INSTITUTIONAL STRENGTH

INTEGRATED ANNUAL REPORT 2023

DBSA

DEVELOPMENT BANK OF SOUTHERN AFRICA

Building Africa's Prosperity

The Development Bank of Southern Africa is one of Africa's leading development finance institutions. It is wholly owned by the government of the Republic of South Africa. The DBSA has a mandate to promote inclusive and sustainable economic development and growth, human resources and institutional capacity development, support development projects and programmes in the region, and promote regional integration through infrastructure development that improves the quality of life for people in Africa.

The DBSA has a 40-year track record of successfully supporting development in Southern Africa, with investments in projects across the region of over R100 billion on 31 March 2023, accelerating job creation, improving access to education and healthcare, and reducing poverty.

The DBSA is committed to working with the private sector, governments and civil society to achieve its goals. It is a trusted partner for development and its work is making significant difference in the lives of people across Southern Africa.

CONTENTS

NAVIGATION

Our reporting suite for the year ended 31 March 2023 consists of three reports:

Integrated Annual Report

Sustainability Review

Annual Financial Statements

Throughout our 2023 Integrated Annual Report (IAR), we use the following icons to connect information:

- Links to other parts of the report.
- Links to the web for more information.

Our strategic focus areas (refer to pages 62 to 64 for our strategy)

- Inclusive economic recovery in South Africa
- Strategic Rest of Africa lens
- Doing things differently

Our capitals (Refer to pages 20 and 21 for further details of the capitals and how we use them to create value for our stakeholders)

- FC **FINANCIAL CAPITAL**
- SRC **SOCIAL AND RELATIONSHIP CAPITAL**
- NC **NATURAL CAPITAL**
- IC **INTELLECTUAL CAPITAL**
- HC **HUMAN CAPITAL**
- MC **MANUFACTURED CAPITAL**

Our stakeholders (refer to pages 40 to 46 for further details of how we engage our key stakeholders)

INTERNAL STAKEHOLDERS
shareholder, employees, the Board of Directors and management

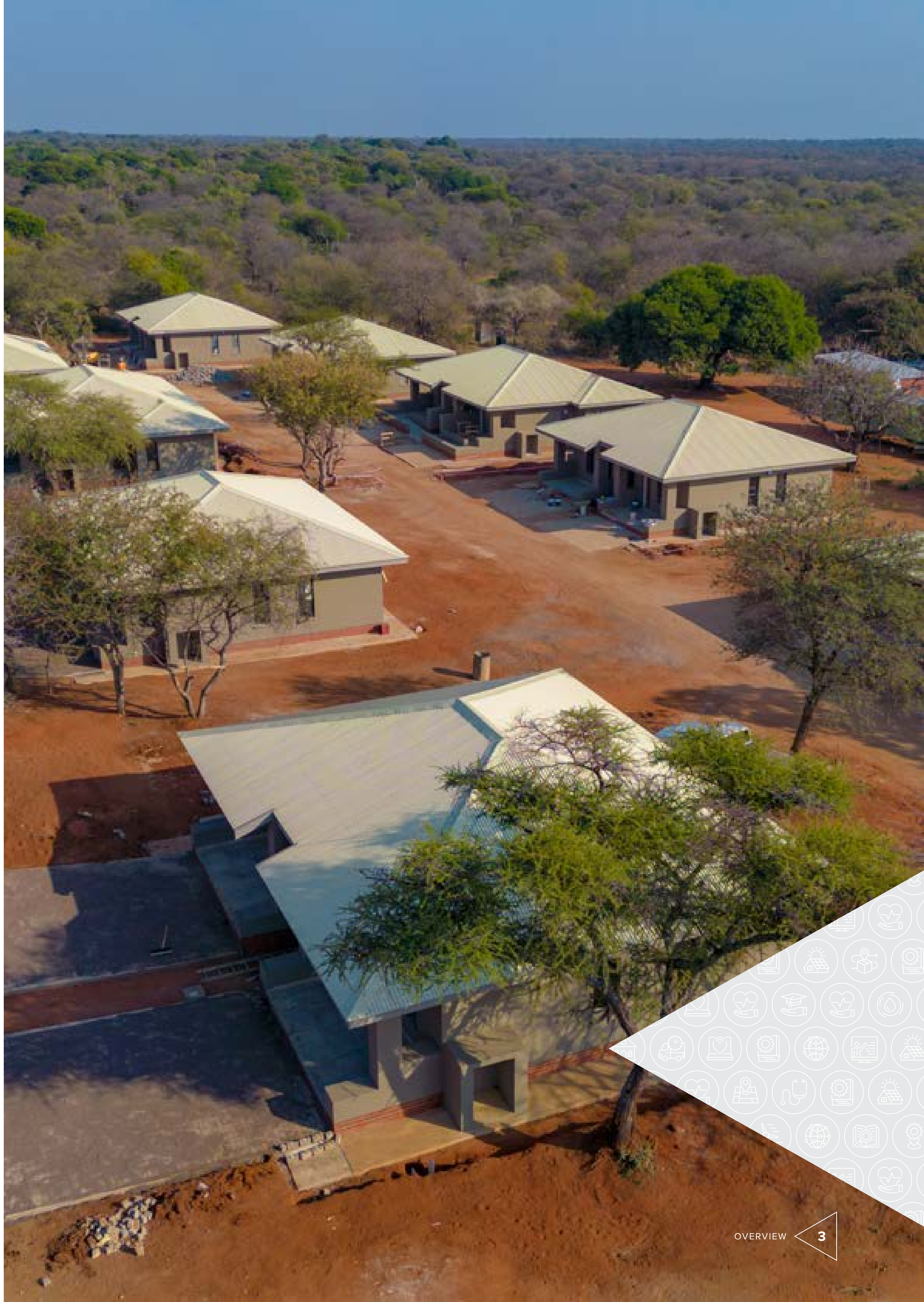
FINANCIAL SECTOR
JSE, ratings agencies, commercial banks and other DFIs

INVESTORS
as well as partners and other providers of funding

GOVERNMENT
Regulators and other organs of state

CLIENTS
both in South Africa and across the African continent

COMMUNITIES
civil society, the media and academic institutions



01

PERFORMANCE HIGHLIGHTS

OPERATIONAL PERFORMANCE

R60.2 billion

Total infrastructure development supported

R14.2 billion	R13.7 billion	R4.8 billion	R25.4 billion	R2.1 billion
Funds catalysed	Total loans and bonds disbursements	Infrastructure implementation support delivered	Value of prepared projects approved	Infrastructure unlocked for under-resourced municipalities

DEVELOPMENT IMPACT

2 208	Learners benefitted from two newly built schools
29 555	Learners benefitted from 117 refurbished schools
1 524	Local SMMEs and subcontractors employed in the construction of projects
R3.8 billion	Value of infrastructure delivered by black-owned entities, R1.4 billion of which was delivered by black women-owned entities
R0.8 billion	Benefit accrued to local small, medium, and micro enterprises (SMMEs) and subcontractors employed in the construction of projects
68 687	Learners benefitting from construction and upgrade of sanitation facilities in 177 schools
10 362	Temporary and permanent jobs created

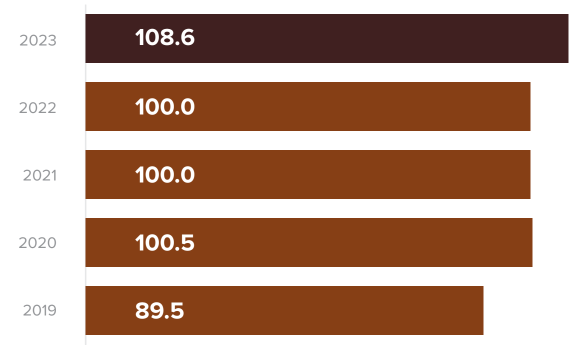
FUND MANAGERS CONTRIBUTION

3 842 965	144 519	14 006	8	48 008
Tonnes of food and food-related products delivered to date	Total smallholder farmers and micro-entrepreneurs impacted	Permanent jobs sustained in the agricultural sector	Kilometres of road and rail network built	Kilometres of fibre laid

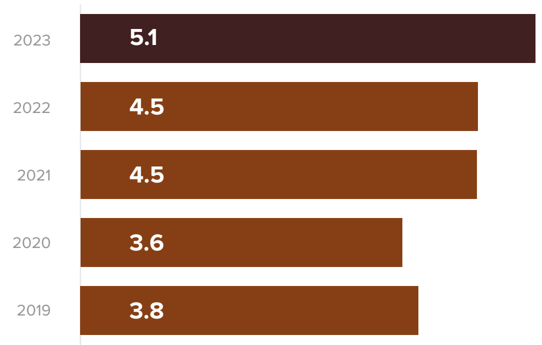
We welcome your feedback on this report. Send your comments to the Head of Corporate Strategy at corporatestrategy@dbsa.org or submit them to the DBSA premises at 1258 Lever Road, Headway Hill, Midrand, Gauteng.

FINANCIAL PERFORMANCE

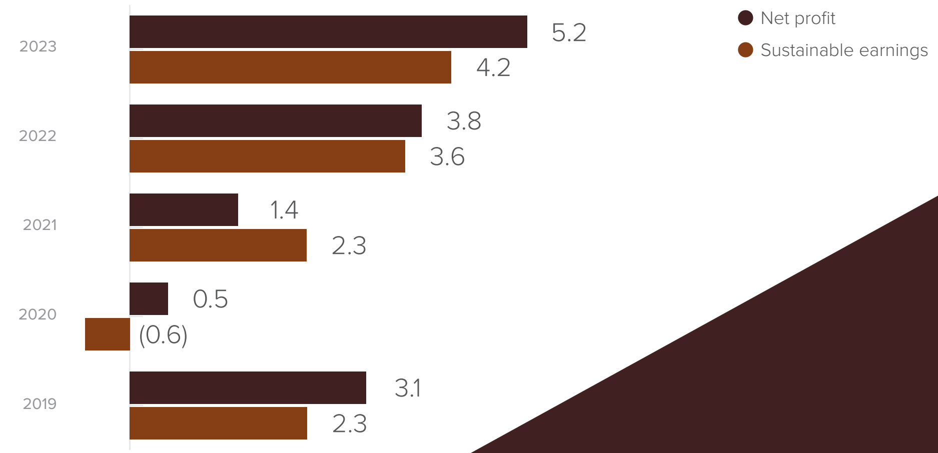
Total assets (R billion)



Cash generated from operating activities (R billion)



Sustainable earnings and net profit (R billion)



RATINGS AND ACCREDITATIONS

- A Ba3 foreign currency rating by Moody's
- An AA rating by AADFI PSGRS
- Global Environmental Facility accreditation
- Green Climate Fund EU 6-pillar accreditation

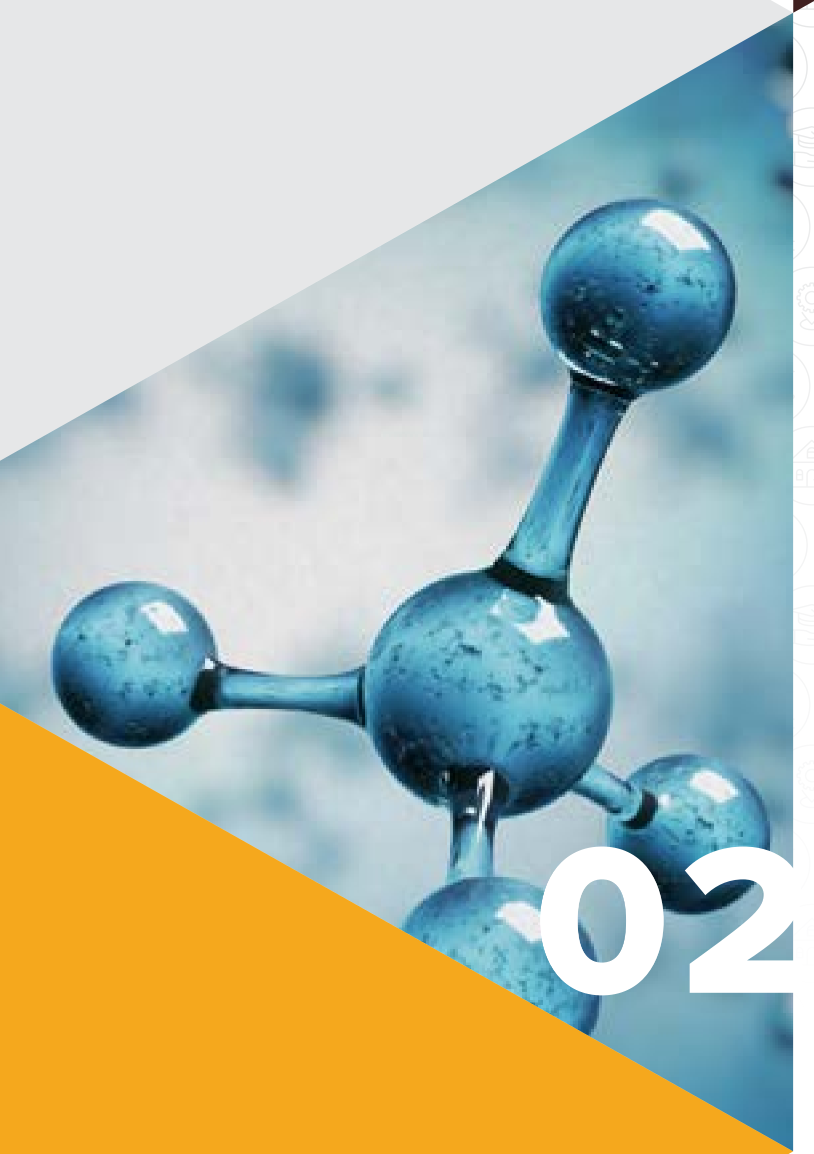
GOVERNANCE

- Received unqualified audit opinion since its inception
- Boasts a robust, ethical and diverse leadership
- Reported R111 000 in irregular expenditure during the financial year under review (FY2021/22: R nil)

ACCOLADES AND AWARDS

The DBSA won the following awards in the year ended 31 March 2023:

- Chartered Governance Institute of Southern Africa's Integrated Reporting Awards 2022: Best Integrated Report in the State-owned Company category
- Bonds, Loans and ESG Capital Markets Africa Award for Local Currency Sovereign, Supra and Agency Bond Deal of the Year: 2022



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INTRODUCTION TO THE INTEGRATED REPORT

ABOUT OUR 2023 INTEGRATED REPORT

The aim of our IAR is to offer a fair and well-rounded analysis of the DBSA's capacity to generate and maintain value in the current operational environment.

The DBSA is a DFI governed by the DBSA Act, No. 13 of 1997 (Amended Act No. 41 of 2014) and is wholly owned by the government of the Republic of South Africa.

Our mandate, as well as the constitution and conduct of our Board of Directors, is prescribed by the DBSA Act. Our leadership is also guided by the King IV Report on Corporate Governance for South Africa[1] (King IV) and the Protocol on Corporate Governance in the Public Sector. The Bank is regulated in terms of the Public Finance Management Act No 1 of 1999 (PFMA).

This Integrated Annual Report outlines the performance of the Bank for the financial year ended 31 March 2023 in the context of its operating environment, risks and opportunities, our key stakeholders, stakeholder, strategy and internal operations and governance.

Our reporting suite for the year ended 31 March 2023 consists of three reports.

The report aligns to the International Integrated Reporting <IR> Framework. The disclosures included in the report are guided by the principle of materiality; and we disclose information about all aspects that have an impact on our ability to create sustainable value in the short-, medium- and long term.

Financial performance information included in the Integrated Annual Report is drawn from the Bank's Annual Financial Statements, which are prepared in accordance with:

- The Development Bank of Southern Africa Act, No. 13 of 1997 (Amended Act No. 41 of 2014) (DBSA Act)
- The PFMA
- International Financial Reporting Standards (IFRS)
- Sections 27 to 31 of the Companies Act of South Africa, No. 71 of 2008 being the relevant and corresponding sections of those specified in the DBSA Act
- JSE Debt Listings Requirements

For the full Annual Financial Statements, visit https://www.dbsa.org/investor-relations.

ASSURANCE

The DBSA applies a combined assurance model with clear accountability for managing and overseeing the effective execution of the assurance function. We believe assurance strengthens the credibility of reporting and helps improve internal information-gathering systems and processes, providing comfort to our key stakeholders. Our combined assurance approach relies on shared oversight and responsibility for the assurance process by drawing on risk management, compliance and internal audit teams and external audit and other assurance providers.

As a state-owned entity (SOE), the DBSA is subject to the Public Audit Act, which mandates external assurance on the fair presentation of the Annual Financial Statements. In the year under review, the Auditor-General of South Africa reaffirmed the DBSA's clean audit status by providing external assurance on the fair presentation of the annual financial statements.

APPROVAL BY THE BOARD

While the reporting process was delegated to a sufficiently skilled and experienced reporting team, the Board takes ultimate responsibility for the integrity of the Integrated Annual Report, supported by the Audit and Risk Committee as well as the DBSA Executive Management. The DBSA's leadership oversees the reporting process and significant thought is dedicated to articulating the DBSA's value-creation story. In the Board's opinion, this report represents all material matters accurately and complies with the International Reporting <IR> Framework. The Board of Directors approved this report on 29 June 2023.

Prof Mark Swilling
Chairman of the Board

Ms Martie Janse van Rensburg
Chairman of the Audit and Risk Committee

Ms Boitumelo Mosako
Chief Executive Officer

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INTRODUCTION BY THE **MINISTER OF FINANCE**

Mr Enoch Godongwana
Minister of Finance

The DBSA is strategically positioned to play a pivotal countercyclical role in the market, effectively addressing economic, social and environmental development challenges while driving structural transformation.

In an era of complexity, volatility and uncertainty, the global environment presents a formidable backdrop against which organisations must navigate and thrive. The COVID-19 pandemic and the Russia-Ukraine conflict have had a major impact on the global economy, altering the geopolitical landscape and redefining trade dynamics, technological advancements and societal norms. These factors have further dampened the global economic outlook, with Africa particularly vulnerable.

The DBSA is strategically positioned to play a pivotal countercyclical role in the market, effectively addressing economic, social and environmental development challenges while driving structural transformation. The DBSA has a strong track record of delivering infrastructure that improves the quality of life for people across South Africa, the SADC region and on the African continent. The Bank continues to invest in infrastructure projects, creating jobs and stimulating economic growth. The DBSA has also supported the development of renewable energy projects, reducing South Africa's reliance on fossil fuels and contributing positively to energy security.

Within the South African macroeconomic landscape, the impact of a dwindling global economic recovery is exacerbated by domestic headwinds related to loadshedding, increasing interest rates and weak economic fundamentals. Persistent and prolonged loadshedding has significantly affected the economy. Furthermore, disruptions to freight and logistics networks compound the challenges faced by industries relying on smooth transportation. In addition, households find themselves under mounting pressure as a result of the escalating cost of living, while unemployment remains unacceptably high.

Amid these circumstances, it is crucial to highlight the backdrop of climate change and the imperative for collective efforts towards decarbonisation. The generally accepted consensus towards achieving net-zero targets by 2050 has ushered in a wave of policy and trade harmonisation, aiming to establish clear decarbonisation objectives. The successful implementation of the climate change agenda is crucial in preventing Africa from falling further behind, as the risk of trade exclusion and carbon taxes could create additional obstacles to economic growth. As South Africa has committed to the Paris Agreement[1], plans for decarbonisation must be ramped up to meet the country's emissions reduction targets.

The DBSA is committed to playing a leading role in addressing the challenges of climate change and sustainable development. The Bank has developed a number of initiatives to support the transition to a low-carbon economy, including the Climate Finance Facility and the Green Fund. The DBSA is also working to promote inclusive growth by supporting projects that benefit women, youth and people living in rural areas.

The importance of infrastructure development for South Africa cannot be overstated. The Economic Reconstruction and Recovery Plan emphasises the critical role infrastructure investment plays in supporting higher economic growth, job creation and poverty alleviation. The Infrastructure Fund – a key initiative that is central to the DBSA's plans – received a budget allocation of R24 billion over the medium term to improve the scale, speed, quality and efficiency of infrastructure development. Total allocations for 2028/29 will amount to R100 billion. Collaborative efforts among the government, the private sector, multilateral development banks and DFIs to more effectively fund infrastructure projects is key.

Over the past year, the DBSA has continued to play a pivotal role in advancing infrastructure development, financing and capacity building, both within South Africa and across the African continent. With a strong focus on balancing financial sustainability and developmental impact, the DBSA has consistently demonstrated its commitment to addressing key socio-economic challenges and contributing to inclusive growth. The DBSA's stellar financial results are truly meaningful when considered in conjunction with the commensurate development impact.

I am proud of what the DBSA achieves year after year, not just in fulfilling the tenets of its mandate by delivering financial sustainability and noteworthy development impact, but for the Bank's institutional strength, fostered over decades, which encompasses a high standard of governance, leadership and commitment to the mandate at every level of the Bank.

On behalf of the shareholder, I applaud the DBSA for an excellent performance achieved this year, in both performance against targets and development impact. I would like to thank the Board of Directors, the Executive Management team and the staff of the DBSA for their hard work and dedication. Your steadfast commitment to delivering infrastructure that improves the quality of life for people across our country, the SADC region and on the rest of the continent is admirable.

I would like to take this opportunity to also thank Mr Patrick Dlamini for his decade-long tenure as Chief Executive Officer (CEO) of the DBSA. His leadership and dedication have been instrumental in the organisation's success. Under his leadership, the DBSA has become a leading DFI in Africa and has played a significant role in improving the lives of millions of people across the continent. As ever, the Board has steered the entity with a great sense of responsibility and stewardship.

I am confident the DBSA will strive and continue to achieve great things under the leadership of the Board and the new CEO, Ms Boitumelo Mosako. I wish them all the best in their future endeavours.

Mr Enoch Godongwana
Minister of Finance

1 *The Paris Agreement is a legally binding international treaty on climate change under the United Nations Framework Convention on Climate Change (UNFCCC).*

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UNDERSTANDING THE DBSA

WHO WE ARE

The DBSA is mandated to promote economic development and growth and 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. Our role and responsibility as a DFI is to address the infrastructure and capacity development challenges facing the African continent.

The institutional strength of the DBSA is its greatest asset and the foundation of the Bank's resilience and sustainability.

Our mandate at a glance

The Bank's mandate is outlined in the DBSA Act and Shareholder Compact and requires that we:

- promote economic development and growth, human resource development and institutional capacity building
- enhance and protect the financial sustainability of the Bank
- embed and monitor a robust governance framework and systems of control
- mobilise financial and other private and public sector resources for sustainable development projects and programmes
- appraise, plan and monitor the implementation of development projects and programmes
- provide technical assistance in the identification, preparation, evaluation, financing, implementation and management of development projects and programmes
- mobilise funding for initiatives that minimise or mitigate the environmental impact of development projects or programmes
- encourage regional integration and achieve an integrated developmental financing system
- address the developmental requirements of the SADC region and the rest of Africa
- promote regional integration to support South Africa's commitments to trade agreements with countries across the continent.

