland and wetland natural habitat on and off site
- Attaining green building star rating
- COVID-19 has resulted in fast tracking policies and IT technologies to allow practices of minimizing travel which has resulted in significant carbon savings.