Our purpose, vision, mission and values are the foundation that supports DBSA's delivery of its mandate. The Bank operates from a strong values-driven foundation with clear direction and commitment to apply financial resources, technical expertise, global experience and innovative thinking to address developmental challenges.

PURPOSE

To build Africa's prosperity

VISION

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

MISSION

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

- improve the quality of life through the development of social infrastructure
- support economic growth through investment in economic infrastructure
- support regional integration
- promote sustainable use of scarce resources

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

VALUES

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 shows 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.

Our development position

The DBSA's development position outlines its ethos and is the departure point from which we deliver on our mandate. It informs our long-term trajectory of the Bank by defining the boundaries of its direction on development and development impact.

Our development position and strategy align with the South Africa's Vision 2030 "National Development Plan (NDP)", the African Union (AU)'s Agenda 2063, the United Nations' Sustainable Development Goals (SDG) and the Paris Agreement on Climate Change.

To bend the arc of history towards shared prosperity

The DBSA contributes to a Just Transition towards a renewed and inclusive economy and society that embodies resilience, regeneration and transcends current trajectories.

As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated and resource-efficient continent.

This stance progressively advances the common goals for sustainable and equitable wellbeing. The DBSA will work in partnerships to co-produce impactful development solutions and the 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 multifaceted investments in sustainable infrastructure and human capacity development.

Our strategic objectives

For further details on our strategy, see pages 61 to 64

Financial sustainability

Accelerating development impact

Future-fit DBSA

Smart partnerships

The delivery of our strategy is directly linked to our corporate culture and our proactive, solution-oriented and dynamic approach across the value chain.

Guided by our strategic objectives, we strive to maximise our development impact through infrastructure build, financing and capacity development in South Africa and across the African continent.

Our culture

We are focused on embedding a culture that is led by our purpose, driven by our values, and characterised by high performance. The periodic review of how close we are to this culture helps us to make timeous interventions.

Our history

Our ability to create value is greatly influenced by the external environment in which we operate. As the environment surrounding the DBSA has evolved, our approach to addressing Africa's transformation and socio-economic development needs has also evolved. We consistently review our position and closely monitor trends within our environment. Our aim is to be agile and respond effectively to the challenges we face, while seizing new developmental opportunities to ensure the delivery of our mandate, our sustainability, building resilience and reimagine our relevance.

1983 – 1994

Development loan book grew from R186 million to R4.6 billion

- Established as a policy instrument of public finance to facilitate infrastructure development within the homeland constitutional dispensation that prevailed
- Professor Wiseman Nkuhlu became the first African to assume the Chairmanship of the DBSA

1994 – 2000

Total assets grew to R16 billion

- Role and function of the DBSA transformed to a DFI with a sharp focus on infrastructure development in Southern Africa, enshrined in the DBSA Act
- Responded to the needs of the broader post-apartheid South African society

2001 – 2006

Total portfolio grew to R26.5 billion with a SADC portfolio of R4 billion by 2006

- Intensified focus on development impact
- Enhanced position as a knowledge institution
- Reinforced risk management
- Embedded a robust governance framework

2007 – 2010

Total asset portfolio grew to R45 billion

- Expanded infrastructure delivery efforts in response to an increased drive for accelerated delivery from government and development partners
- Landmark projects such as the Gautrain, stadium construction in preparation for the 2010 Soccer World Cup, airport refurbishments, roads expansion and similar defined this era
- First renewable energy projects funded by the DBSA

2010 – 2016

Development loans grew to R76 billion with the Rest of Africa (ROA) portfolio accelerating to R17 billion exposure

- Expanded investment mandate to include regional infrastructure development to enable the socio-economic imperative of regional integration
- Enhanced the diversification of the portfolio
- Expanded energy sector exposure

2016 – 2020

In 2020, the DBSA's total assets exceeded the R100 billion mark

- Evolved from a traditional financing DFI to a DFI involved in the entire project life cycle from planning and preparation to financing, building and maintaining to enhance the developmental impact in the context of a challenging operating environment by catalysing investments by the private sector into public infrastructure

2020 – onward

Increased countercyclical loan and grant interventions under COVID-19

- Committed to playing an active role in a Just Transition that achieves net zero emissions by 2050

Our integrated approach to infrastructure development

The DBSA works across the entire infrastructure development value chain, focusing on key long-term strategic interventions. Our customer-centric integrated, responsive and adaptable service offering is structured to best respond to the demands of the market.

	Activities	Strategic value
Plan	• Infrastructure needs assessment • Bulk infrastructure plans • Infrastructure planning advice	• Build a project pipeline, strengthening the sustainability of the Bank • De-risk projects and catalyse investment positions to crowd-in third party capital • Increase available bankable projects • Provide infrastructure planning to municipalities to attract private and public sector funding • Address a lack of capacity and capability in capital projects planning • Attract private capital flow into infrastructure investments in the region • Provide viable infrastructure plans that enable municipalities to unlock budget allocation from the fiscus • Assist Infrastructure Fund with project development to an advanced stage
Prepare	• Project identification • Feasibility assessment • Technical assistance • Programme development • Project preparation functions	
Financing	• Long-term senior and subordinated debt • Corporate and project finance • Mezzanine finance • Structured finance solutions • Equity support for black economic empowerment entities	• Generate revenue streams from the net interest margin • Build a quality loan book • Protect credit quality of our assets and offset non-performing loans • Contribute to the achievement of the SDGs and the goals of the NDP through projects financed • Finance projects for municipalities in South Africa, the private sector, state-owned companies, sovereigns and public private partnerships (PPP) across the continent
Build	• Manage design and construction of projects in social and economic sectors • Project management support	• Assist government with the procurement, construction and maintenance of infrastructure • Enhance service delivery and improve the quality of life of the people in South Africa • Accelerate planned infrastructure development, supporting job creation, advancing the green economy and ensuring the delivery of value-for-money infrastructure
Maintain	• Supporting the maintenance/ improvement of social and economic infrastructure projects	

Special mandates

Infrastructure Fund

The Infrastructure Fund was mandated to create blended finance solutions to significantly crowd-in private sector investment in the implementation of infrastructure programmes and projects in South Africa, thus contributing to increased gross fixed capital formation. Its primary objective is to facilitate the effective execution of socio-economic infrastructure programmes and projects in the country. The fund is designed to address the pressing need for investment in key infrastructure sectors such as energy, transport, water, telecommunication and social infrastructure. By providing long-term financing and technical expertise, the Infrastructure Fund enables the implementation of sustainable infrastructure projects that drive economic growth, promote social development and enhance regional integration.

The DBSA established the fund as a ringfenced unit and manages it on behalf of National Treasury, in partnership with the Department of Public Works and Infrastructure South Africa. The DBSA and National Treasury each finance 50% of the operational costs of the fund.

Independent Power Producers (IPP) Office

South Africa's NDP emphasises the importance of robust economic infrastructure, with energy infrastructure as a key component. The IPP Office plays a crucial role in sourcing electricity from renewable and non-renewable sources. The IPP Office focuses on achieving national renewable energy capacity goals, securing electricity capacity from independent power producers, and providing advisory services for programme and project planning.

The DBSA continues to support the IPP Office, ensuring the procurement of renewable energy providers through the Independent Power Producers Procurement Programme.

Regional Mandate

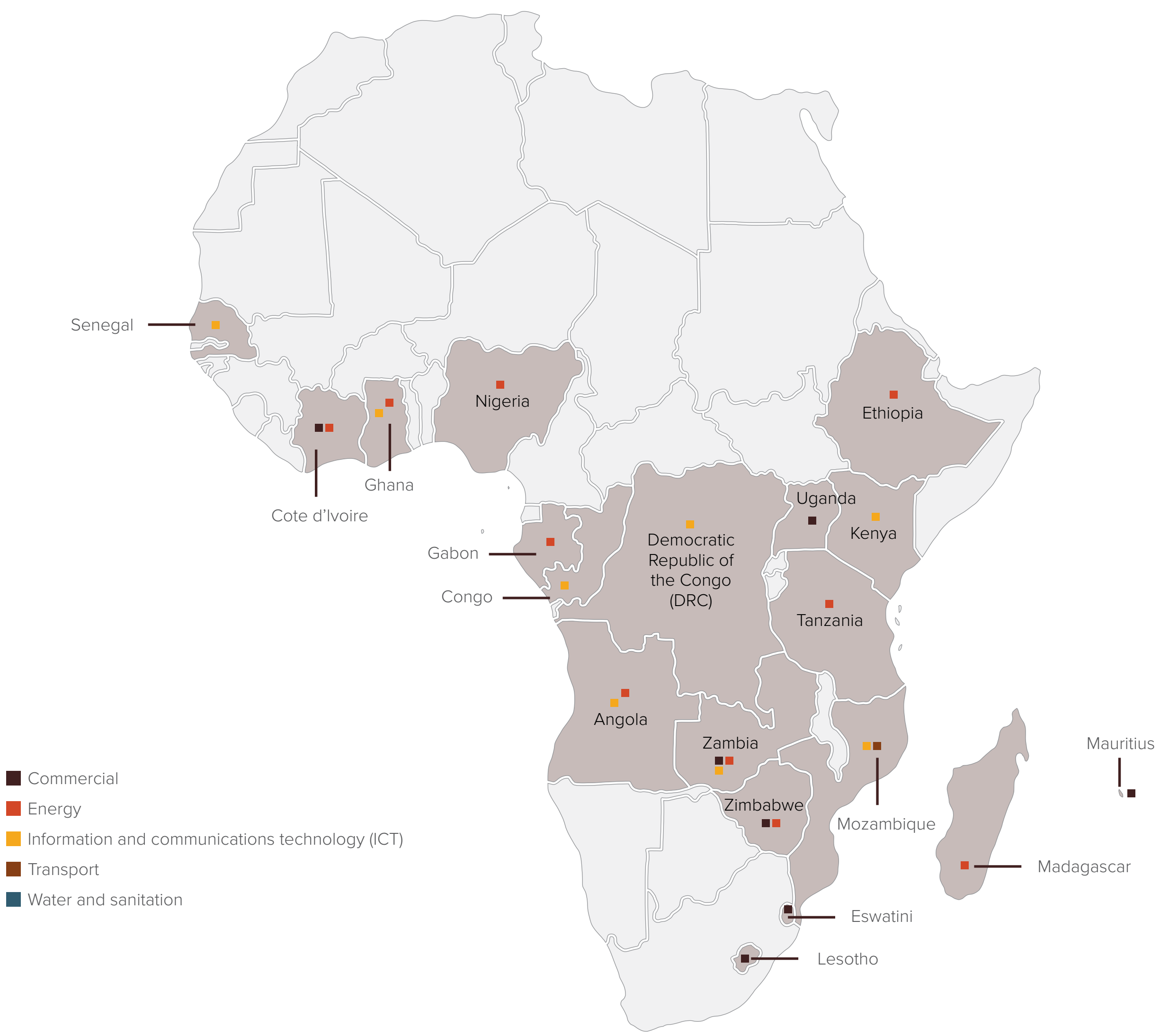
South Africa maintains various binational and trade agreements with countries across the continent to support broader regional integration in line with the SADC Integrated Infrastructure Development Plan, the Programme for Infrastructure Development in Africa and AU Africa Agenda 2063.

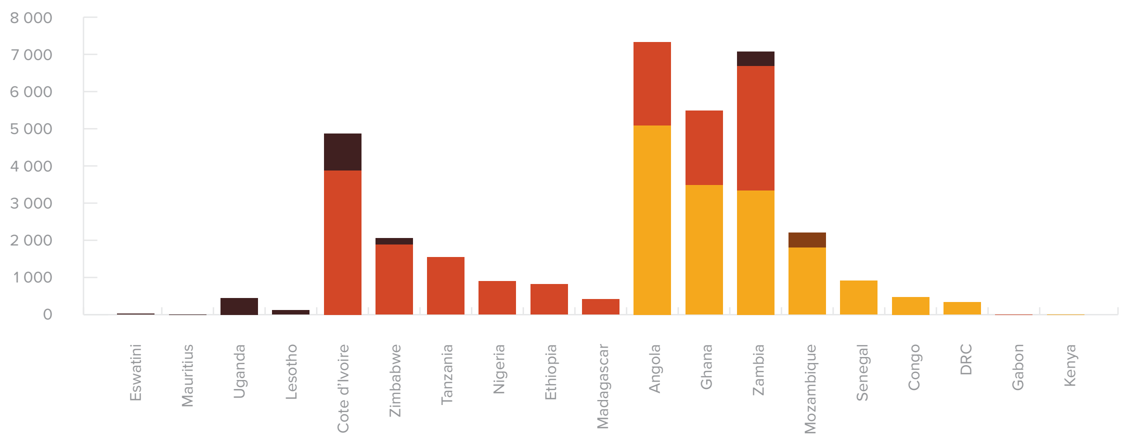
The majority of the DBSA's balance sheet is focused on South Africa, at approximately 71%, while the remaining assets are directed towards funding our RoA clients. These investments are predominantly aimed at the SADC region and include countries outside of SADC in the regional economic communities of the Common Market for Eastern and Southern Africa (COMESA), and the UN Economic Commission for Africa (UNECA), as well as the development corridor.

The DBSA's regional investments contribute to the socio-economic development and integration in Southern Africa. We strategically allocate resources to finance key infrastructure projects across the region, including energy, transport, water, telecommunication and social infrastructure. By investing in regional initiatives, we aim to enhance connectivity, stimulate economic growth and promote sustainable development. These investments support the creation of employment opportunities, improve access to essential services and strengthen regional cooperation.

DBSA's exposure and footprint

Loan exposure of key sectors excluding South Africa as at 31 March 2023





HOW WE CREATE VALUE

We create value for various stakeholders by enhancing the development landscape to ensure a prosperous, integrated and resource-efficient continent. We collaborate with multiple stakeholders to maximise value creation.

External environment

The global economy is slowly recovering from multiple shocks, but nations of the African continent are facing additional challenges. Volatile markets and high debt-to-gross domestic product (GDP) ratios are making it difficult for African countries to attract investments and grow. In addition, high levels of poverty, unemployment, ageing infrastructure and an ongoing power crisis are further straining an already weakened economy.

Refer to pages 37 and 38 for further details on our external environment

Stakeholders

We create value for various stakeholders by enhancing the development landscape to ensure a prosperous, integrated and resource-efficient continent. Ultimately, we cannot create value on our own, so we collaborate with multiple stakeholders to maximise value creation.

Refer to pages 40 to 46 for more information on our stakeholders

Top risks

- Credit risk
- Cyber risk
- Liquidity risk
- Reputation risk
- Business environment and operations risk
- People and culture risk

Refer to pages 47 to 55 for more information on how we manage our risks and opportunities

Opportunities

- Leveraging opportunities presented by the green economy
- Crowding in private sector investment in collaboration with the Infrastructure Fund
- Growing black industrialists in the infrastructure sector

Material issues

- Governance
- Strong balance sheet
- People and culture
- Institutional knowledge
- Navigating the Just Transition
- Liquidity and capital management
- Scaling-up and fast-tracking infrastructure development
- Equity funding for transformation and increased economic access
- High cost of funding
- Long-term business cycle
- Low B-BBEE rating

Refer to page 56 to 59 for more information on how we identify and manage our material issues

OUR VALUE CREATION MODEL

OUR VISION, PURPOSE, MISSION, VALUES, MANDATE AND DEVELOPMENT ARE SUPPORTED BY A CORE OF STRONG GOVERNANCE, ETHICS AND INTEGRITY:

OUR CAPITAL INPUTS

SRC SOCIAL AND RELATIONSHIP CAPITAL

Our relationships with clients, funders, partners and government

18
countries in which we have active exposures

76
municipal clients

See pages 100 to 103 for more information

HC HUMAN CAPITAL

Our culture, our support functions, our people, their development and our collective knowledge

589
permanent employees and long-term contractors

120
employees supported in the agencies we manage

See pages 104 to 111 for more information

IC INTELLECTUAL CAPITAL

Our brand, innovation capacity and experience

40 years' experience
in infrastructure development

- Knowledge derived from due diligence, project conceptualisation and development, credit granting, credit monitoring and other post-investment activities
- Risk identification and management
- Development of enabling financial products

See pages 98 and 99 for more information

MC MANUFACTURED CAPITAL

Our business structure and operational processes

- Physical and digital infrastructure
- The DBSA campus

See pages 112 to 114 for more information

FC FINANCIAL CAPITAL

Our equity and debt funding from investors and clients

R47.6 billion
capital and reserves
(2022: R42.9 billion)

R5.1 billion
cash generated from operations
(2022: R4.5 billion)

R58.5 billion
financial market liabilities
(2022: R55.5 billion)

See pages 87 to 97 for more information

NC NATURAL CAPITAL

Our natural resources

7.1 megawatts
of electricity consumed

4.0 kilolitres
of water consumed

See pages 98 and 99 for more information

BUSINESS ACTIVITIES

OUR CORE BUSINESS ACTIVITIES

KEY SECTORS

- TRANSPORT AND LOGISTICS
- ENERGY AND ENVIRONMENT
- WATER AND SANITATION
- ICT
- EDUCATION
- HEALTH
- HUMAN SETTLEMENTS

Refer to page 16 for more information on our integrated approach to infrastructure development

OUR OUTPUTS

FINANCIAL

R108.6 billion
total assets
(2022: R100 billion)

R5.2 billion
net profit
(2022: R3.8 billion)

R5.1 billion
cash generated from operating activities
(2022: R4.5 billion)

R22 million
training and development spend
(2022: R22 million)

LOCAL GOVERNMENT

R4.0 billion
total disbursements to five metros, small metros and intermediate cities
(2022: R4.5 billion)

R2.1 billion
infrastructure unlocked for under-resourced municipalities
(2022: R2.1 billion)

SOCIAL SECTOR

R359 million
disbursed for social infrastructure
(2022: R696 million)

R4.8 billion
infrastructure delivered
(2022: R3.3 billion)

ECONOMIC SECTOR

R4.5 billion
disbursed for economic infrastructure
(2022: R3.4 billion)

SADC AND NON-SADC

R4.9 billion
total disbursements for the rest of Africa, excluding South Africa
(2022: R4.3 billion)

R1.2 billion
in third-party funds catalysed in the rest of Africa
(2022: R5.1 billion)

OUR OUTCOMES

- Facilitating the **Just Transition** through increased investment in renewable energy
- Safeguarding the Bank's financial **sustainability**
- Promoting energy security, tackling water scarcity, facilitating economic activity and enhancing quality of life on the continent
- Facilitating **regional integration** to stimulate economic growth in Africa
- Augmenting service delivery through financial support and capacity building for **municipalities and government departments**
- Facilitating **jobs** creation and supporting black businesses

OUR TRADE-OFFS

TRADE-OFF	CAPITALS IMPACTED
1 PORTFOLIO REALIGNMENT IN RESPONSE TO CLIMATE CHANGE	FC, SRC, NC
2 EMPLOYEE VALUE PROPOSITION AND THE WORKFORCE OF THE FUTURE	FC, SRC, HC
3 CAPITAL ALLOCATION AND PRUDENT RISK MANAGEMENT	FC
4 THE TRADE-OFF BETWEEN SUSTAINABILITY AND DEVELOPMENT IMPACT	FC, SRC
5 REMUNERATION	FC, SRC, HC, IC

What differentiates the DBSA

Our **institutional strength** drives resilience and effectiveness and these are factors that contribute to the DBSA's stability, sustainability and ability to make an impact while achieving our purpose.

Our institutional strength is underpinned by:

- A **robust governance** framework, effective leadership, a commitment to ethical practices and a culture of accountability.
- **Stability in leadership** at Executive and Board level.
- **Strong balance sheet** and a solid financial position, with appropriate financial management systems in place, sustainable revenue streams and prudent risk management practices to ensure long-term financial viability.
- **Well positioned in countercyclical market**, meeting economic, social and environmental development challenges and enhancing structural transformation.
- **Sound value proposition** that delivers a customer-centric integrated, responsive and adaptable service offering enables us to deliver our mandate within our focus areas and activities.
- **Continuous focus on improving operational efficiency**: We continually assess and improve our operational practices to achieve desired outcomes.
- **Human capital**: People are the core of what we do, of carrying out our mandate and upholding the highest levels of governance.
- **Risk management**: Our robust risk management practices ensure effective risk identification, assessment and mitigation strategies to proactively manage and monitor risks to anticipate and prevent potential threats and ensure continuity of operations.
- **Stakeholder relationships**: We have strong, collaborative, positive relationships with our stakeholders, including clients, customers, partners and the community. We engage in open and transparent communication, maintain confidentiality, listen to feedback and incorporate stakeholder perspectives into our decision-making processes.
- **Compliance and legal framework**: We have strong compliance frameworks, internal controls and risk mitigation processes to ensure legal and regulatory compliance.
- **Partnership and our position in the global DFI universe**: Partnerships – both locally and internationally – with the private and public sectors are critical to the mobilisation of funds for infrastructure development.

Prof Mark Swilling
Chairman

MESSAGE FROM OUR **CHAIRMAN**

At the core of DBSA's value proposition is to bend the arc of history through an integrated approach to investing in sustainable infrastructure development. I think we have delivered on that.

Introduction

At the end of another challenging year, I am proud that the DBSA has achieved and, in some cases, even surpassed its targets. It has proven once again that the organisation is ready, willing and sufficiently capacitated to tackle the mammoth infrastructure challenges facing Africa.

At the core of DBSA's value proposition is to bend the arc of history through an integrated approach to investing in sustainable infrastructure development. I think we have delivered on that. Our focus is investments that tick all the boxes, not just financial returns. Positive social environmental impact means accepting slightly lower returns on investments and higher risk as well as making sure we have the capability to leverage co-funding. One would expect this combination to erode our margins, but the judgment calls made by the Bank have proven successful, as is evident in the significant surplus. This supports the case that we align our investments with our value proposition and do so with integrity. Despite the challenges facing the broader public sector, the success of the DBSA demonstrates that it is possible to build and improve the impact of a state-owned entity. The DBSA has partnered with a large number of government departments, provinces and local government, addressing governance challenges to facilitate procurement and enable the formulation and execution of plans and projects.

Considering our impact

We define development as an inclusive process towards enriched and sustainable livelihoods in which collective aspirations drive us towards shared prosperity, while building platforms as a means to transformative change. This responds to requirements for economic growth, lowering unemployment, inequality and poverty.

The DBSA has substantially improved the lives of South Africans through infrastructure investments that are relevant and can be maintained over time. The Bank employs a programmatic approach to ensure a secure and scaled development trajectory while contributing to creating inclusive and sustainable socio-economic growth. This has been successful in the energy sector and plans are underway to extend this approach to the water and sanitation sector. The DBSA has successfully set up the Infrastructure Fund to mobilise private sector capital to increase total investment in infrastructure. The role of the DBSA in the successful establishment of the Infrastructure Fund is very encouraging.

The Bank recognises that it has a vital role to play in addressing the energy crisis in South Africa, and beyond that to Africa's overall energy transition. Over the years, we have made large investments in renewable energy, but we continue to participate in energy across the spectrum. As such, we have a responsibility to be part of the solution, one which we take seriously. We play a leading role in the fight against climate change. We have committed to playing an active role in a Just Transition that achieves net -zero carbon emissions by 2050.

Governance and leadership

During the year under review, the Board performed extremely well. We have a broad range of competent Board members who effectively participated in the various committees. The Board, CEO and the executive team worked well together as we navigated our way through the external challenges of the past year as well as paying attention to the internal organisational culture in the face of hybrid working conditions. A deeply embedded culture of collective accountability, a productive relationship between the Board and the Executive team, as well as strong systems safeguard the Bank's reputation, performance and operational success.

We start the new financial year with a new CEO, Boitumelo Mosako. We are proud to have recommended an appointment from within the Bank and now have the first black woman in the role. It is really testament to the strength of the institution as a sanctuary for development practitioners.

We continue to implement the succession strategy that spans the Executive team and new Board members. During the year, we appointed new directors to enhance the Board's skills and experience in areas of leadership, investment banking and socio-economic development, and extensive public sector experience in areas of intergovernmental relations, procurement and stakeholder management.

I welcome Dinao Lerutla, Ebrahim Rasool and Kenneth Brown to the Board. I thank Maseapo Kganedi, who resigned as an independent Non-executive Director of the Board, for her valuable contribution to the Bank.

Strategy review

The COVID-19 pandemic and the global economic crisis created a challenging context for the DBSA. The Bank's strategy was impinged by the volatile global economic conditions, the continued impact of the Land Bank contagion and the deepening economic crisis in the country. The Board and Executive team reviewed the strategy in light of the deteriorating economy, globally and domestically. The growth strategy, formulated in 2019, was adjusted to include interventions that respond to changes in our operating context, globally, regionally and nationally. We emphasise scenario planning, to enhance the organisational agility in dealing with the current turbulent, uncertain, novel and ambiguous environment.

The Board of Directors held a retreat and undertook strategic work with the Executive team to review and test the strategy. The Board has been planning for this transition for some time and we are confident that the succession strategy has been successfully implemented.

Aligning our performance reporting to ESG indicators

The DBSA has been able to make a profit and strengthen its institutional capacity to mobilise additional capital from various public and private sources. While a positive social and environmental impact are at the core of our value proposition, delivering on our development focus as well as the necessary financial underpinning could not be achieved without a foundation of robust governance.

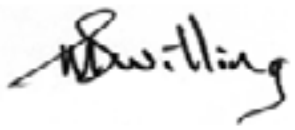
With the rise of environmental, social and governance (ESG) factors we recognise that we need to review how we measure and evaluate our impact on society and the environment. To address our ESG position the Bank has appointed a dedicated ESG specialist and is planning to appoint a board member with ESG expertise. In the year ahead, our approach to ESG will be crystallised and measurement benchmarks identified.

Appreciation

On behalf of the Board, I would like to thank our shareholder representative, the Minister of Finance, and his team for their commitment and efficiency as well as the trust in the DBSA. I also extend our appreciation to our partners in the international and African capital markets for their support. Thank you, to Team DBSA, executives, heads, practitioners and experts, and administration, for your contribution to the performance this year.

For the past 10 years, Patrick Dlamini has been at the helm of the Bank, leading with conviction, integrity and humility; cultivating the institutional strength and credibility that set the DBSA on the path to success. Patrick has been a very effective strategic thinker and team builder, with a strong ethical backbone and a facilitator of really collaborative relationships.

Thank you Patrick for your service to the DBSA, your country and for the positive impact you have had on every single person at the DBSA.



Prof Mark Swilling
Chairman

OUR LEADERSHIP

Board of Directors

Chairman

Prof Mark Swilling (63)
Co-director, Centre for Complex Systems in Transition, Stellenbosch University
Independent non-executive director effective 1 August 2014

Expertise:
- Socio-economic development, development finance, academic

Academic qualifications:
- PhD, Department of Sociology, University of Warwick, UK
- BA Honours, Department of Political Studies, Wits University
- BA, Wits University

Committees: B H I N S

Deputy Chairman

Dr Gaby Magomola (79)
Director of Companies
Independent Non-executive Director effective 2 October 2020

Expertise:
- Strategic leadership, credit risk

Academic qualifications:
- PhD Economics (Honoris causa), University of Zululand
- 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

Committees: B I N

Shareholder representative

Mr Kenneth Brown (61)
Non-executive director effective 30 November 2022

Expertise:
- Investment banking and public sector (intergovernmental and procurement)

Academic qualifications:
- MSc (Public Policy), University of Illinois at Urbana-Champaign
- BA Honours (Economics), University of the Western Cape
- BA, University of the Western Cape
- Primary Teachers Diploma, Perseverance Training College

Committees: H I S

B Board Credit and Investment Committee
H Human Resources and Remuneration Committee
I Infrastructure Delivery and Knowledge Management Committee
N Nomination Committee
S Social and Ethics Committee
A Audit and Risk Committee

Executive Directors

Mr Patrick Dlamini (53)
Outgoing Chief Executive Officer and Managing Director
DBSA staff member and CEO effective 1 September 2012 until 31 March 2023

Expertise:
- Strategic leadership, human capital development, finance

Academic qualifications:
- MSc 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

Committees:
B I S

Ms Boitumelo Mosako (44)
Chief Financial Officer until 31 March 2023
Incoming CEO and Managing Director effective 1 April 2023
DBSA staff member and Group Executive effective 1 April 2018 and executive director effective 1 June 2018

Expertise:
- Strategic leadership, auditing, financial management

Academic qualifications:
- Advanced Management Programme, Harvard Business School
- Chartered Accountant (SA)
- Higher Diploma in Auditing, Accounting Professional Training
- Postgraduate Diploma in Accounting, University of Cape Town
- BCom Accounting, University of Cape Town

Committees:
B S

B Board Credit and Investment Committee
H Human Resources and Remuneration Committee
I Infrastructure Delivery and Knowledge Management Committee
N Nomination Committee
S Social and Ethics Committee
A Audit and Risk Committee

Independent non-executive directors

Ms Martie Janse van Rensburg (66)
Director of Companies
Independent non-executive director effective 1 January 2016

Expertise:
- Infrastructure development, funding, financial management/audit, corporate governance and risk management

Academic qualifications:
- Executive Programme in Strategy and Organisation, Stanford University Business
- Chartered Accountant (SA)
- BCompt Hons, Unisa
- BCom, University of the Free State

Committees:
B I A

Ms Dinao Lerutla (42)
Managing Partner, Maia Capital Partners
Independent non-executive director effective 30 November 2022

Expertise:
- Investment banking, capital and financial market

Academic qualifications:
- Chartered Financial Analyst (CFA)
- Masters in Development Finance, Stellenbosch Business School
- Bachelor of Business Science (Honours), University of Cape Town

Committees:
B A

Mr Petrus Matji (57)
Managing Director of Lion Infrastructure Africa
Independent non-executive director effective 2 October 2020

Expertise:
- Infrastructure development, funding

Academic qualifications:
- MBL, University of South Africa
- Advanced Management Programme, Wits Business School
- MSc (Engineering Sciences, Civil Engineering), Stellenbosch University
- BSc (Hons) Computational Fluid Dynamics, University of the Witwatersrand
- BSc (Physics and Applied Mathematics), University of the North
- Certificate (Project Management), Damelin Management School
- Diploma (Business Management), Varsity College

Committees:
B H I

Dr Blessing Mudavanhu (51)
Founder and President of Dura Capital Ltd
Independent non-executive director effective 1 August 2017

Expertise:
- Credit risk, strategic leadership

Academic qualifications:
- PhD Mathematics, University of Washington, USA
- MSc Financial Engineering, University of California at Berkeley, USA
- MSc Applied Mathematics, University of Washington, USA
- BSc Honours Mathematics, University of Zimbabwe

Committees:
B A

Independent non-executive directors (continued)

Ms Patience Nosipho Nqeto (65)
Director of companies
Independent non-executive director effective 1 August 2017

Expertise:
- Business administration, strategic management

Academic qualifications:
- MBA, University of Charles Sturt, Australia
- Honours (Economics), University of South Africa
- BCom, University of Transkei

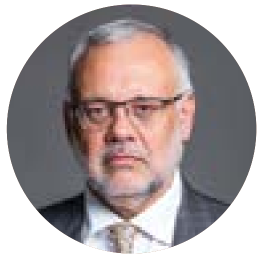
Committees: H I N S

Mr Bongani Nqwababa (57)
Director of companies
Independent non-executive director effective 2 October 2020

Expertise:
- Financial management/audit and risk management, funding, strategy

Academic qualifications:
- FCA, Institute of Chartered Accountants of Zimbabwe
- MBA with merit, jointly awarded by universities of Wales, Bangor and Manchester
- BAcc (Hons), University of Zimbabwe

Committees: B H A



Mr Ebrahim Rasool (60)
Founder of the World for All Foundation
Independent non-executive director effective 30 November 2022

Expertise:
- Socio-economic development (social), strategic leadership

Academic qualifications:
- Doctorate of Humane Letters (Honoris Causa), Roosevelt University in Chicago, USA
- Doctor of Public Service (Honoris Causa), Chatham University in Pittsburgh, USA
- BA and a Higher Diploma in Education, University of Cape Town

Committees: B I S

Ms Anuradha Sing (52)
Director of companies
Independent non-executive director effective 1 August 2014.

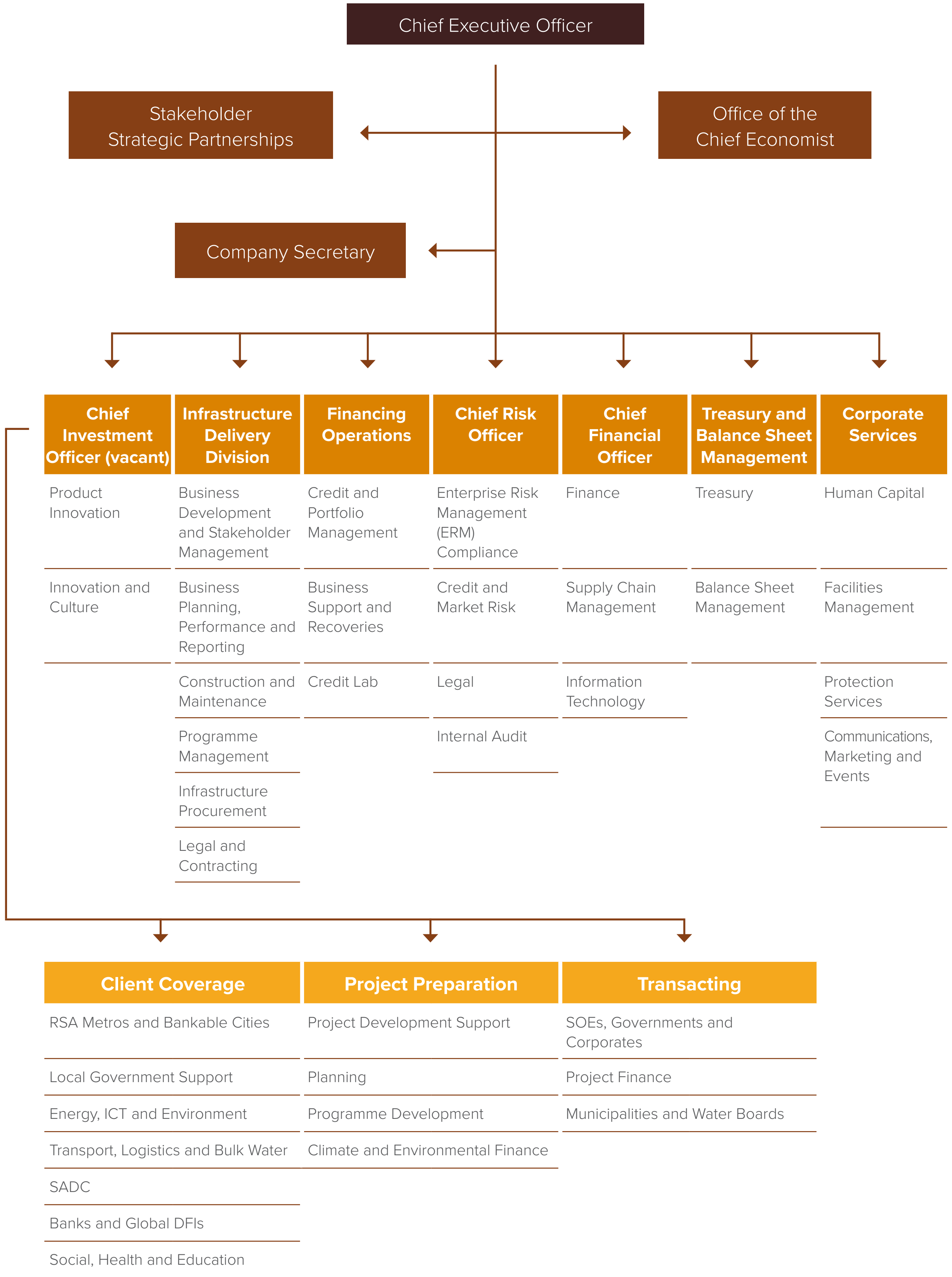
Expertise:
- Investment banking, capital and financial market

Academic qualifications:
- Advanced Management Programme, INSEAD
- MBA, Wits Business School
- BSc Eng (Mechanical), University of Natal (Durban)

Committees: B H A

B Board Credit and Investment Committee
H Human Resources and Remuneration Committee
I Infrastructure Delivery and Knowledge Management Committee
N Nomination Committee
S Social and Ethics Committee
A Audit and Risk Committee

Management overview



Executive Committee

Mr Ernest Dietrich (59)
Group Executive: Treasury
DBSA staff member effective 2 January 2001
Group Executive effective 1 January 2016

Academic qualifications:
- CFA Charter
- MBA, University of Cape Town
- MSc (Mathematics), University of Western Cape
- HDE, University of Western Cape

Mr Michael Hillary (53)
Group Executive: Financing Operations effective 1 October 2012

Academic qualifications:
- MBA, University of Witwatersrand
- BCom Hons, University of Witwatersrand
- CAIB (SA), Institute of Bankers

Ms Catherine Koffman (52)
Group Executive: Project Preparation
DBSA staff member and Group Executive effective 1 February 2021

Academic qualifications:
- Admitted Attorney
- Master of Laws, University of the Witwatersrand
- Bachelor of Laws, University of the Witwatersrand
- BA (Law), University of the Witwatersrand
- MBA: London School Economics; New York Business School Stern; HEC Paris

Mr Mpho Kubelo (46)
Group Chief Risk Officer
DBSA staff member effective 1 November 2007
Group Executive effective 6 October 2017

Academic qualifications:
- Executive Development Programme, GIBS
- MBA, University of the Witwatersrand: Business School
- CFA Charter
- Postgraduate Diploma in Business Administration, University of KwaZulu-Natal
- BSc Electrical Engineering, University of the Witwatersrand
- MS Risk Management, Stern Business School (New York University)

Ms Ntombizodwa Petunia Mbele (51)
Acting Chief Financial Officer
DBSA staff member effective 10 August 2017 and Acting Chief Financial Officer effective 1 April 2023

Academic qualifications:
- Advanced Management Programme, Harvard Business School
- Executive Development Programme, University of Stellenbosch Business School
- Management Advanced Programme, Wits Business School
- Certificate in International Treasury Management ACT (UK)
- Chartered Accountant (SA)
- Bachelor of Accounting Science Honours, Unisa
- Baccalaureus Paedonomia, University of Zululand

Mr Mpho Mokwele (44)
Acting Group Executive: Transacting
DBSA staff member effective 10 October 2016 and Acting Group Executive effective 1 April 2023

Academic qualifications:
- Chartered Accountant (SA)
- Bachelor of Commerce in Accounting (Honours), University of the Witwatersrand
- Bachelor of Commerce in Accounting, University of the Witwatersrand

Ms Sheila Motsepe (53)
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
- MSc (Clinical Psychology), Sefako Makgatho Health Sciences University
- BSc Honours (Psychology) (Cum Laude), Sefako Makgatho Health Sciences University
- BSocSc (Social Work), North West University

Mr Chuene Ramphele (49)
Group Executive: Infrastructure Delivery
DBSA staff member effective 1 June 2010
Group Executive effective 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

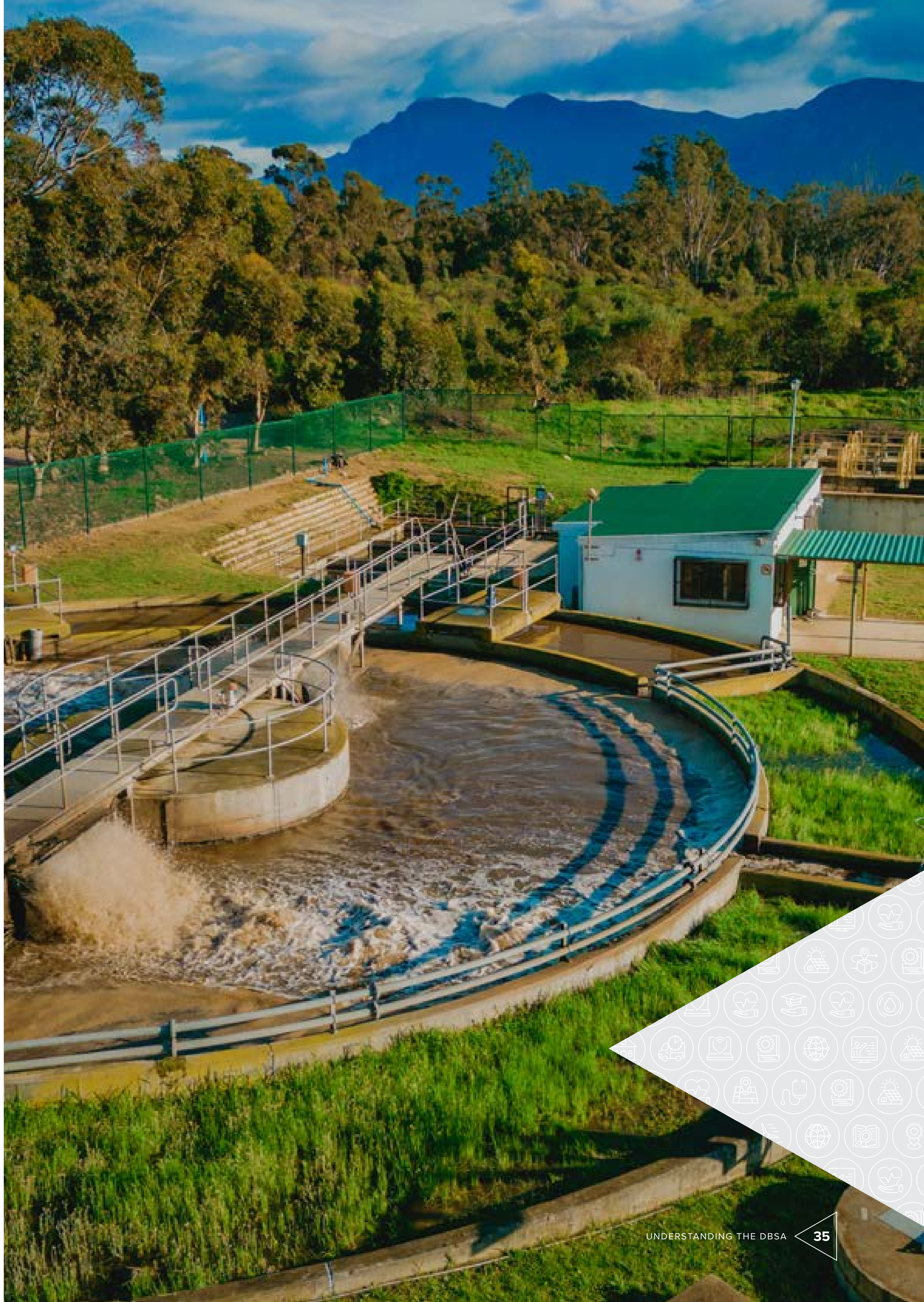
Mr Mohan Vivekanandan (49)
Group Executive: Coverage
DBSA staff member and Group Executive effective 24 March 2014

Academic qualifications:
- MSc in Global Finance, HKUST-NYU Stern
- MBA, Kellogg School of Management, USA
- BA (Honours) in Economics and Mathematical Methods in the Social Sciences (MMSS), Northwestern University, USA
- Project and Infrastructure Finance Programme, London Business School

Company Secretary

Ms Bathobile Sowazi (51)
Company Secretary
DBSA Company Secretary effective 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



04

CONSIDERING OUR OPERATING CONTEXT

OUR EXTERNAL ENVIRONMENT

The DBSA's resilience is evident in its capacity to anticipate and adapt in the face of ongoing turbulence and uncertainty within its operating context. This resilience is rooted in its robust governance system, which spans all levels of the organisation, from employees to the Executive team, the Board and the shareholder. The DBSA also benefits from leadership stability and a compelling value proposition.

A precarious global macroeconomic backdrop

- Emerging complex and unpredictable geopolitical landscape
- Russia-Ukraine conflict reverberating across the world and interrupting the economic recovery
- Global commodity prices rose significantly, led by energy and food prices
- Accelerating inflation in most advanced, emerging market and developing economies
- Effects of COVID-19 on supply chains and economies still impacting developing economies
- Higher sub-Saharan Africa's sovereign debt ratios, spurred by exchange rate depreciations and tighter monetary policy
- African nations vulnerable to global shocks, exacerbating poverty, lack of infrastructure and weak energy supply leading to poor energy access and other unique challenges facing the continent

Outlook

- The International Monetary Fund forecasts a deceleration in global growth to 2.8% in 2023, from 2.9% in the January 2023 forecast, followed by a moderate increase to 3.0% in 2024
- Ongoing gradual recovery from the COVID-19 pandemic and the Russian invasion of Ukraine
- Robust resurgence of China's economy following its reopening
- Abating supply chain disruptions
- Alleviation of energy and food market disruptions arising from the Russia-Ukraine conflict
- Sub-Saharan Africa's growth rate upwardly revised in 2024, from 4.1% to 4.2%, but downwardly revised from 3.8% to 3.6% for 2023

How this impacts us

- Surging energy and food prices bolstered global inflation, impacting South Africa's inflation rates
- Increased cost of living and doing business
- After responding to COVID-19 many clients were heavily indebted
- The Russia-Ukraine conflict impacts on inflation, raising debt limits for governments on the continent

A troubled domestic landscape

- Weak growth prospects, low business and consumer confidence
- Severe energy constraints, intensified loadshedding putting strain on the economy
- Logistical infrastructure challenges hindering exports
- KwaZulu-Natal flood damaging infrastructure
- South African Reserve Bank raised interest rates to 7.75%
- South Africa grey listed by the Financial Action Task Force
- Credit ratings downgrade by S&P Global
- Sustained higher food prices
- Unemployment remains exceptionally high
- Challenges in the construction sector

Outlook

- 2024 general election likely to emerge with a coalition government
- Infrastructure at the centre of South African government's economic recovery agenda
- Economic Reconstruction and Recovery Plan shifted focus to accelerated implementation
- The Infrastructure Fund provisionally allocated a budget of R24 billion over the medium term to improve the scale, speed, quality and efficiency of infrastructure spending
- Municipal market is shrinking owing to inherent weaknesses

How this impacts us

- Loadshedding, increased fuel prices, rising cost of raw materials or stock have increased cost of operations
- Inadequate energy supply to support sustainable economic growth
- Innate structural problems in the economy are beginning to disrupt progress
- Domestic and regional macroeconomic weakness curtails pipeline
- Increased competition in the municipal finance environment
- Construction environment and vandalism impede DBSA-funded infrastructure

The DBSA is an important beacon of hope in these turbulent times. Our contribution to socio-economic growth directly improves the quality of lives of African people.

Infrastructure development	Outlook
• Investment in infrastructure development is crucial for Africa's economic growth and development, attracting foreign direct investment, supporting domestic industries and enhancing productivity, leading to job creation, increased GDP and improved living standards • Infrastructure development plays a vital role in promoting regional integration within Africa • Investment in infrastructure ensures marginalised communities and rural areas have access to basic infrastructure services, such as clean water, sanitation, healthcare and education, bridging the development gap between urban and rural areas • Improved infrastructure enables better access to markets, job opportunities and social amenities, empowering individuals and communities to escape poverty and achieve socio-economic progress • Agriculture is a significant sector in many African economies and investment in infrastructure directly supports its growth and productivity • Investment in infrastructure development is crucial to support urban transition in a sustainable manner	• Initiatives such as the African Continental Free Trade Area aim to create a single market for goods and services, facilitating the movement of people and promoting trade within the continent • Over the past decade, weak growth, rising spending pressures, inefficient delivery and the financial support provided to state-owned companies have constrained government's ability to invest in new infrastructure • Private-sector investment has also fallen for a variety of reasons. As a result, total capital investment has been adversely affected • The NDP has a 30% investment-to-GDP ratio target by 2030. To reach this target, public-sector investment in infrastructure would need to grow from 3.8% of GDP in 2021 to 10% of GDP by 2030. Private-sector investment would need to grow from 9.3% of GDP in 2021 to 20% in 2030 **How this impacts us** • Infrastructure development gap in the African continent across all the DBSA sectors provides an opportunity • DBSA is well positioned to play a role in resolving the infrastructure gap • Increasing emphasis on involving the private sector in infrastructure development in Africa

Climate change	Outlook
• South African government has signed up to the Paris Agreement • Global consensus towards the achievement of net-zero targets by 2050 • Global policy and trade harmonisation towards clear decarbonisation targets • Risk of trade exclusion and carbon taxes creating additional hindrances to economic growth • Funders are increasingly demanding decisiveness around climate-related policies	• Risk of trade exclusion and carbon taxes creating additional hindrances to economic growth • National Treasury developed a green finance taxonomy that will support the process of transitioning the DBSA's portfolio **How this impacts us** • DBSA is well positioned to play a role in supporting the development and implementation of the climate change agenda to ensure the continent is not further left behind • Offering climate and environmental finance facilities

OUR CONTEXT IN GLOBAL, REGIONAL AND NATIONAL DEVELOPMENT LANDSCAPE

UN's SDGs

The United Nations developed 17 SDGs to support its 2030 Agenda, aiming to end poverty and inequality, protect the planet, and ensure peace and prosperity. As a DFI with a domestic and continental footprint, SDGs 6, 7, 9, 11, 13 and 17 are our main priorities, while SDGs 1, 3, 4 and 5 are indirectly supported by our core activities.

Refer to pages 82 and 83 for details on how we support the SDGs.

SADC's Vision 2027

Regionally, SADC's Infrastructure Vision 2027 establishes a strategic framework to guide the development of a seamless, cost-effective and transboundary infrastructure within Southern Africa. This vision is anchored on six pillars: energy, transport, information and communication technologies (ICT), meteorology, transboundary water resources and tourism. The vision is brought to action by the SADC Regional Infrastructure Development Master Plan. The objectives of both AU's Agenda 2063 and Vision 2027 inform the Bank's investment decisions.

AU's Agenda 2063

Agenda 2063 is the AU's master plan to transform Africa into the global powerhouse of the future. Signed in 2015 by various African heads of state, Agenda 2063 is a strategic framework to realise the socio-economic transformation of the African continent over the next five decades. While Agenda 2063 focuses on Africa's aspirations for the future, it also identifies critical flagship programmes to boost Africa's economic growth and development, ultimately leading to the rapid transformation of the continent. The DBSA supports the Africa Continental Free Trade Agreement and the North-South Corridor, among others.

South Africa's NDP (Vision 2030)

The NDP Vision 2030 sets out an integrated strategy for accelerating economic growth, eliminating poverty and reducing inequality in South Africa. Accelerated economic growth, a key objective of the NDP, will enable the country's social and economic transformation. The DBSA contributes to the NDP through large-scale infrastructure projects in the energy, transport, water and ICT sectors, as well as by resolving social infrastructure bottlenecks and expanding regional integration.

Refer to pages 82 and 83 for details on how we contribute to the NDP.

STAKEHOLDERS

Our stakeholder universe

The DBSA's business environment involves multiple internal and external stakeholders, with varied needs, interests and levels of influence. We are committed to an inclusive stakeholder approach that embeds engagement with stakeholders into our value-creation process. Engagement with our stakeholders is geared towards responding to material relationship issues, supporting business strategic goals, managing risks, improving the business operating environments and ensuring a sustainable value proposition. Through various means of communication, the Bank consults and collaborates with stakeholders to align mutual interests, reduce risk, advance financial governance, social and environmental performance and incorporate views of stakeholders in compiling content that addresses sustainable development.

How we identify and analyse our stakeholders

We operate our business in wide-ranging contexts in which stakeholders have varied interests and levels of influence. We identify and rank our stakeholders into groupings and sub-groupings according to our strategic intent, prevailing risk factors and the current business environment. Identifying who our stakeholders are, undertaking in-depth analysis and mapping their influences and interests are pivotal to our stakeholder relationship management framework. We are mindful that stakeholders may not have uniform concerns, opinions and priorities, despite being in the same stakeholder group.

The interests and influence of our stakeholders are dynamic and require continuous monitoring in line with our stakeholder matrix illustrated.

Our stakeholder universe comprises 14 stakeholder categories that impact our business directly or indirectly.

We determine value for our stakeholders and ourselves and address stakeholder relationship risks through our integrated business engagement processes and procedures, as well as by seizing opportunities identified.

How we engage with our stakeholders

To ensure strategic alignment and congruence with our vision, the DBSA engages with parties that have vested interest in the organisation's planning and deliberations to foster involvement, understanding, internalisation, a common mission, strategic goals and business continuation in its programmes, deals and business practices. Our relationship with stakeholders has evolved from traditional interactions with employees, clients/customers, investors and regulators to broad engagements with communities, civil society organisations and various interest groups. We engage stakeholders on issues that include corruption, socio-economic impacts, environmental impacts, health risks, human rights and supply chain conditions.

Actively engaging with stakeholders informs our decision-making and improves the Bank's performance. The DBSA uses various engagement platforms to get perspectives, opinions, insight and ideas from parties that have a vested interest in the success of the organisation. Our strategic stakeholders include employees, clients/customers, the shareholder, government/s, media, civil society organisations, regulators/industry bodies and rating agencies.

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted	Strategic focus areas
Government (shareholder representative)	• Provides the link to ensure alignment of the DBSA with national priorities	• The DBSA's developmental role and social responsibility • Long-term sustainability • Financial performance • Shareholder compact • Policy implementation and regulation	• Regular and proactive engagement with the Minister of Finance and National Treasury • Quarterly meetings and presentations • Quarterly reports in compliance with the PFMA • Informative sessions on strategy progress update • Integrated Annual Report presentation	SRC NC IC	
Government departments	• Their business provides the basis for our continued growth • To understand our clients' and partners' needs and enhance our development impact	• Engagement on issues of water, energy, transport, health and education • Demonstrate will and capacity to act to address service delivery issues	• Regular one-on-one meetings	SRC NC IC	

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted	Strategic focus areas
Clients and partners	• Mutual cooperation to provide capacity building and innovative financing solutions to enhance service delivery to municipalities	• Client needs (funding and non-funding support) • Implementation support (non-funding support) • Perceptions and expectations • Job creation • Environmental impact	• Quarterly engagement sessions and interaction, including regular meetings scheduled according to our individual programme/ project governance agreement with clients • Client and partner surveys	SRC NC IC	
Investors	• Obtain concessional and grant capital	• These entities provide for lines of credit and they must therefore be kept informed about significant changes, particularly those with financial impact	• Quarterly feedback sessions • One-on-one interaction with the DBSA Treasury Division on a regular basis	FC	
Providers of finance	• Provide investment opportunities	• Financial performance • Market trends and issues • Future prospects and organisational sustainability	• Meetings with analysts and rating agencies • Investor roadshows • Announcement of results • DBSA website	FC	
International partners	• Funding • Technical skills • Advisory	• Return on investments and development impact, increase level of trust	• Engagement through one-on-one meetings • Annual partnership workshops • Bilateral meetings at conferences and symposia • DBSA newsletter/ website	FC NC IC	
African partners	• Deal flow • Investment • Exchange of skills	• Mutual cooperation in respect of regional integration, economic development within the region, as well as local point of project identification and financing	• Engagement through one-on-one meetings • Periodic partnership workshops • Bilateral meetings at conferences and symposia • DBSA newsletter/ website	SRC IC	

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted	Strategic focus areas
Community	• Communities are ultimately a key beneficiary of our services and they provide a deeper understanding of our social responsibility expectations, including job creation and environmental impact • Social facilitation of community participation in infrastructure delivery • Assist in maximising development impact	• Strengthened cooperation with civil society to enhance the Bank's work and achieve greater impact investment in socio-economic development • Access to basic services • Local labour opportunities	• Engagement through community projects and forums • Social facilitation and steering committees • Project implementation • Community surveys • Marketing campaigns • Website	SRC NC	
Regulators	• Provide the enabling regulatory framework within which we operate	• Compliance requirements • Needs and expectations • Feedback on performance and human capital matters, governance, financial control and risk	Regular communication and report-back meetings with: • Standing Committee on Finance • Select Committee on Finance • National Treasury • Financial Intelligence Centre • Department of Employment and Labour • Johannesburg Stock Exchange	SRC IC	
Media	• Raise public awareness of our strategy, products and services as well as our operational results	• Key strategic initiatives • Project information • Operational and financial performances	• Media briefings and interviews • Press conferences, releases • DBSA website and social media platforms	SRC	

Stakeholders	Contribution to value creation	Key issues	How we engage	Capitals impacted	Strategic focus areas
Employees	• To enhance employees' engagement and commitment as their efforts contribute to our success	• Strategy • Financial performance • People development and training • Transformation and employment equity • Code of conduct	• Staff engagements at numerous levels • Training and development needs analysis • Results presentations • Performance reviews • Internal newsletter and emails • Whistle-blowers hotline • Staff surveys	HC SRC FC	
Suppliers	• Our objectives can be achieved only if we enjoy the loyal support of our suppliers • Suppliers provide the valued expertise, products and services required to maintain our business and facilitate growth	• Contract and service agreements and performance	• One-on-one meetings and presentations	SRC	

Stakeholder relationship quality

To guide our interactions with key stakeholders, we regularly assess the quality of our relationship with them to identify areas of concern and respond with corrective action. This is done as part of our brand health survey.

Advocacy

The advocacy component of our bi-annual survey, computed by using the net promoter score (NPS) methodology, indicated that the majority of respondents are advocates of the brand.

24.86 NPS	**79.3%** Weighted average score

A positive NPS suggests high customer satisfaction and a great customer experience.

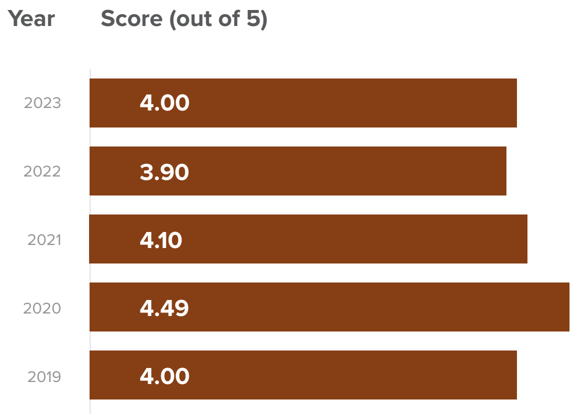
Relationship quality overview

The scale indicator is out of 100 for each of the stakeholder categories.

Client satisfaction

To measure and monitor how well the Bank is fulfilling the needs and expectations of our clients and inform remedial steps to address potential gaps, the DBSA conducts an annual client satisfaction survey.

Client satisfaction score



The results show DBSA clients are largely satisfied with the Bank's products and services. The score increased by 0.1% in 2023, largely thanks to efforts to become more client-centric in our business undertakings. However, the high cost of funding, communication glitches, interrupted service and support, and the perception of longer turnaround times continued to be pain points for clients. This warranted a study to investigate the causal factors that underpin these persistent sources of client dissatisfaction. We commissioned a diagnostic study with clients through frontline and back-office employees on pricing, reviewing our internal processes for operational efficiencies and other important matters to improve client experience outcomes.

Key focus areas for FY2023/24

- Aligning stakeholder framework to the new strategic initiatives emanating from the strategic review
- Commissioning the diagnostic study
- Continuous improvement of client experience outcomes
- Undertaking the bi-annual stakeholder quality assessment

MANAGING OUR RISKS AND OPPORTUNITIES

Risk is defined as the 'effect of uncertainty on objectives'. This effect can be positive or negative. The role of risk management is thus to enable value creation by taking advantage of upside risk and mitigating downside risk.

The DBSA's risk management framework is a fundamental enabler of value creation and preservation. The global and local macroeconomic context remained turbulent, complex and uncertain and we expect this to prevail in the short and medium term. The DBSA's posture towards risk is conservative regarding business and operational risk, and risk seeking in terms of strategy, as evidenced by the countercyclical investment role it plays in the market.

The Board provides oversight of the DBSA's risk management framework, policies and processes and is ultimately accountable for managing risk and monitoring opportunities. The Risk Appetite Framework ensures we take a holistic view of the risks inherent to the Bank's strategy, business and operations. Our approach to enterprise risk management is based on the requirements of King IV, the South African Corporate Governance Code of Conduct. The Audit and Risk Committee is accountable for risk, governance and oversight of the risk management system, approving risk policy, determining the appropriate levels of risk appetite and tolerance, and setting of annual limits.

Risk and opportunity management is entrenched in all facets of the Bank's planning and decision-making processes. Risk awareness, ethical behaviour, legislative and regulatory compliance, and sound accounting practices ensure the organisation has a strong risk culture and effective governance of risk.

An overview of our enterprise risk management framework

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 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 strategic, business and operational objectives.

Risk appetite

Our risk appetite statement outlines the amount of risk the Bank would take in achieving its objectives. The statement contains specific metrics with thresholds in the following areas:

Strategic risk
- Stakeholder risk
- Reputation risk
- Business and operating model
- Sustainability (ESG) risk
  - Environment
  - Social
  - Governance and ethics
- Capital adequacy

Business risk
- Credit default risk
- Credit concentration risk
- Country concentration

Financial risk
- Financial sustainability
- Treasury counterparty risk
- Liquidity and market risk

Operational risk
- Human capital risk
- Legal risk
- Process risk
- Information technology risk
- Occupational health and safety risk
- Compliance risk
- Information and records management risk
- Business continuity risk
- Cybersecurity risk
- Supply management risk

In general, the risks of the Bank were managed within this framework throughout the financial year, responding with mitigation plans if the thresholds were exceeded.

Combined assurance

The DBSA's combined assurance model delineates the roles and responsibilities for risk management within the Bank, emphasising every employee's collective responsibility for monitoring and mitigating risk.

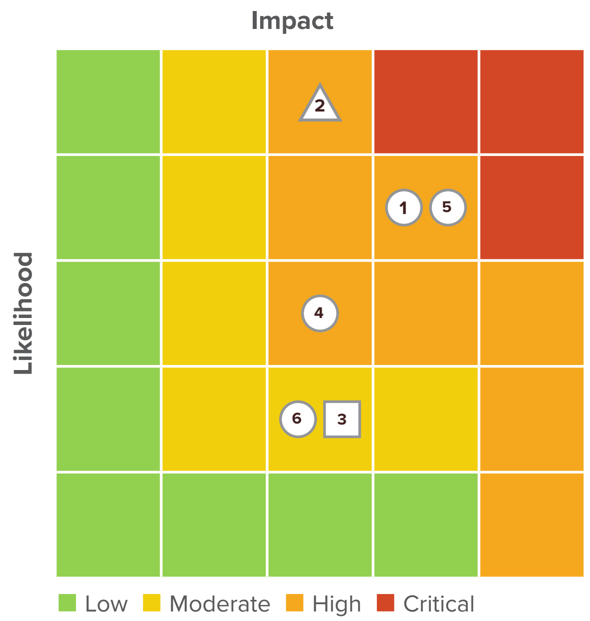
Business Unit	Line management and employees control and monitor risk as part of normal business operations
Group Risk Assurance	Group Risk Assurance – comprising compliance, ERM, business continuity management, legal and credit and market risk monitoring - develops policies and adopts best practice standards for managing risk exposures
Internal and external auditors	Internal and external audits provide independent assurance on the effectiveness of risk management within the DBSA
Executive Committee	The Executive Committee is responsible for providing oversight of the DBSA activities and ensuring implementation consistent with the business strategy and policies approved by the Board
Board	The Board oversees the activities of the DBSA and is held accountable by the shareholder for strategy and performance of the DBSA. The Audit and Risk Committee is mandated to oversee the implementation of the DBSA's ERM framework

Overview of our principal risks

Principal risks are the most significant risks in the organisation and are derived through synthesis of top-down Board and the Executive Committee's discussions and bottom-up risk assessments from the divisions. The principal risks reflect a prioritisation of risk rather than an exhaustive list.

The DBSA's principal risks are monitored throughout the year – the various risk teams adjust our approach as issues emerge. The DBSA Board and management team continuously review the principal risks to ensure an appropriate response.

#	Principal risk	Velocity	Strategic focus area
1	**Credit risk** An increase in the ability of clients to honour debt obligations	○	FS
2	**Cyber risk** Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security	△	FS OS
3	**Liquidity risk** Inability of the Bank to have sufficient funds to meet its maturing obligations and disbursement commitments	□	FS OS
4	**Reputation risk** Arising from any fact of the Bank's actual or perceived conduct and performance	○	FS OS SS ES
5	**Business environment and operations** Failure to maintain adequate responsiveness and agility to respond to the changing environment, leading to underperformance	○	FS OS ES
6	**People and culture risk** Potential decrease in staff morale, adverse impact on work productivity, employee development and wellness	○	OS



Velocity	△	□	○
	Extremely rapid Impact is evident within a *month*	**Rapid** Impact is evident within a *quarter*	**Slow** Impact is evident within a *year*

Strategic focus areas		
	Financial sustainability	FS
	Operational sustainability	OS
	Social sustainability	SS
	Environmental sustainability	ES

Our Top Risks

Principal risk description	Strategic focus areas	Risk response	Tactical opportunities	Residual risk rating 2021	2022	2023
1. Credit risk The inability of clients to honour debt obligations **Key impacts** • Increasing ratio of non-performing loans • Increase in impairments leading to a negative impact on sustainable profit **External drivers** • Increasing requests for payment deferrals and grace periods from clients • Possible material loss arising from the possible non-performance of a single large credit exposure or multiple exposures that are closely correlated • Increasing trend of prepayments by clients, which lessens this risk but may present a financial sustainability issue down the line **Outlook** Although the global economic conditions are set to worsen, the likelihood of credit risks affecting the business is expected to remain unchanged or marginally increased owing to the ability to 'work out' non-performing loans through restructures and other arrangements with our clients		• Conducted proactive due diligence assessments to incorporate the analyses of economic and global market conditions • Conducted routine monitoring of loans to ensure that the Bank remains within the risk appetite • Actively managed portfolios and conducted risk tilting • Diversified clients and products and pursued off-balance sheet structures • Ensured that all disbursement requests are accompanied by high-level credit confirmation of no material change to the credit profile of the client • Ensured that all financing documents that are still being negotiated include appropriate clauses for market disruption and economic failure, including repricing • Routinely monitored loans through day-to-day monitoring and annual credit reviews, conducted rapid risk reviews when indicators showed rapid deterioration of loans or when material adverse changes are experienced or foreseen • Placed Stage 1 loans showing early signs of distress on our operational watchlist through the Portfolio Committee, which communicates early warning signals and actions into the Investment Committee (IC) and Board Credit and Investment Committee (BCIC), to assess the overall risk of default. We took relevant actions to cure the loans at all three stages, during which required DBSA executives engaged with their counterparts • Placed loans showing a significant increase in credit risk (stage 2) on the watchlist. Depending on their risk of default, some may be handed over to the Business Support and Recovery Unit (BSRU) at Stage 2 • Handed over non-performing loans (Stage 3) to BSRU	• Optimise capital by allocating capital in line with our new Capital Management Framework • Integrate our approach to growth, liquidity, solvency management and value creation through developing a clearly defined growth model • Explore organic or acquisitive growth opportunities in the trade finance area	High	High	High
2. Cyber risk Unauthorised or erroneous use of ICT systems, data and/or infrastructure leading to breaches of data and information security **Key impacts** • Non-compliance to the Protection of Personal Information Act if data security is breached and personal information is compromised • Business disruption • Adverse impact on reputation • Increased costs to insure against cyber incidents **External drivers** • High levels of phishing attacks, malicious spam and ransomware attacks occurring globally **Outlook** The risk is expected to remain high for the foreseeable future due to the ever-increasing sophistication of technology and attacks modes		• Fostered a culture of cyber-resilience through ongoing training and awareness using the DBSA brief and virtual training • Implemented the Information Security Management System and Cybersecurity strategy. Cybersecurity risk simulation is in progress and remedial actions are underway following management feedback • A third-party service provider was appointed to conduct ongoing threat monitoring • Implemented a managed portfolio process (business case evaluation and project prioritisation) • Implemented the ICT governance framework. • Tested the backup and restore functions • Continually revising resilience planning processes and testing them and equipping crisis management teams with skill sets and experience to manage under intense pressure	• Protect the integrity of stakeholder data including client and employee data, by implementing appropriate measures and processes, including building robust cyber-defence capabilities • Invest extensively towards improving and enhancing our business continuity and systems performance to minimise downtime • Safeguard the data we collect in line with our fiduciary duty and comply with relevant data protection and privacy legislation • Maintain the stability of our systems to secure the trust of our clients and broader stakeholder groups • Protect the personal information of stakeholders by adhering to all legislative prescripts • Perform regular penetration testing in controlled environments to identify potential vulnerabilities • Host regular, mandatory employee awareness and training programmes • Implement appropriate levels of cyber-insurance cover	High	High	High

Principal risk description	Strategic focus areas	Risk response	Tactical opportunities	Residual risk rating 2021	2022	2023
3. Liquidity risk Inability of the Bank to have sufficient funds to meet its maturing obligations and disbursement target **Key impacts** • A temporary downward cycle in core lending performance • Adverse impact on financial sustainability • Reduced ability to raise affordable funding • Being unable to achieve our mandate and development impact targets **External drivers** • Currency volatility • Increase in the cost of funding • Contagion impact of other SOEs (Land Bank) **Outlook** This risk is expected to improve in the short term as liquidity ratios improve in line with redemptions. However, significant economic shocks could lead to market dislocations as experienced in early 2020		• Engaged with key investors for them to understand our funding requirements and funding strategy • Monitored prudential limits to ensure they remain within the risk appetite • Pursued additional facilities with other lenders such as DFI/multilaterals for access to green finance pools • Scheduled quarterly meetings with internal clients to understand their disbursement needs or requirements. We developed a full year schedule of disbursements by currency, split into committed versus uncommitted transactions • Rolled over maturing liabilities although terms such as amounts and pricing may change as a result of market conditions • Used existing operational hedging instruments against interest rate and currency risk swaps • Raised long-term funding through bond issuances and long-term bilateral loans • Secured an increase in the foreign currency borrowing limit for FY2021/22 and FY2022/23 • Regularly forecast cash flow and keep unused facilities in place • Maintained access to the repo market	• Diversify our funding sources with a key focus on green funding to reduce our overall weighted cost of capital	Moderate	Moderate	Moderate
4. Reputation risk Arising from any facet of the Bank's actual or perceived conduct and performance **Key impacts** • Loss of stakeholder goodwill • Increasing oversight by the shareholder • Ongoing negative mainstream and social media coverage • Municipalities may change or delay their plans on infrastructure spending • Uptake of green economy projects may be deprioritised in the market **External drivers** • Insufficient deal flow may negatively affect overall development impact • Allegations of inappropriate governance in the media • Any perception of greenwashing or inadequate progress on ESG objectives • Standing Committee on Public Accounts inquiry into governance at the DBSA • Perceived misalignment to global standards and SDGs **Internal drivers** • Any significant delays or disruptions in the implementation of the District Delivery Model and/or the Infrastructure Fund • Inability of the DBSA to honour all disbursements **Outlook** This risk is expected to remain unchanged considering strong corporate governance		• Managed public relations and stakeholders to communicate our mandate and performance outcomes • Used the development position and related development index to align stakeholder expectations of DBSA's contribution and performance • Drove the climate change initiative through an Exco Steerco • Outlined transition periods for gas and oil • Developed business cases for new growth opportunities from green hydrogen, biodiversity assets and carbon markets • Pursued PFMA exemption using the DBSA as an implementing agent • Used the development subsidy to enable Infrastructure Delivery Division to unlock municipal projects • Undertook a 10-year review of benefits unlocked from the DBSA's support to municipalities (lending and non-lending) • Use of the High Impact Investment Fund, the Infrastructure Fund, the District Delivery Model and non-financial means to support under-resourced municipalities • Adopted a climate-aligned integrated energy investment framework that will enable the Bank to support the Just Transition • Are adopting recommendations from the taskforce on climate-related financial disclosures • Developed a net zero emissions strategy	• Opportunity to highlight the work of the organisation and market the organisation through mainstream media and social media campaigns • Opportunity to partner with reputable organisations on infrastructure projects and/or public relations initiatives	Moderate	Moderate	Moderate

Principal risk description	Strategic focus areas	Risk response	Tactical opportunities	Residual risk rating		
				2021	2022	2023
5. Business environment and operations Failure to maintain adequate responsiveness and agility to respond to the changing environment **Key impacts** • Adverse impact on support functions as they have not yet scaled up to match increasing demand from frontline divisions • Adverse impact on financial performance of the Bank • Inability to achieve social-economic growth goals **External drivers** • High debt-to-GDP ratios in key markets • Increasing inflation and increasing interest rates globally • Potential shifts in priorities of governments in the region • Depressed deal pipelines in South Africa and the region (changes in governmental budgeting) • Ability to attract, train and retain strategic job groups may be hampered in the current environment • Conflict between Russia and Ukraine poses significant risk to growth and inflation globally • Insurers are increasingly concerned with the ESG performance of their clients with a likely impact on insurance premiums or extent of cover • Global and domestic inflation continues to accelerate above target levels, exacerbated by rising energy and food prices **Internal drivers** • Increasing need for digitisation • Optimisation of resources • The business is growing rapidly in the frontline divisions to implement the DBSA's strategic initiatives such as the Infrastructure Fund and District Delivery Model without similar growth in the middle- and back-office functions • Increasing pressure on the workforce in a volatile 'new normal' where work and personal life are integrated **Outlook** This risk is expected to remain unchanged or deteriorate depending on the global economic prospects		• Investigate a business case to develop advisory capabilities for the Bank • Investigate a business case for trade finance • Scale up new products, such as the High Impact Investment Portfolio • Increased focus on the non-core lending aspects of the business such as breakthrough agenda initiatives, Infrastructure Delivery Division and District Development Model • Investigated options to reshape the loan book from fewer larger deals to increased volumes of smaller deals • Strengthen partnerships and increase collaboration with other DFIs • Increased digitalisation in operations • Improved the effectiveness of learning and development initiatives to build adequate skills • Improved strategy alignment and execution through an enhanced balanced scorecard process	• Pursue sector and geographic diversification of our local and Africa businesses to reduce concentration risk • Focus on innovation and improving our products, pricing and services to attract and retain clients in low-growth environments • Identify and pursue further growth opportunities, particularly those emanating from the Just Transition – carbon markets and green hydrogen • Gender mainstreaming, looking at transforming the infrastructure sector through the support of women-owned businesses • Contractors working capital financial instruments • Scaling up digitisation as a means to harness changing economic environment	Moderate	High	High
6. People and culture risk Potential decrease in staff morale and adverse impact on work productivity, employee development and wellness **Key impacts** • Adverse impact on the organisation's performance operationally and financially **Internal drivers** • 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 • Improving the effectiveness of learning and development initiatives to build adequate skills • Disruption in work practices and routines as a result of COVID-19 lockdown creating instant pressure to manage a dispersed workforce • Social and mental health issues may arise as a result of isolation caused by the pandemic • Longer working hours to accommodate home schooling and baby-sitting activities • Employee burnout • Risks around 'key person' dependencies and unclear succession planning **Outlook** This risk is expected to remain unchanged		• Activated the business resumption plan strategy to initiate our work from home policy • Created platforms where employees can engage on COVID-19-related queries • Made the Employee Wellness Programme available to employees for any type of support and counselling • Adopted a flexible hybrid working model (time-based/purpose-based) • Conducting an organisational review • Assess capability across all units and the feasibility of moving staff • Assess our corporate culture • Developing a senior succession plan • Developing succession plans for critical skills • Held bi-monthly COVID-19 task team meetings • Disseminated the CEO's periodic communications via DBSA briefs • Have a DBSA check-in pod, which is an open platform for staff to discuss the impacts on them of COVID-19, driven by voluntary staff under the guidance of the pandemic task team	• Attract and retain the best available person in every role and drive recruitment initiatives that attract and retain the best talent in critical segments • Unleash the best in our people through challenging work, digital enablement, transparent performance management systems and learning experiences • Build highly motivated teams that embody the DBSA culture • Create a work experience that positions the DBSA as an employer of choice • Prioritise the absorption of our graduate employees and employment of people living with disabilities • Offer competitive total rewards • Monitor the wellbeing of our employees through dedicated programmes such as ICAS and regularly have check-in engagement sessions. These should be complemented by annual employee engagement surveys	Moderate	Moderate	Moderate

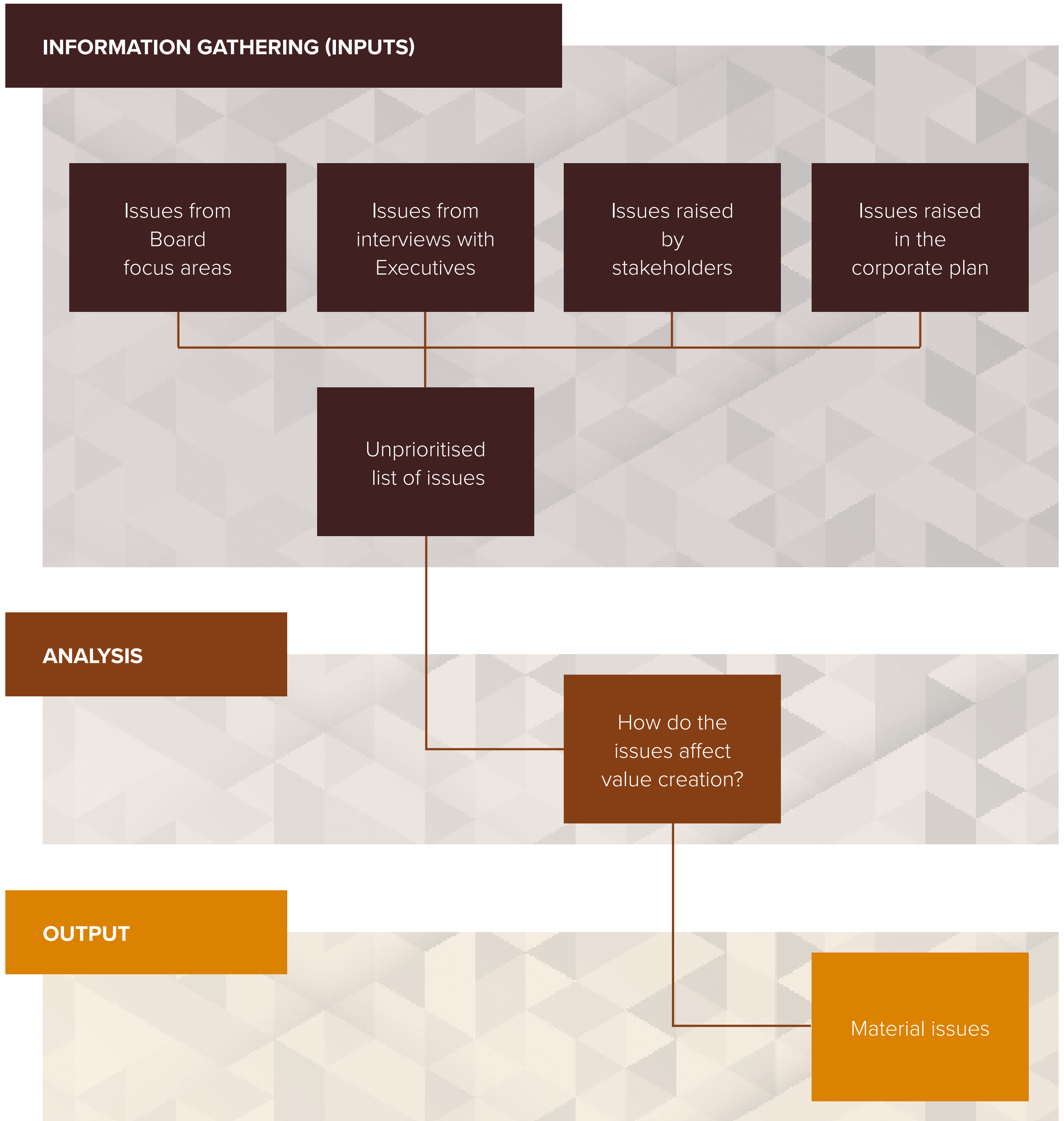
Our material issues

How we determine materiality

Our material issues highlight matters that have a significant impact on our value creation model in the short, medium, and long term. These matters are determined through a review of the Board's focus areas during the year, interviews with our Executives, feedback from our stakeholders and matters raised in the process of developing our annual corporate plan, a three-year operating and financial plan that state-owned companies are required to submit to National Treasury on an annual basis. In FY2022/23 the following issues were raised in the materiality process.

Board	Executive	Corporate Plan
• Reputation matters • Shareholder alignment • Just Transition • Approach to scaling up and fast-tracking infrastructure development • Board succession and executive management succession	• People and culutre • Institutional knowledge • Culture • Governance • Strong balance sheet	• Worsening global economic outlook • Political uncertainty in South Africa • Climate events (floods, drought) • Supporting the just energy transition regionally and locally • Infrastructure development gap • Pressure to decarbonise loan book • Strong financial base • Lending plateau • Digitalisation • New way of work • Investigation of DBSA regulation and shareholding structures • Equity funding • Cost of funding • Business cycle • Low BEE • Liquidity and capital managemnet

Stakeholder engagement	
• DBSA's developmental role and social responsibility • Long-term sustainability • Financial performance • Shareholder Compact • Policy engagement on issues of water, energy, transport, health and education • Demonstrate will and capacity to act to address service delivery issues • Client needs (funding and non-funding support) • Implementation support (non-funding support) • Perceptions and expectations • Job creation • Environmental impact • Financial performance • Market trends and issues	• Prospects and organisational sustainability • Strengthened cooperation with civil society to enhance the Bank's work and achieve greater impact investment in socio-economic development • Access to basic services • Local labour opportunities • Compliance requirements • Needs and expectations • Feedback on performance and human capital matters, governance, financial control and risk



Our material issues

Issue	Relevance	Associated risks	Associated opportunity	Associated stakeholders
Governance	Good governance enables the DBSA to perform well in challenging circumstances and thereby safeguarding the value creation model of the organisation	Business environment and operations risk	-	Civil society
Strong balance sheet	Enables DBSA to make countercyclical investments as the global economic outlook worsens	Business environment and operations risk	Finance projects and initiatives that close the infrastructure gap across the continent Leverage availability of climate finance Support a Just Transition	
People and culture	Enable the DBSA to respond adaptively to changing conditions and continue to improve the value creation model	People and culture risk Business environment and operations risk	-	Civil society
Institutional knowledge	Enables the DBSA to design programmes that suit the market and enhance value creation	Business environment and operations risk	Developing partnering solutions in the municipal space	
Navigating the Just Transition	Increasing need to move away from fossil fuel-based energy-intensive activities and investments from key stakeholders This may improve our access to capital markets	Reputation risk Business environment and operations risk	Identify and pursue further growth opportunities, particularly those emanating from the Just Transition – carbon markets and green hydrogen	Civil society
Liquidity and capital management	Optimising our liquidity allows us to continue providing solutions to our clients to enable infrastructure development	Liquidity risk Business environment and operations risk	Diversify our funding sources with a key focus on green pools of capital to reduce our overall weighted cost of capital	Providers of funding
Scaling-up and fast-tracking infrastructure development	Allows us to continue to achieve our mandate and aids economic and social development in our active markets	Liquidity risk Business environment and operations risk	Focus on innovation and improving our products, pricing and services to attract and retain clients in low-growth environments	Providers of funding Civil society
Equity funding for transformation and economic access	Increasing our development impact	Business environment and operations risk	-	Providers of funding
High cost of funding	This reduces our competitiveness in the market by pricing us out of deals	Business environment and operations risk	Diversify our funding sources with a key focus on green pools of capital to reduce our overall weighted cost of capital	Providers of funding
Long-term business cycle	This may reduce the number of opportunities in the market or slow the growth and performance of our loan book in the short to medium term but increase it in the long term	Credit risk Business environment and operations risk	Integrate our approach to growth, liquidity, solvency management and value creation through a clearly defined growth model Explore organic or acquisitive growth opportunities in the trade finance area	Providers of funding Rating agencies
Low B-BBEE rating	This reduces our competitiveness in the market through failing to meet minimum bidding criteria of municipalities	Business environment and operations risk	Development of a DFI-centric B-BBEE scorecard in collaboration with the Department of Trade, Industry and Competition	

05

CREATING SUSTAINABLE VALUE THROUGH OUR STRATEGIC RESPONSE

OUR STRATEGY

Our strategic intent

The DBSA has adopted a purposeful strategy focused on maximising development impact by enabling and financing infrastructure development and upholding our financial sustainability through balanced growth, increased income and cost optimisation.

Our strategy recognises the challenging operational environment and the urgent need for accelerated infrastructure development as a catalyst for bringing about structural change within the South African economy and the rest of Africa, while promoting inclusive transformation.

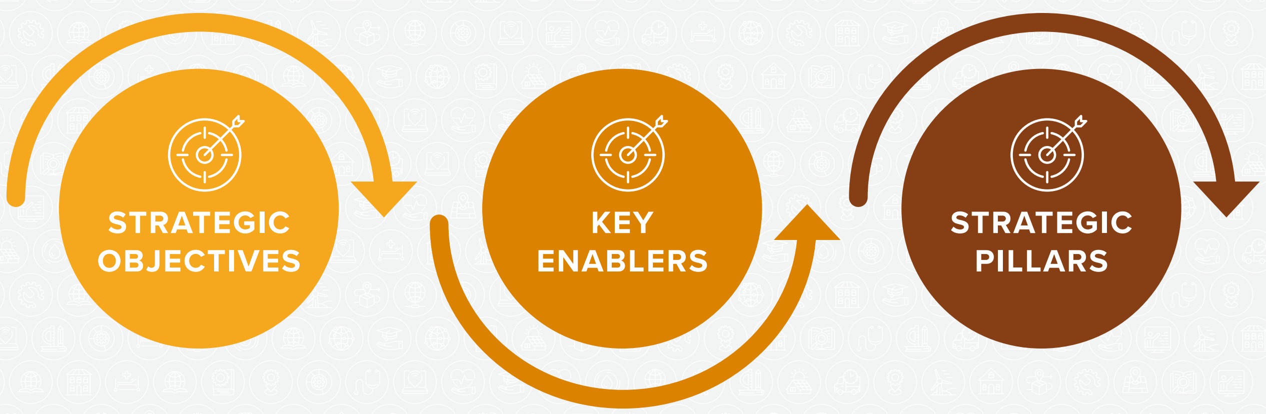
The strategic intent of the DBSA is to create world-class infrastructure catalysing capabilities in an ever-increasing competitive and uncertain environment, shape the infrastructure investment market through leveraging our dynamic capabilities in conceptualising, catalysing and implementing sustainable infrastructure projects, capitalising on our position and expertise as well as engaging in and cementing smart partnerships.

Conceptualiser	Catalyse	Implementer	Response to dynamic environment
DBSA identifies development programmes that 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	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	The DBSA places a firm focus on the implementation of key priority projects to deliver tangible solutions that build Africa's prosperity	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 build the resilience and relevance of the Bank for the future

Our strategy aims to maximise our competitive advantages, which include:

- Comprehensive offering across all segments of the infrastructure delivery value chain
- Proactive, solution-oriented, efficient and dynamic approach throughout the entire value chain
- Understanding of the complexities of the environment

Our strategy in action



Strategic objectives	Key enablers	Strategic pillars
• Financial sustainability • Accelerate development impact • Build a future-fit DBSA • Smart partnerships	• To raise funding at an optimal cost • Operational excellence • Boost and develop key partnerships • Strong and effective corporate governance • Influence regulatory and policy environment	• Inclusive economic recovery in South Africa • Strategic Rest of Africa lens • Doing things differently

Strategic objectives

Financial sustainability	Accelerating development impact	Future-fit DBSA	Smart partnerships
Measures of success			
• Grow quality and profitable disbursements • Increase self-originated disbursement opportunities • Improve operational efficiencies for cost optimisation • Achieve disbursement targets to secure the Bank's asset base	• Prioritise investments in projects and activities that ultimately reduce poverty, unemployment and inequality • Employ a programmatic approach to accelerate infrastructure development and ensure a secure and scalable development trajectory • Increase the development impact of disbursements and projects in core sectors and South African municipal districts • Create an integrated development environment throughout the value chain to effectively respond to rapid changes in the environment	• Tailor products, services and organisational capabilities to better meet customer needs • Improve collaboration and integration internally • Shift towards digitalisation is required to align with the changing landscape and technological advancements • Focus on team performance and outcomes • Cultural shift towards growth and innovation • Review the Bank's operations, structure and perspectives of employees	• Nurture purpose-driven collaborations that co-create development solutions and enhance private sector participation in infrastructure projects • Promoting partnerships that foster inclusive growth by facilitating private sector involvement and addressing bottlenecks in infrastructure development • Cultivate partnerships that assist public sector entities in overcoming obstacles that hinder accelerated infrastructure development • Pursue partnerships both within and outside of South Africa
Relevant material issues			
• Governance • Strong balance sheet • People and culture • Institutional knowledge • Liquidity and capital management • High cost of funding • Low B-BBEE rating	• Navigating the Just Transition • Scaling up and fast-tracking infrastructure development		• Equity funding for transformation and economic access • Long-term business cycle

Strategic enablers

The following key enablers underpin our strategy:

Funding optimisation:

- Diversified funding options
- Managing cost of funds
- Maintaining healthy liquidity levels

Operational excellence:

- High-performance and accountability culture
- Attracting and developing strategic job families
- Bolstering core banking and developmental skills
- Collaborative teamwork for successful strategy execution

Key partnerships:

- Nurturing strategic partnerships
- Mutual benefit in achieving the mandate
- Relationships with other DFIs, SOEs, public and private sectors
- Strong relationships with strategic investment partners
- Enhancing infrastructure pipeline and reputation as one of the leading African DFIs

Strong and effective corporate governance:

- Cultivating a culture of integrity
- Positive performance and sustainable business outcome
- Good governance to meet stakeholder expectations
- Continuous improvement in governance and risk management

Strategic pillars

Inclusive economic recovery in South Africa – Achieving meaningful growth in South Africa and building 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 pillar incorporates both economic access and transformation. The latter emphasises patterns of ownership of the South African economy. Appropriate interventions have been identified to accelerate meaningful black economic transformation and gender mainstreaming in the infrastructure space.

Strategic Africa lens – 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 – 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.

OUR PERFORMANCE FOR FY2022/23

The DBSA's strategy pursues the maximisation of development impact while maintaining financial sustainability. The balanced scorecard translates key strategic objectives into measurable outcomes approved by the Board of Directors. The balanced scorecard is the key instrument used to implement and monitor the achievement of predetermined strategic objectives.

The DBSA worked towards achieving exceptional results even in the extremely difficult global, regional and domestic economic conditions during FY2022/23, meeting 89% of its targets. Notable achievements include both financial outcomes –such as the return on sustainable earnings, total disbursements, cost-to-income ratio (financing business) and value of infrastructure delivered – and development outcomes achievements, which include projects approved for funding by DBSA's existing climate and environmental facilities, development laboratories (DLabs) outputs and empowerment support. The value of prepared projects approved was overachieved and is attributed to the earlier delays experienced in the finalisation of the renewable energy projects and risk mitigation Independent Power Producers Procurement Programme from the previous year.

The targets for the following key performance indicators were partially achieved:

- Number of jobs facilitated: The underperformance is largely attributed to the number of estimated jobs to be created from the financing business, which are calculated based on South African project commitments not reaching expectations for the financial year under review and as a result we missed the annual target by 1 060.
- Number of student beds through the Student Housing Infrastructure Programme: The underperformance is attributed to 312 student beds not completed by year end because one of the constructors experienced cash flow problems and was thus unable to complete the final work to deem the building complete and ready for occupation through a completion certificate from the municipality.
- Number of transactions through the High Impact Investment Portfolio: The underperformance is attributed to delays in converting projects from approval to commitment stage during the financial year. It is anticipated that greater traction will be realised in the new year as uptake increases.
- Provide strategic and operational support to the Infrastructure Fund to execute its mandate: Two of the six targets contained in the approved business plan were not met owing to project cancellations and delays by project sponsors.

Mr Patrick Khulekani Dlamini
Outgoing Chief Executive Officer

OUTGOING CEO's REVIEW

After 10 years at the helm of the DBSA, Patrick Dlamini's tenure as CEO of the Bank came to an end on 31 March 2023, the end of the year under review. Patrick leaves a formidable legacy that stretches deep and wide. Boitumelo Mosako was appointed to take over the reins as CEO, effective 1 April 2023, following a five-year term as CFO of the Bank.

This year, the CEO review will have two parts: A review and reflection on the year from Patrick Dlamini and looking ahead from Boitumelo Mosako.

Looking back on 2022/23, I take pride in our collective achievements as we harnessed our institutional strength to deliver a record performance that represents improving the lives of Africans.

The DBSA's role and responsibility as a DFI

South Africa is facing a multitude of challenges, including alarming rates of unemployment, poverty and income inequality. This has been exacerbated by sustained low levels of investment and growth. In addition, the country is now facing loadshedding, rising interest rates and high inflation.

As a DFI, the DBSA has a responsibility to address these challenges to the best of its capabilities. This is at the very core of the DBSA's purpose and existence. The Bank has a thorough understanding of the hurdles facing South Africa as well as the rest of the African continent and has a contribution to make in the global arena. The Bank has the institutional strength to deploy financial resources, expertise and innovative solutions to provide countercyclical financing and investments. Through proactive measures, the DBSA can contribute to stabilising economies, stimulating recovery and contributing to long-term sustainable development in challenging market conditions.

While achieving growth and maximising impact may be tough, it is the DBSA's role to be countercyclical and focus on the long term, and to invest when others shy away. Sustainability plays a fundamental role in DBSA's strategy. The DBSA partners with global partners throughout the world to ensure it is positioned to play this rightful role.

The DBSA has always internalised the principle that sound corporate governance is a prerequisite to unlocking shareholder value and creating a necessary platform for increased investor confidence and achieving maximum development impact. The DBSA places a huge premium on good corporate governance and this permeates every facet of the Bank's activities. Our Board's oversight role is critical for the strength of the Bank and is executed with excellence.

Review of FY2022/23

Looking at the Bank's performance in the year under review, we not only achieved most of our targets. We also exceeded them, surpassing expectations in certain areas. There are promising initiatives on the horizon such as strategic water projects and human settlement projects and these are close to being realised.

I was also extremely proud of how we responded to the COVID-19 pandemic, providing a sense of care to our own employees and playing a meaningful role in the country and the region. This was a collective effort from the Board, Executive and Team DBSA as well as our partners.

The Infrastructure Delivery Division showed a pleasing recovery after the restraint of the COVID-19 years, delivering R4.8 billion in infrastructure, with a development impact that included a transformation dividend. It has been pleasing to see the division identifying and overcoming critical constraints in a complex market to achieve projects with minimal disruptions. The DBSA made significant progress in supporting black-owned and black women-owned entities in FY2023, exceeding all our targets. We will continue to work with our partners to ensure black economic empowerment is achieved in South Africa.

Capitalising on opportunities

Amid all the challenges and change we are facing are massive, strategic opportunities. To take advantage of these we must be future orientated, making sure our employees are capacitated, our operations are efficient, systems are in place and we are open to cooperating with our partners. The culture and values of the Bank are vital to ensure the highest standards of governance and continuous innovation.

DBSA is well positioned to benefit from the move to a green and inclusive economy with a proven track record and established partnerships in green finance. The Just Energy transition remains a critical work area for greening of our loan book and in embedding actions towards achieving the net-zero path. New technologies such as green hydrogen and the investment required will be the focus of the initiative alongside the development of a Just Transition strategy.

Farewell DBSA

It has been an amazing privilege and an honour to have been entrusted with leading such an august institution. I have appreciated the support and wise counsel of various Board members, colleagues and ministers at National Treasury and fellow members of the DFI community.

As an institution, we chose to be a learning organisation, providing opportunities of self-development and capacitation of employees at highly regarded global and local institutions. I firmly believe great institutions are made of great people. Leading with humility and appreciation, and valuing our colleagues and every member of the organisation set the tone and build a solid foundation.

Welcome to our new CEO

I extend my congratulations to Boitumelo Mosako on her appointment as CEO. We are proud to see one of our colleagues appointed into the position. I am confident she will continue to hold the flag of this institution high and will be a capable, caring leader.

Mr Patrick Khulekani Dlamini
Outgoing Chief Executive Officer

Ms Boitumelo Mosako
Incoming Chief Executive Officer and Managing Director

INCOMING CEO's REVIEW

The challenges we face as a country are enormous. However, in this sluggish environment, our ability to provide and leverage finance countercyclically comes to the fore. The DBSA is well positioned to heed a call to action.

The inherent weakness in our socio-economic environment reinforces the importance of the DBSA's role in Southern Africa. Although our economy was showing signs of recovery in the aftermath of COVID-19, addressing poverty, unemployment and inequality in South Africa is more difficult than ever as the energy crisis, among other factors, takes a toll on economic growth. Consumers are also weighed down by rising interest rates and high inflation. The challenges we face as a country are enormous. However, in this sluggish environment, our ability to provide and leverage finance countercyclically comes to the fore. The DBSA is well positioned to heed a call to action.

Performance review

The Bank recorded an exceptional performance in FY2022/23, heralding a recovery to pre-COVID-19 levels much sooner than expected. Given the subdued environment, this to some extent reflects the resilience of the organisation. The high interest rates and weak currency contributed to the financial result. In terms of development impact, we met most of our key performance indicators, a highlight being exceeding our disbursement levels for the year. Disbursements also represent the extent to which we are making a difference on the ground to the people of Africa.

We supported the key social and economic infrastructure sectors. We concluded several energy transactions that will contribute to energy security. Another key focus area is water and sanitation. Our Project Preparation Division established a water programme office. Providing finance to the cities of Johannesburg, Ekhurhuleni and eThekwini will alleviate some of the chronic service delivery backlogs and pressures that these metros face. The funds will enable expansion or refurbishment of critical infrastructure such as wastewater treatment plants, landfill sites, roads and electrical substations.

Our Planning Unit continued to provide under-resourced municipalities and other qualifying clients with infrastructure planning support drawing on the annual non-lending development subsidy (capacity-building and support grant) budget, unlocking R2.1 billion in infrastructure during the year.

Despite challenges in the construction sector, which affected parts of KwaZulu-Natal and Gauteng, our implementing team delivered critical projects during the year and is assisting in the planning phase of rebuilding the Parliament building.

These achievements demonstrate the DBSA's commitment to supporting black economic empowerment. The Bank is working to increase the participation of black-owned entities and black women-owned entities in the South African economy by providing them with access to finance, project preparation funding and procurement opportunities. The DBSA is also working to support the development of SMMEs, which are a key driver of economic growth and job creation.

Strategic review

During the year, the Bank reviewed one of the corporate strategy pillars and adopted the following five strategic initiatives to underpin the strategy. From a strategic perspective, these accelerators require short-term prioritisation to achieve long-term success.

Achievement of a Just Transition

As our current loan book reflects the carbon-intensive energy sector, we have prioritised developing a Just Transition strategy, which will focus on the transition to clean energy as well as the 'Just' element. This entails addressing issues relating to the transition such as ensuing poverty, unemployment and inequality, which will enhance our development impact. Some of the key focus areas are supporting clients in scaling up renewable embedded generation and energy security and transmission grid development.

Elevating development impact

The DBSA contributes to the development of South Africa and drives transformation and sustainability by leveraging its strong balance sheet and reputation. There is a misperception that the Bank is a profit-driven institution. To address this, we will focus on stronger communication of our development impact as well as reviewing the monitoring and evaluation function.

Integrated municipal approach

We are introducing a new innovative and comprehensive approach for supporting municipalities. This new approach entails intervening in a programmatic manner across the full infrastructure development value chain, the development of the financial resource requirements and budgeting for the Partner-a-District model as a driver of the integrated municipal approach.

Fit-for-purpose DBSA

Key actions aimed at achieving a fit-for-purpose DBSA include enhancing the management of culture and stakeholder as well as reviewing the organisational structure and implementing a digital transformation strategy. We will also review the post-lockdown working model.

Shareholder alignment and policy/ regulatory matters

To enhance the Bank's cost of capital, we are investigating how the Bank is regulated. As we fall under the DBSA Act and not in the regulatory ambit of the South African Reserve Bank (SARB), we are regulated under this Act and the PFMA and are thus categorised as a state-owned entity. Recently, this has proved problematic as we suffered some contagion after the default of a local SOE.

Regulation by SARB will strengthen our reputational position, aid international deals and provide international credibility.

Outlook

The operating environment is expected to remain tough in the near future, which will continue to limit the Bank's ability to raise funding. South Africa's political uncertainty is likely to continue until well after the 2024 elections, creating challenges in navigating the municipal space. On the upside, we expect the DBSA's role in supporting the energy transition – both regionally and at a municipal level – and decarbonising its loan book to have a direct impact on the Bank's performance going forward. We will continue to build strong partnerships with key industry players to enhance our reach.

Appreciation

I would like to thank our Board for its valuable guidance during the year and the support during the leadership transition. A special message of gratitude to Patrick. Thank you for your support and guidance over the years. It is an honour to fill your shoes.

Once again, I commend our Executives and all our employees for their dedication to the DBSA and for achieving our purpose, especially in the face of the prevailing uncertainty and unease.

Ms Boitumelo Mosako
Incoming Chief Executive Officer and Managing Director

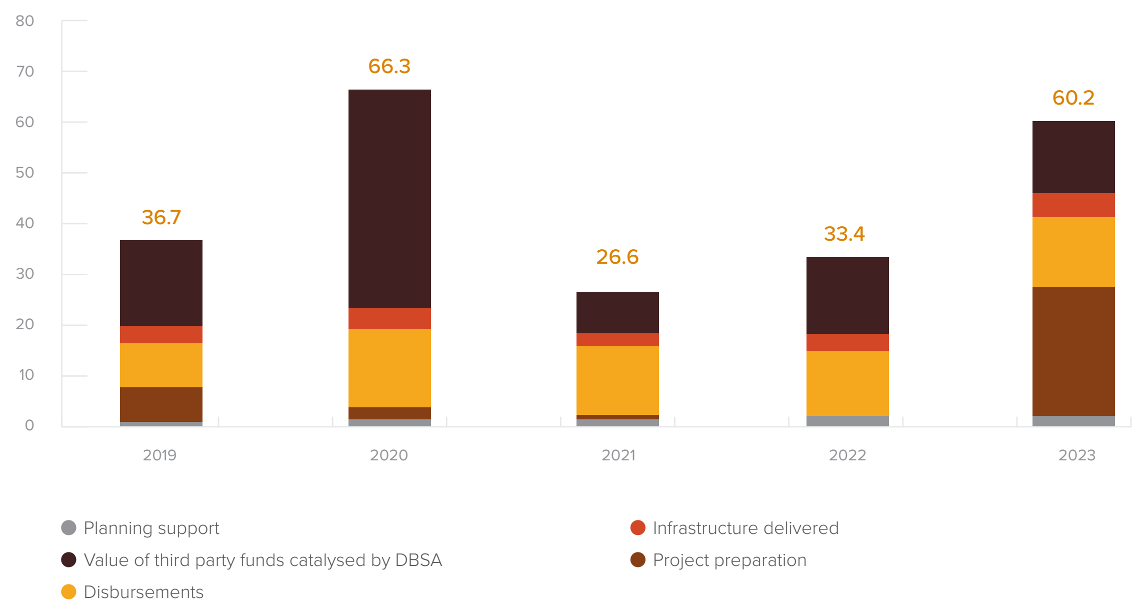
OUR DEVELOPMENT OUTPUTS – THE VALUE WE CREATED IN FY2022/23

Our development impact

Total infrastructure support

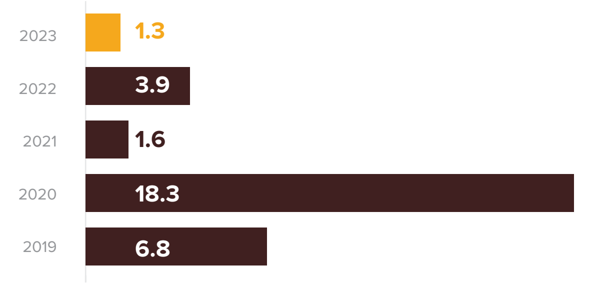
For the year ended 31 March 2023, the DBSA facilitated total infrastructure support to the value of R60.2 billion across the entire infrastructure development value chain, as shown in the following graph.

Total infrastructure support (R billion)

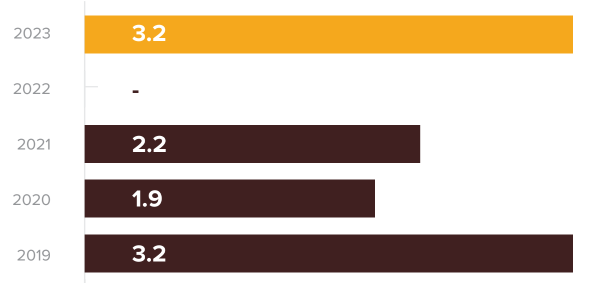


PROJECT PREPARATION

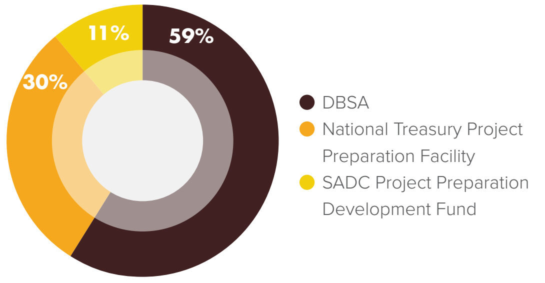
Value of funds catalysed for infrastructure delivery (R billion)



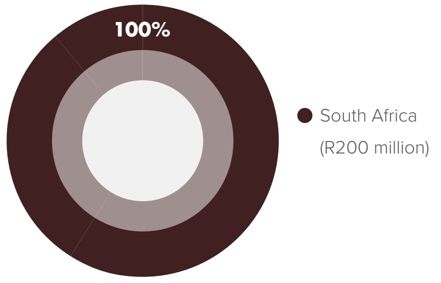
Value of projects for black-owned entities approved for project preparation funding (R billion)



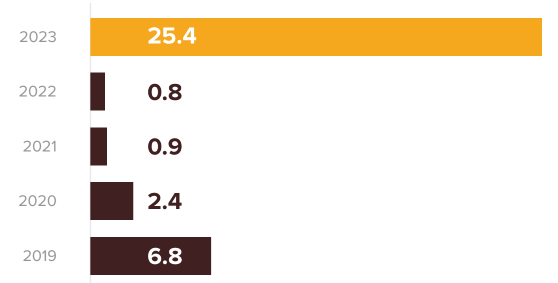
Project preparation pipeline: Commitments – by funder (%)



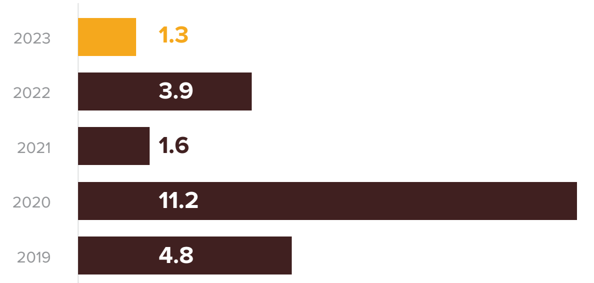
Project preparation pipeline – by geography (%)



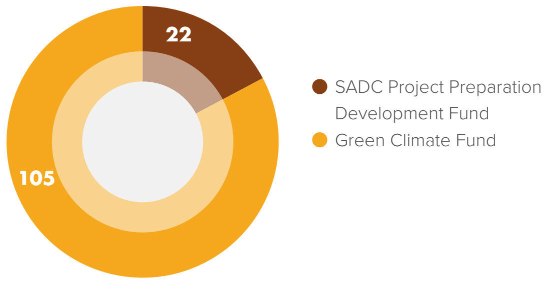
Value of projects approved and committed for funding by the DBSA (R billion)



Value of projects prepared but funded by third parties (R billion)

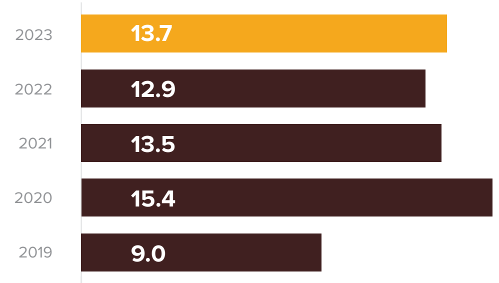


Third-party funds committed to deliver the DBSA's development mandate (R million)



FINANCING

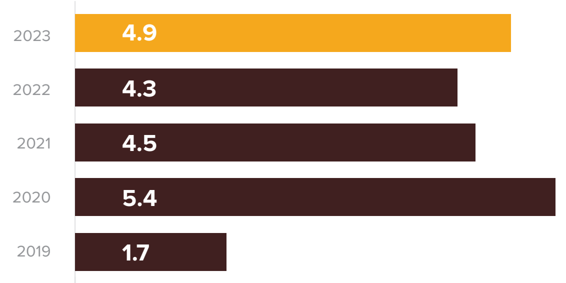
Total disbursements (R billion)



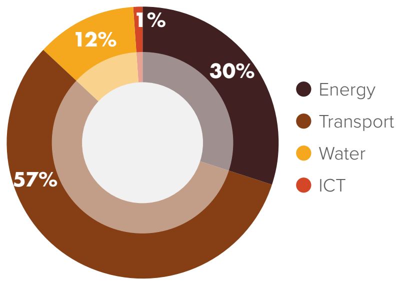
Total disbursement sector split between South Africa and Rest of Africa on the graphs below

Total South Africa disbursements (R billion)

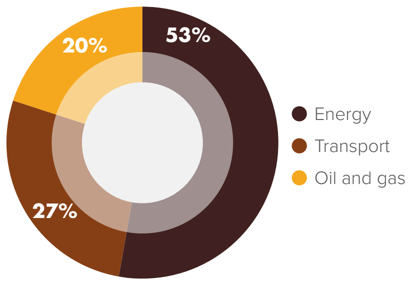
Total disbursements for the rest of Africa, excluding South Africa (R billion)



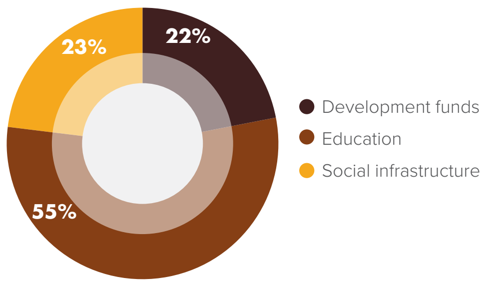
South Africa disbursements: Primary sectors (R7.2 billion) – (%)



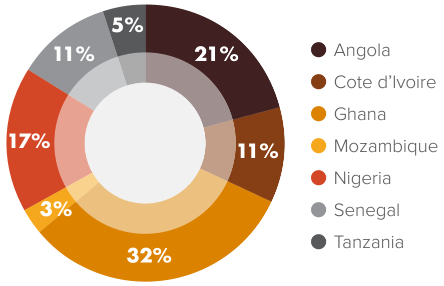
Rest of Africa disbursements: Primary sectors (R4.4 billion) – (%)



South Africa disbursements: secondary sectors (R494 million) – (%)

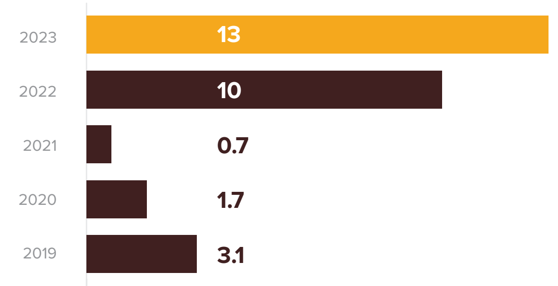


Rest of Africa disbursements per country – (%)

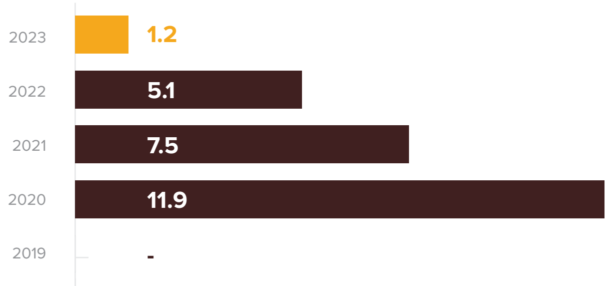


Third-party funding

Value of third-party funds catalysed in South Africa (R billion)



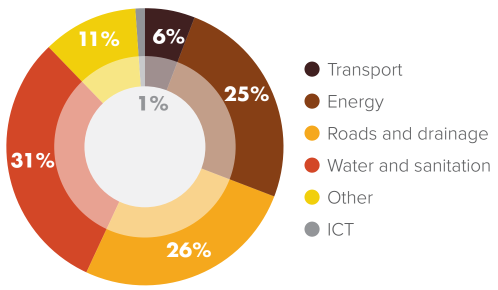
Value of third-party funds catalysed in the rest of Africa (R billion)



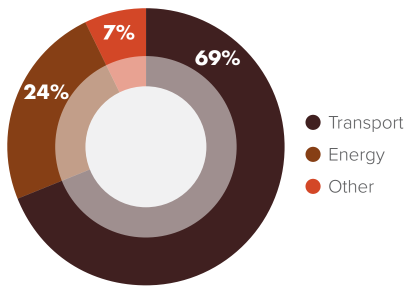
Overview of sectors supported

The DBSA collaborates with national, provincial and local governments and state-owned companies in South Africa to deliver against government priorities across sectors.

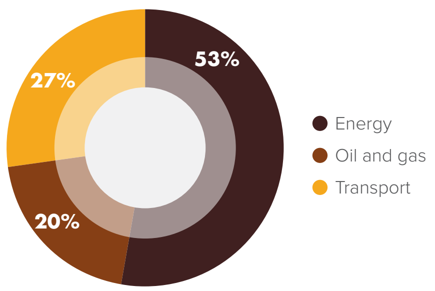
South Africa municipal disbursements per sector (%)



South Africa non-municipal disbursements per sector (%)



Rest of Africa disbursements – (%)



Local government sector

The DBSA has extensive expertise in financing municipal and local government infrastructure. In this sector, we focus on supporting the development and maintenance of basic household infrastructures to deliver services such as water, sanitation, electricity and human settlements.

The Bank also supports community services and enables infrastructure that promotes economic growth and sustainability. The DBSA provides financial and non-financial products to municipalities, which play a crucial role in regional economies. Infrastructure is key to unlocking their sustainability.

City of Johannesburg, City of Ekurhuleni and eThekwini metros were the beneficiaries of DBSA funding during the FY2022/23 financial year. The funding will help alleviate some of the chronic service delivery backlogs and pressures that these metros are experiencing. Critical infrastructure such as wastewater treatment plants, landfill sites, roads and electrical substations will receive expansion capital or much-needed refurbishments.

Secondary and under-resourced municipalities

	2023	
R billion	Target	Actual
Top five metros	R2.5	R4.0
Small and intermediate cities	R0.5	R0.03
Total	**R3.0**	**R4.03**
Planning support to secondary and under-resourced municipalities: Infrastructure unlocked	R1.3	R2.1

Supporting under-resourced municipalities with infrastructure plans

Through its Planning Unit, the DBSA provides under-resourced municipalities and other qualifying clients with infrastructure planning support. Such infrastructure planning support includes the development of infrastructure master plans, sector plans, management plans for the reduction of non-revenue water and electricity and other asset management plans (e.g. operations and maintenance plans). The support service draws on the annual non-lending development subsidy budget, a capacity building and support grant. The value of infrastructure unlocked during 2022/23 was R2.1 billion compared to an annual target: of R1.3 billion.

For the period under review, the DBSA's total development expenditure on capacity building and support grants amounted to R25 million. Below is a table that depicts both the beneficiaries and quantum of grants and planning interventions undertaken on behalf of or for the benefit of under-resourced municipalities and other clients:

	2023	2022
Number of municipalities supported (local and district)	64	17
Number of infrastructure plans completed	13	13

Outcomes

Implementation support to municipalities (non-lending)

	2023	2022
Number of households that received access to new and improved services in water, sanitation and electricity	93 428	205 470
COVID-19 intervention projects completed	-	30
Temporary jobs created	375	158
Number of infrastructure projects completed	9	10

Education

DBSA's support to the education sector contributes to the improvement of educational infrastructure, quality of education and capacity building, thereby fostering social and economic development in the Southern African region.

	2023	2022	2021	2020	2019
New schools built	2	1	11	4	8
Schools refurbished	117	104	51	110	107
Construction and upgrade of sanitation facilities	177	237	68	-	-

Outcomes

	2023	2022
Learners benefitting from refurbished schools	29 555	56 958
Learners benefitting from newly built schools	2 208	931
Learners benefitting from new ventilated pit latrines	68 687	77 585
Learners benefitting from water, sanitation, fencing and modular structures at schools	6 497	491

Social

We support the South African government in financing and accelerating the implementation of infrastructure programmes in the social sectors of education, health and human settlements, as well as various municipal infrastructure programmes. This includes supporting government to refurbish and upgrade key infrastructure and state buildings for safety and security, sports, arts and culture, as well as military operations. The DBSA collaborates with national, provincial and local governments to deliver against priorities in these sectors. The government reprioritised funding to accelerate the provision of social services, bolster public health programmes and mitigate the increasing costs of higher education for students from low- and middle-income households. We support key national programmes such as the Accelerated Schools Infrastructure Delivery Initiative for the eradication of inappropriate school structures, National Health Insurance and Ideal Clinic Programme, national human settlements programmes and the Student Housing Infrastructure Programme.

Mandate programmes	2023 target	2023 actual
Infrastructure delivered	R4.2 billion	R4.8 billion

Sphere of government	Sector	Number
National and provincial	Education	New = 2
		Refurbishment = 117
	Tourism	Refurbishment = 25
	Public works facilities	Refurbishment = 8
	Agriculture	Refurbishment = 15
	Health	Refurbishment = 2
Municipal	Water and sanitation	New = 3
	Health	New = 2

	2023	2022	2021	2020	2019
Houses completed	-	-	-	200	-
Health facilities	2	-	6	2	48
Department of Basic Education COVID-19 mobile toilets in Eastern Cape and KwaZulu-Natal	-	237	55	-	-

Student Housing Infrastructure Programme (SHIP)

Despite termination of this programme, the DBSA team – in collaboration with the Infrastructure Fund – continues to work on the development activities and recently applied to the budget facility for Infrastructure Fund to raise about R2.7 billion to support the development of 14 898 beds targeted at eight post-school education and training institutions. During the 2022/23 financial year, 5 936 beds were completed and 312 beds were at the final stages of completion.

Outcomes

Total households impacted

	2023	2022
Water (includes reticulation and provision of water)	36 631	28 490
Sanitation (includes reticulation and upgrading)	48 307	36 500
Energy (includes upgrading of substations and electrification of households)	945	20 541
Roads and drainage	514 235	23 242

Energy

We take a holistic approach to providing long-term energy stability, both in South Africa and across the rest of Africa, supporting with transition and green funding for projects on the continent.

The Greater Tzaneen Local Municipality Electricity Infrastructure Rehabilitation Project

The Greater Tzaneen Municipality (GTM) faced challenges in providing reliable electricity due to aging infrastructure. GTM prioritized rehabilitating old suburbs' infrastructure for a steady supply, safety, and revenue. DBSA's Coverage and Transacting Division assessed GTM's capacity for external debt and identified critical projects to stabilize the network and reduce revenue losses. DBSA secured R10 million capital grant from IIPSA, aiding refurbishment of the Greater Tzaneen Main Substation. The R100 million programme finished within budget, with six months ahead of schedule, saving R1.8 million for reallocation to another project. DBSA also provided grant funding for a revenue-enhancement program to address electricity losses caused by various issues.

Transport

The transport sector is a crucial driver for economic growth and social development, as well as a fundamental component of the continent's competitiveness in global markets.

Port Namibe and Port Sacomar

The Ministry of Finance Angola engaged the DBSA to provide funding for the expansion of Port Namibe and the rehabilitation of Port Sacomar as part of a regional integration project that will contribute to the SADC's regional transport corridor. It will help to diversify the economy away from oil by providing a gateway for neighbouring landlocked countries.

ICT

Investing in ICT, such as broadband infrastructure, is essential to support economic growth, increase competitiveness, create decent work, and improve nation-building and social cohesion for local, national and regional integration. Connectivity infrastructure across the SADC region has expanded significantly in the past decade, augmented by the undersea cables that connect Africa with the rest of the world. Africa's sea cables cover four connectivity corridors: Africa-Europe, Africa-Latin America-US, Africa-Asia and Africa-in region. Enhanced global connectivity has stimulated opportunities to address the gaps in the access network, also known as the 'last mile infrastructure'. Rural areas and some areas with high population density lack sufficient connectivity. The Bank is driving opportunities through projects such as the Internet 4All Programme in Africa, SA Connect and municipal connections.

The DBSA's investments in ICT infrastructure are helping to bridge the digital divide in Africa. These investments are creating jobs, boosting economic growth and improving the quality of life for millions of Africans.

	2023 target	2023 actual
Disbursements support activities		
Economic infrastructure	R4.9 billion	R4.4 billion

Projects in the Rest of Africa

Lower Usuthu Smallholder Irrigation Project (LUSIP)

LUSIP II, launched in 2003 by Eswatini, aims to reduce poverty by transforming subsistence farmers into commercial farmers in irrigated areas producing cash crops, mainly sugar cane. The project benefits households and agricultural producers in the Usuthu Basin. Phase I (6,500 ha) was completed in 2012, and Phase II (5,000 ha) is ongoing. LUSIP involves constructing three dams (Mhlathuzane, Golome, South Saddle) to store water from wet season flood flows in the Lower Usuthu River. This provides irrigation for 11,500 ha of land owned by Smallholder Farmer Companies, benefiting 2,600 farm households (15,300 people), improving income, food access, employment, and reducing soil erosion. The DBSA is co-financing the Mhlathuzane Dam.

Laúca Hydroelectric Power Project

In 2017, the Angolan government launched a USD20 billion energy expansion program, including the construction of power stations, transmission networks, and refurbishment of infrastructure. Among the projects was the Lauca Hydroelectric Power Plant (LHPP), a 2,070 MW plant on the Kwanza River, completed in 2018 at a cost of USD4.4 billion. The LHPP contributed over USD2.5 billion to the economy, creating employment in the community services sector. The DBSA's involvement included USD75 million for Phase III's electromechanical component. The resettled villagers expressed satisfaction with improved housing and access to amenities like schools and clinics.

SADC Gas Master Plan

Following the huge gas resource discovery in Mozambique, the DBSA teams, working with the national gas utility Empresa Nacional de Hidrocarbonetos (ENH), and the SADC Secretariat, embarked on developing a SADC Gas Master Plan. The plan evaluates opportunities for regional gas trade, as well as domestic gas monetisation opportunities. It is therefore important for the region to look beyond national borders and identify potential demand and uses for natural gas throughout the SADC region. The plan will be implemented in two phases, with the Industrial Development Corporation (IDC) and the DBSA as lead partners.

Southern Africa Power Pool

The Southern Africa Power Pool-DBSA initiative was established to address the challenge of financing generation projects in the SADC region as the deterioration of economic conditions for regional sovereigns made their national power utility power purchase agreements unbankable. This initiative entails the design, implementation and operationalisation of this facility to accelerate power supply in the region. The project is at terms of reference stage and financing is envisaged to come from DBSA's internal funding pool.

Southern African Railways Association

This partnership will assist in aligning with and leveraging off strategic partners to boost organisational deal flows that meet the DBSA objectives and targets. There is an existing memorandum of understanding with the Southern African Railways Association in which we jointly identify viable projects and opportunities that require project preparation and/or investment funding to catalyse economic growth in Southern Africa. This partnership will assist in sharing information, skills and expertise, and will use the DBSA's Pan-African Capacity Building Programme to provide targeted subsidised capacity building.

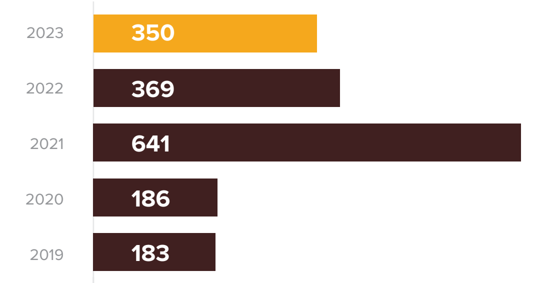
Southern African Postal Operators Association

The SADC team has collaborated with the Southern Africa Postal Operators Association to identify three sub-initiatives that will revive the transport, logistics and information technology infrastructure of postal operators in the region. This will include the preparation and financing of the following projects:

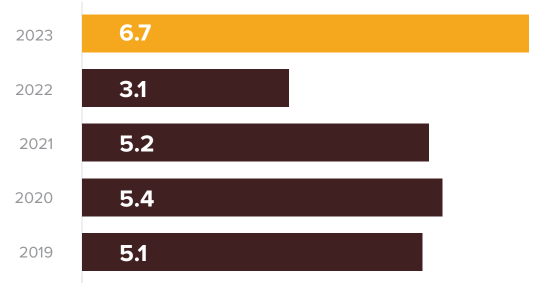
- Financial inclusion – national transaction and switch infrastructure for the SADC region postal services
- E-commerce – digital track-and-trace system for the region's mail services
- Logistics – revitalisation and rehabilitation of the postbus services

INFRASTRUCTURE DELIVERY

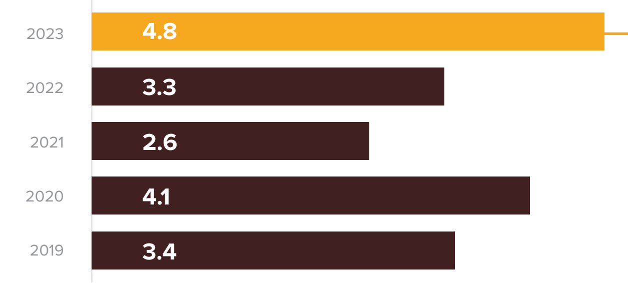
Number of projects completed



Value of funds under management (R billion)



Value of infrastructure delivered (R billion)



2023 Breakdown

National	R2.69 billion
Provincial	R2.08 billion
Municipal and donors	R0.05 billion
Total	**R4.82 billion**

Other outcomes

Transformation indicators

79%	36%	R3.8 billion
Procurement spend on black-owned suppliers for IDD third-party fund	Procurement spend on black women-owned suppliers for IDD third-party fund	Infrastructure projects delivered by B-BBEE entities

		2023	2022	2021	2020	2019
Job opportunities created	Number	9 951	9 230	8 190	9 758	8 344
SMMEs benefitted	Number	1 524	1 543	1 031	1 219	1 087
Value of spend allocated to SMMEs and subcontractors	R million	785	914	611	948	536

	2023	2022
Anticipated direct and indirect construction jobs	10 080	19 380
Anticipated direct and indirect operational jobs	1 970	1 870

Infrastructure Fund

Since inception, the Infrastructure Fund has packaged 13 mega blended finance projects/programmes that have been approved, a capital value of R57.7 billion across several sectors. National Treasury considers the budget facility for infrastructure, which as approved R217 billion of aggregated capital costs of these projects/programmes, out of the R100 billion provisionally allocated to the fund over 10 years.

The Infrastructure Fund is currently working with the project sponsors to blend the government contribution with financing from the private sector, including DFIs, commercial banks, institutional investors and multilateral development banks. The fund is working on achieving financial close for projects worth about R57.8 billion.

Overall, the Infrastructure Fund pipeline that is being prepared for submission for future budget facility windows comprises projects/programmes from various sectors, with a consolidated capital cost of R244.4 billion.

Development impact

The approved projects/programmes in the human settlements sector will provide water and sanitation to about 35 500 housing units. Water projects will deliver 381 395 megalitres per annum. The current phase of the student accommodation programme is anticipated to provide 9 500 on-campus student beds when completed.

HOW WE SUPPORT THE NDP AND SDGs

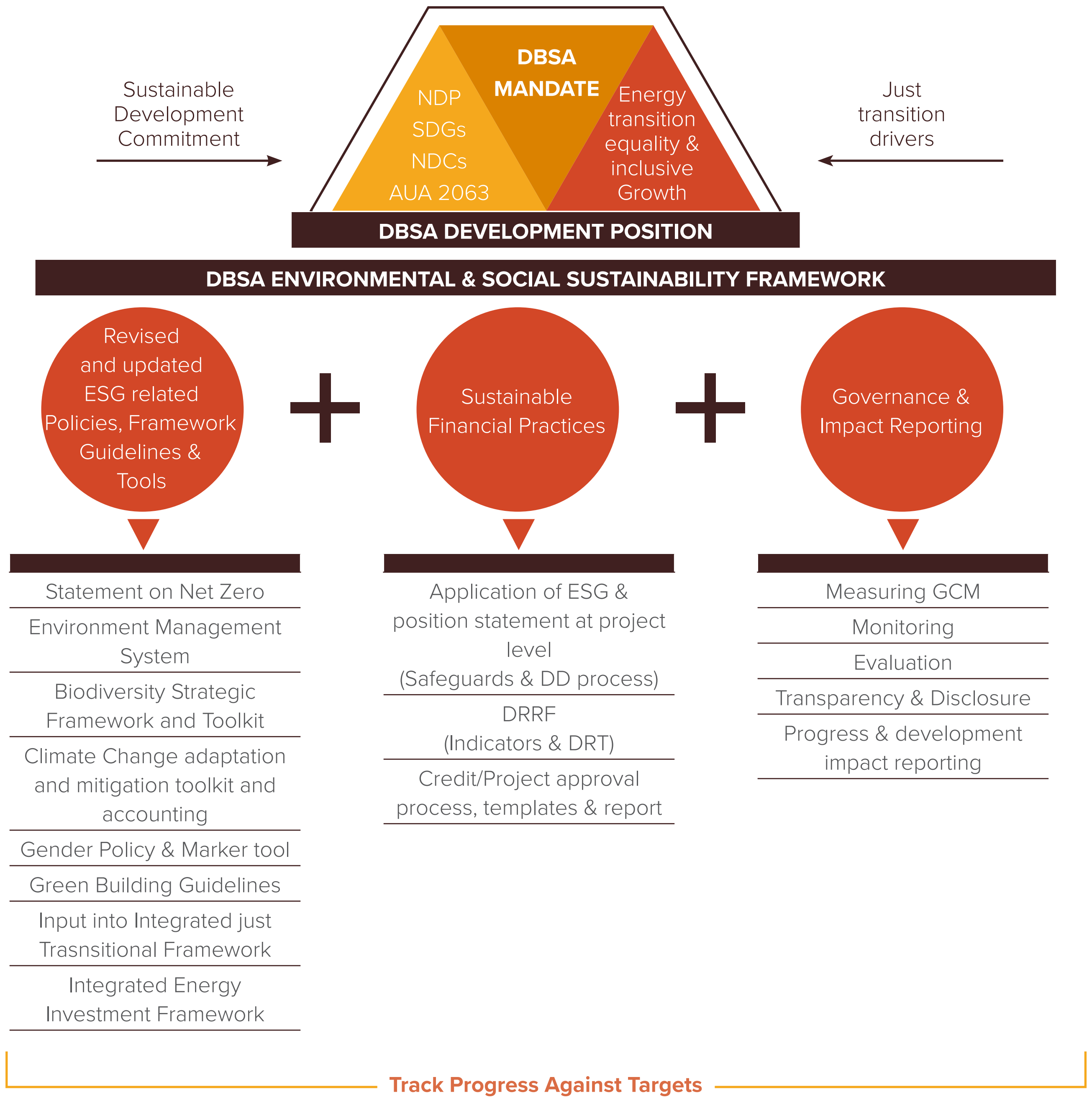
Globally, in Africa and at a national level, there exists a renewed commitment towards sustainable development, especially in this time of crisis brought about by the COVID-19 pandemic. The initiatives the DBSA is aligned with – including the SDGs, Agenda 2063 and the NDP – are broadly focussed on people, prosperity, planet, peace and partnerships.

The DBSA supports eight of the 17 SDGs and, consequently, the South African government's efforts to the nationally determined contributions of the Paris Agreement. The Paris Agreement calls on countries to reduce their carbon emissions incrementally to collectively meet the global target of limiting the increase in the global average temperature to 1.5%. We have also linked our SDG contributions to several NDP outcomes. The DBSA's overall contribution to these initiatives shows our commitment to sustainable national and global development.

SDGs	NDP outcomes	The DBSA's contribution
3 GOOD HEALTH AND WELL-BEING Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	**NDP Outcome 2** A long and healthy life for all South Africans	• Funding one private healthcare group • Implementing infrastructure projects on behalf of the Department of Health, including construction, refurbishment and maintenance of hospitals, clinics and nursing facilities
4 QUALITY EDUCATION Ensure availability and sustainable management of water and sanitation for all	**NDP Outcome 1** Quality basic education	• Implementing infrastructure projects on behalf of the National Department of Basic Education and provincial education, including schools under construction, school sanitation, student housing • Supporting early childhood development facilities in rural and peri-urban areas as our primary corporate social investment programme • Funding three student accommodation projects
6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	• Funding of bulk water, reticulation and sanitations infrastructure • Post-implementation reviews • Manage design and delivery of water and sanitation infrastructure • Manage delivery of school sanitation infrastructure
7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	• Preparation and funding of independent power producers • Preparation and funding of renewable energy programmes • Providing planning and implementation support to under-resourced municipalities
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation	**NDP Outcome 6** An efficient, competitive and responsive economic infrastructure network	• Funding of various water, sanitation, renewable energy, mass transit and ICT projects • Supporting government with the rehabilitation of industrial parks • Managing the revitalisation of industrial parks
11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	**NDP Outcome 8** Sustainable human settlements and improved quality of household life	• Housing Impact Fund • Support to urban development programmes • Financing of municipal infrastructure • Implementing agent for municipal and provincial human settlement programmes
13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	**NDP Outcome 10** Protecting and enhancing our environmental assets and natural resources	• Funding of independent power producers • Regional hydroelectric projects
17 PARTNERSHIPS FOR THE GOALS Strengthen the means of implementation and revitalise the global partnership for sustainable development	**NDP Outcome 11** Create a better South Africa, contribute to a better and safer Africa in a better world	• Partnerships with global and regional DFIs • Association for African Development Finance Institutions • International Development Finance Club

ESG AND SUSTAINABILITY APPROACH

The DBSA Board-approved sustainability framework illustrates commitment towards mainstreaming and promoting environment and social considerations in the Bank's operations. The framework is informed by the DBSA development definition and position, which articulate the DBSA's role in contributing to "a just transition towards a renewed and inclusive economy and society that embodies resilience, regeneration and transcends current trajectories" and highlights the centrality of sustainability, equitable well-being, and resource efficiency in the Bank's strategy and operations.



Over the past financial year and due to progressive ESG demands in the market, the DBSA has undertaken to review and enhance both strategic and investment levels ESG related policies, strategies, and tools. Whilst we have undertaken to align our reporting to the GRI – we are in the process of reviewing other supplementary reporting mechanisms such as the Task Force on Climate Related Financial Disclosures (TCFD).

We recognise that there is an increasing amount of regulatory and compliance type mechanisms being devised. It is encouraging that for the past few years there has been heightened emphasis on stakeholder capitalism. We aim to formalise a multi -faceted approach over the new financial year, to engage with our external stakeholders such as our Civil Society Organisations (CSO's) on ESG matters more proactively. We will also commence work around climate risk scenarios as well as climate related stress tests.

Climate transition risks materialise on the asset side for us as lenders where losses are incurred through exposures to clients/ entities with business models not built around the economics of a lowered carbon emission trajectory.

06

DELIVERING AND PRESERVING VALUE

MANAGING FINANCIAL CAPITAL

Our financial capital includes our equity, debt and funding from investors and clients. While our main source of revenue takes the form of profit from operations, we also derive funding from local and international financial markets.

Financial capital inputs

R47.6 billion	R5.1 billion	R5.2 billion	R58.5 billion
Capital and reserves	Cash generated from operations	Net profit	Financial market liabilities

Value created for stakeholders

R5.2 billion	R0.9 billion	R0.4 billion	R0.3 billion
Net profit for the year	Employee remuneration and benefits	Suppliers' expenses	Social responsibility project expenses

Key factors impacting the Bank's financial capital

Associated key risks	Strategic focus areas	Material issues	Stakeholders
• Credit risk • Cyber risk • Liquidity risk • Reputation risk • Business environment and operations • People and culture risk		• Governance • Strong balance sheet • Liquidity and capital management • Equity funding for transformation and economic access • High cost of funding • Long-term business cycle • Low B-BBEE rating	

Governance oversight

Oversight of financial capital management is delegated to the Audit and Risk Committee and the Board Credit and Investment Committee.

Board level oversight

Audit and Risk Committee

The Audit and Risk Committee (ARC) oversees and advises the Board on the following matters:

- Income, expenditure and capital budget requirements
- Treasury arrangements and fund mobilisation strategies
- Transfer pricing policies
- Development loan impairments
- Management of assets and liabilities
- The DBSA's overall financial health and sustainability

This committee oversees the internal control framework, and reviews and evaluates the integrity of financial reporting, risk management processes, compliance with legal and regulatory requirements and the internal and external audit functions.

Board Credit and Investment Committee

The Board Credit and Investment Committee (BCIC) is responsible for approving all transactions that would result in the DBSA's aggregate exposure being above the approval limits of the Investment Committee.

Executive management oversight

Investment Committee

The Investment Committee (IC) (at Executive management level) is responsible for approving transactions within the limits placed by the Board Credit and Investment Committee. Portfolio risks are monitored through the Investment Committee. Based on loans and equities portfolio reports received from management, the monitoring of the loan and equities portfolio is considered adequate.

Asset and Liability Management Committee

The Asset and Liability Management Committee assists the CEO in the prudent and effective management of the Bank's treasury, balance sheet activities and other associated activities. The Bank's treasury and balance sheet activities include funding, liquidity management, settlements, interest rate risk management, foreign currency risk management, funds transfer pricing and capital management.

FIVE-YEAR KEY FINANCIAL INDICATORS

		2023	2022	2021	2020	2019
Financial position (R million)						
Cash and cash equivalents		6 166	7 990	8 979	3 459	2 923
Financial market assets[1]		424	903	1 206	2 599	2 594
Investment in development activities[2]		101 031	90 305	89 037	93 545	83 044
Other assets		943	811	826	862	927
Total assets		**108 565**	**100 028**	**100 048**	**100 465**	**89 488**
Financial market liabilities[3]		59 082	55 710	59 492	61 918	51 283
Other liabilities		1 850	1 546	1 405	969	1 033
Total liabilities		**60 932**	**57 117**	**60 897**	**62 887**	**52 316**
Total equity		**47 633**	**42 911**	**39 150**	**37 578**	**37 172**
Financial performance (R million)						
Interest on development loans		9 614	8 832	7 806	7 628	7 799
Interest on investments		1 067	146	535	658	611
Total interest received		**10 680**	**8 978**	**8 341**	**8 286**	**8 410**
Interest expense		4 162	3 186	3 449	3 863	3 915
Net interest income		**6 518**	**5 793**	**4 891**	**4 423**	**4 495**
Operating income[4]		6 951	6 069	5 137	4 882	4 828
Operating expense[5]		1 312	1 307	1 154	1 270	1 063
Sustainable earnings/(loss)[6]		**4 215**	**3 610**	**2 316**	**(587)**	**2 324**
Profit for the year		**5 210**	**3 825**	**1 423**	**504**	**3 097**
Financial ratios						
Total capital and reserves to development loans	%	50.8	51.0	47.3	43.6	49.0
Long-term debt/equity (excluding callable capital)	%	124.1	129.6	152.1	164.9	138.1
Debt/equity (including callable capital)[7]	%	87.4	88.4	100.7	107.6	89.8
Cash and cash equivalents to total assets	%	5.7	8.0	9.0	3.4	3.3
Total capital and reserves to assets	%	43.9	42.5	39.1	37.4	41.5
Financial market liabilities to investment in development activities	%	58.5	61.5	66.8	66.2	61.8
Non-performing book debt as a % of gross book debt	%	3.8	4.7	7.7	7.2	4.9
Return on average total equity	%	11.5	9.3	3.7	1.3	8.7
Return on average total assets	%	5.0	3.8	1.4	0.5	3.5
ROE based on sustainable earnings	%	9.3	8.8	6.0	(1.6)	6.5
Interest cover	Times	2.6	2.8	2.4	2.1	2.1
Net interest income margin[8]	%	6.6	6.2	5.3	5.1	5.5
Cost-to-income ratio	%	23.5	23.7	25.4	28.4	22.9

Key:

1. Financial market assets include investment securities and derivative assets held for risk management purposes.
2. Development activities include development loans, development bonds and equity investments.
3. Financial market liabilities comprise medium to long term funding debt securities, medium to long term funding lines of credit, funding under repurchase agreements and derivative liabilities held for risk management
4. Operating income excludes net foreign exchange gain/(loss), net gain/(loss) from financial assets and liabilities and impairments.
5. Operating expense comprises personnel expenses, general and administration expenses and depreciation.
6. Sustainable earnings/(loss): Net profit/(loss) before adjustments to foreign exchange movements and revaluations of financial assets and liabilities but includes revaluations on equity investments and fair value on development loans.
7. Measure includes R20 billion callable capital.
8. This ratio is calculated as net interest income (interest income less interest expense) as a percentage of average interest-bearing assets.

Ms Ntombizodwa Petunia Mbele
Acting Chief Financial Officer

CFO's REPORT

The DBSA remained strong and resilient, resting on firm foundations of financial stability, excellent governance and values-led leadership.

In an environment of muted economic growth, the DBSA remained resilient, reflecting our strong foundation of financial stability, excellent governance and values-led leadership. Despite a difficult environment, the DBSA's 2023 financial year featured a record financial performance compared to the previous year. Sustainable earnings of R4.2 billion significantly exceeded expectations, buoyed by a strong net interest income of R6.5 billion as a result of high interest rates and higher than anticipated loan disbursements for the year. Net profit further benefitted from the net foreign exchange gains owing to the significant depreciation of the rand against major foreign currencies. In addition, operating expenses of R1.3 billion were lower than expected.

Building capacity and effectiveness through strong financial performance

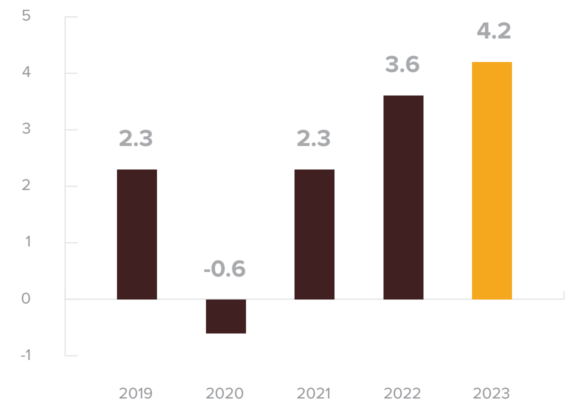
Statement of financial performance for the year ended 31 March 2023

in thousands of rands	2023	% change	2022
Interest income calculated using the effective interest rate	10 422 335		8 831 969
Other interest income	258 112		146 337
Total interest income	**10 680 447**	**19%**	**8 978 306**
Interest expense calculated using the effective interest rate	(4 159 075)		(3 085 112)
Other interest expense	(3 195)		(100 424)
Total interest expense	**(4 162 270)**	**31%**	**(3 185 536)**
Net interest income	**6 518 177**	**13%**	**5 792 770**
Net fee income	334 691	20%	279 794
Other operating income	97 864	73%	56 523
Non-interest revenue	**432 555**	**29%**	**336 317**
Operating income	**6 950 732**	**13%**	**6 129 087**
Depreciation and amortisation	(31 557)	-14%	(36 684)
Development expenditure	(274 323)	283%	(71 687)
Grants	(32 720)	19%	(27 412)
Impairment losses	(1 054 078)	5%	(1 004 940)
Personnel expenses	(914 408)	5%	(867 998)
Project preparation expenditure	(14 306)	-70%	(48 466)
Revaluation of development loans – unrealised	(16 219)	20%	(13 507)
Revaluation of equity investments – unrealised	(31 887)	-31%	(46 349)
Other expenses	(366 299)	-9%	(402 267)
Sustainable profit	**4 214 934**	**17%**	**3 609 777**
Net foreign exchange gains	860 205	451%	156 130
Net revaluation of financial instruments	134 852	128%	59 250
Profit from operations	**5 209 991**	**36%**	**3 825 157**

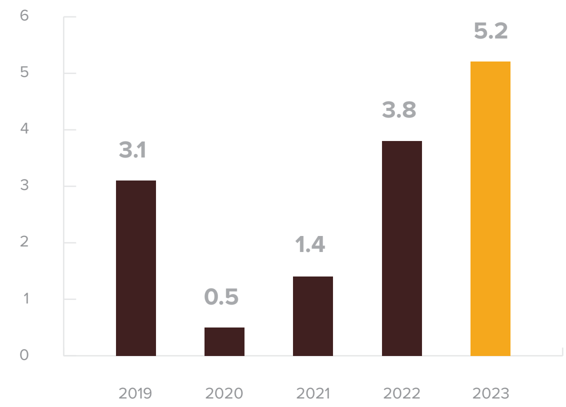
Profitability

The Bank's net profit increased by a healthy 36% year-on-year, rising from R3.8 billion in 2022 to R5.2 billion in the year under review. Sustainable earnings rose by 17% to R4.2 billion (2022: R3.6 billion).

Sustainable earnings (R billion)



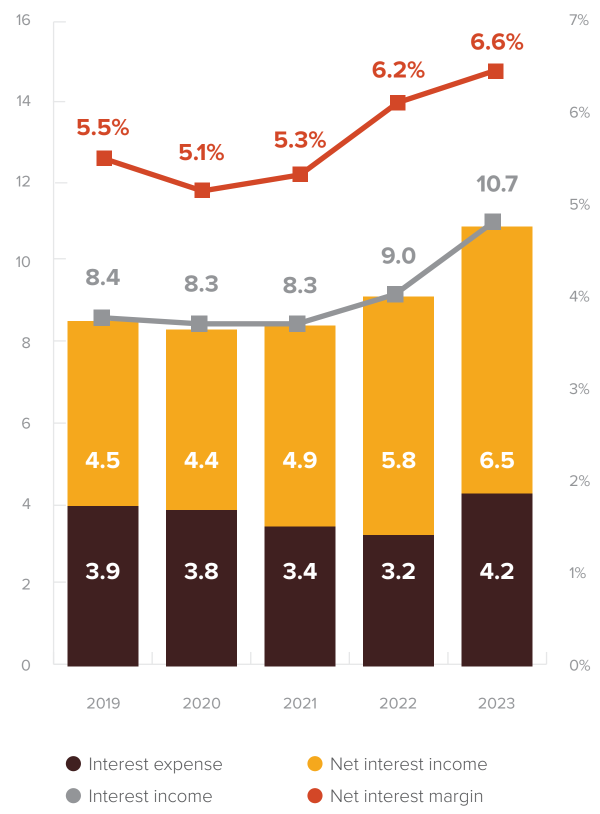
Net profit (R billion)



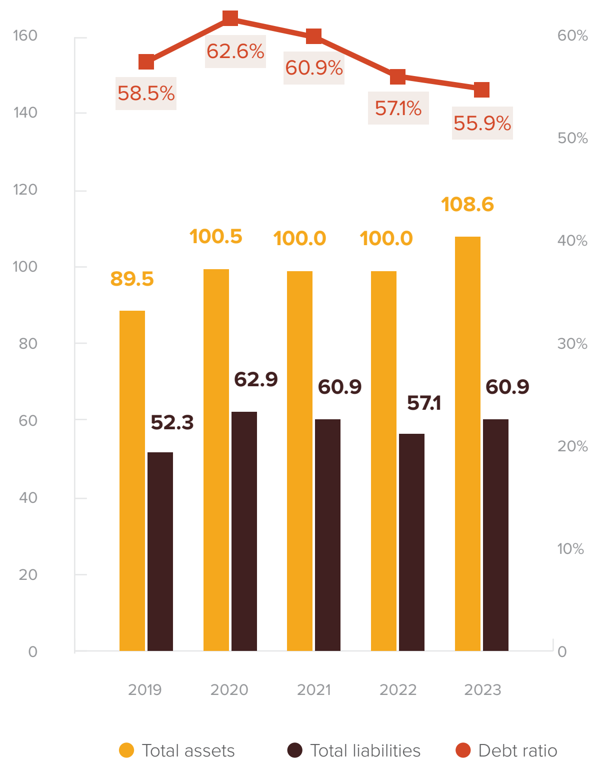
Net interest income management

Net interest income, which is essential to the Bank's sustainability and efficacy, rose by 13% year-on-year ending the 2023 financial year at R6.5 billion, up R0.7 billion compared to 2022 and 25% ahead of the year's target. While much of this net interest revenue growth resulted from increasing interest rates, this positive result enables the Bank to enhance its impact. The improved net interest income kept the DBSA's net interest margin on a clear upward trajectory, rising to 6.6% at the end of the 2023 financial year (2022: 6.2%).

Net interest margin on interest-bearing assets (R billions) (%)



Debt ratio (R billions)



Cost optimisation and efficiency

In addition to achieving strong revenue growth during the reviewed year, the Bank effectively managed operating costs within the intended levels, resulting in a consistent cost-to-income ratio of 24% (compared to 24% in 2022). Despite the increased operational activity, the Bank was able to maintain stable overall operating costs at R1.3 billion (2022: R1.3 billion)

Balance sheet strengthening

Statement of financial position as at 31 March 2023

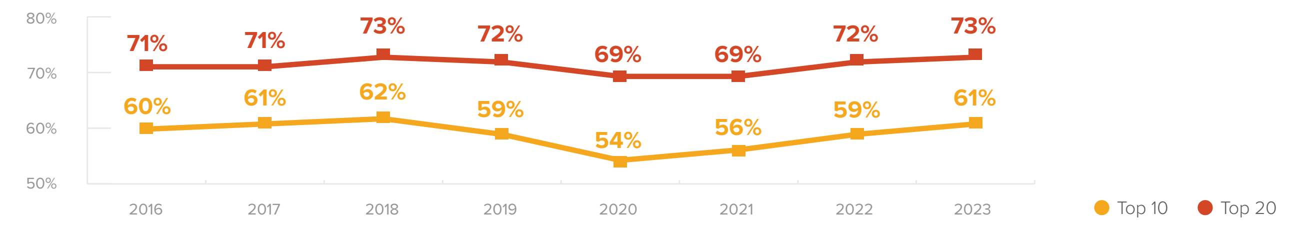
in thousands of rands	2023	% change	2022
Assets			
Cash and cash equivalents at amortised cost	6 166 069	-23%	7 990 108
Trade receivables and other assets	402 066	55%	259 293
Investment securities	359 881	-19%	444 287
Derivative assets held for risk management purposes	64 543	-86%	458 243
Other financial assets	40 452	-6%	43 067
Development loans held at FVTPL	48 309	150%	19 309
Equity investments held at FVTPL	5 149 050	3%	4 976 507
Development bonds at amortised cost	2 154 345	87%	1 151 903
Development loans at amortised cost	93 679 089	11%	84 177 054
Property, equipment and right of use of assets	441 149	-1%	444 847
Intangible assets	59 626	-6%	63 423
Total assets	**108 564 579**	**9%**	**100 028 041**
Equity and liabilities			
Liabilities			
Trade, other payables and accrued interest on debt funding	1 088 791	22%	890 743
Derivative liabilities held for risk management purposes	612 920	1690%	34 240
Liability for funeral and post-retirement medical benefits	44 767	-8%	48 529
Debt funding held designated at fair value through profit or loss	-	-100%	688
Debt funding held at amortised cost	58 469 380	5%	55 535 354
Provisions and lease liabilities	173 858	89%	91 795
Deferred income	542 819	5%	515 667
Total liabilities	**60 932 535**	**7%**	**57 117 016**
Equity			
Share capital	200 000	0%	200 000
Retained earnings	33 158 903	15%	28 881 710
Permanent government funding	11 692 344	0%	11 692 344
Reserve for general loan risk	2 792 384	51%	1 855 171
Other reserves	(211 586)	-175%	281 800
Total equity	**47 632 044**	**11%**	**42 911 025**
Total liabilities and equity	**108 564 579**	**9%**	**100 028 041**

Development loans

Delivering on disbursement targets

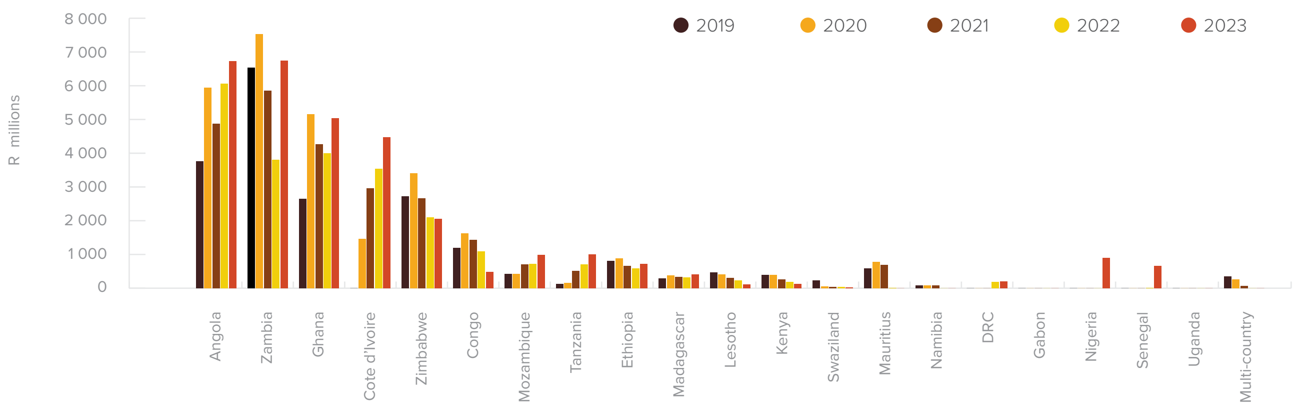
The Bank achieved development loans growth of R9.5 billion, mainly driven by disbursements of R12.7 billion, foreign exchange translation gains of R5.5 billion on foreign currency denominated loans and partly offset by capital repayments of R8.5 billion. The COVID-19 pandemic and consequent national lockdowns challenges eased in the year under review, with the DBSA exceeding its disbursement target by over R200 million.

Top 10 and top 20 clients as % of total book



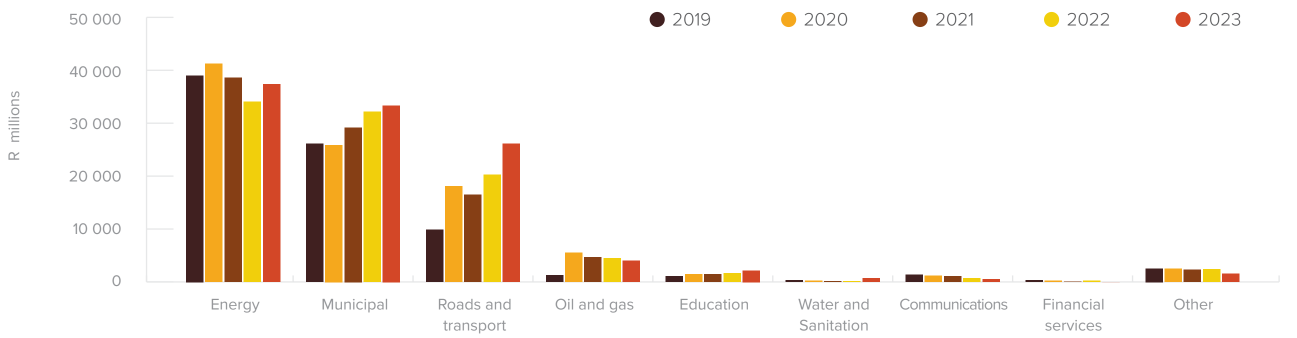
The top 10 and top 20 exposures comprised 61% (2022: 59%) and 73% (2022: 72%) of the total loan book respectively in the year under review.

Country exposures (excluding South Africa)



The Bank's total exposure outside South Africa increased slightly to R30.6 billion (2022: R25.6 billion). Zambia, Ghana and Angola constituted 60% (2022: 62%) of the rest of Africa exposure, while the other country exposures remained fairly constant over the year.

Exposure by sector



The Bank's exposure to the energy sector (excluding municipalities) increased to R39 billion (2022: R37 billion), representing 35% (2022: 35%) of the total portfolio. In the year under review, the direct loan exposure to municipalities (excluding bonds) increased to R33 billion (2022: R32 billion). Exposure to the roads and transport sector increased to R26 billion (2022: R20 billion).

Mitigating the risk of non-repayments and quality of the loan book

Loan repayments are a critical component of the DBSA's financial and operational sustainability. The development loan book continued to show its strength and quality, with 53.3% (2022: 60.9%) of the book in Stage 1 and 42.9% (2022: 33.3%) in Stage 2. The development loans in Stage 3 make up 3.3% (2022: 4.6%) of the gross development loan book, which amounts to R3.5 billion (2022: R4.4 billion). The total balance sheet provision for expected credit losses slightly increased to R12.3 billion (2022: R11.7 billion). Provisions against Stage 3 loans decreased to R2.4 billion (2022: R3.2 billion) and the Stage 3 coverage ratio decreased to 69.3% (2022: 73.2%). Provisions against stages 1 and 2 increased to R9.2 billion (9.1% of the stage 1 and 2 book), compared to R7.5 billion (8.3% of the stage 1 and 2 book) in 2022.

The Bank generated net fee income of R335 million, reflecting a 20% year-on-year increase of R55 million, which is largely attributable to the R95 million increase in IDD management fees, which rose as a result of the contribution of new programmes.

Liability management and liquidity enhancement

The Bank's funding liabilities increased by 6.3% to R59.1 billion (2022: R55.6 billion). Debt-to-equity ratio (including callable capital) improved to 87.4% (2022: 88.4%), mainly attributable to the growth in equity. The debt-to-equity ratio is well below the 250% prescribed by the DBSA Act.

Cash management

Statement of cash flows for the year ended 31 March 2023

in thousands of rands	2023	% change	2022
Net loss adjusted for non-cash items and items separately disclosed	(905 410)		(450 478)
Interest received	9 493 770		7 653 072
Interest paid	(3 501 903)		(2 750 437)
Dividends received	24 756		11 324
Net cash generated from operating activities	**5 111 213**	**15%**	**4 463 481**
Development loan disbursements	(12 687 028)		(12 919 784)
Development loan principal repayments	8 530 596		11 308 037
Equity investments disbursements	(47 910)		(246 514)
Equity investments repayments	459 383		177 823
Development bonds disbursed	(1 000 000)		-
Development bonds repayments	41 667		-
Grants, development and project preparation expenditure paid	(158 369)		(75 879)
Movements in deferred income	28 161		15 014
Increase in advances to national mandates	(156 116)		(3 149)
Net cash used in development activities	**(4 989 616)**	**186%**	**(1 744 452)**
Net cash generated from/(used in) operating and development activities	**121 597**	**-96%**	**2 719 029**
Purchase of property and equipment	(49 002)		(51 107)
Purchase of intangible assets	(10 100)		(9 078)
Disposal of financial market instruments	89 790		38 636
Net cash generated from investing activities	**30 688**	**-242%**	**(21 549)**
Gross financial market liabilities repaid	(13 174 688)		(13 338 479)
Gross financial market liabilities raised	10 898 223		9 753 203
Net cash generated from financing activities	**(2 276 415)**	**-37%**	**(3 585 276)**
Net increase in cash and cash equivalents	**(2 124 130)**	**139%**	**(887 796)**
Effect of exchange rate movement on cash balances	300 091		(100 704)
Movement in cash and cash equivalents	**(1 824 039)**		**(988 500)**
Cash and cash equivalents at the beginning of the year	7 990 108		8 978 608
Cash and cash equivalents at the end of the year	**6 166 069**	**-23%**	**7 990 108**

Cash generated by operating activities (R million)

Regulatory change

The Bank has continued the process of updating its regulatory regime for increased effectiveness. The DBSA currently falls under the regulation of, and reports directly to, National Treasury. During the pandemic, we found this regulatory arrangement highly restrictive as, unlike other commercial banks (which do not fall under the PFMA), the DBSA was unable to apply to SARB for liquidity support. Repositioning the DBSA to being regulated by SARB would allow us to raise the DBSA's current 250% leverage ratio limit, thereby further underpinning our liquidity position, especially during times of economic upheaval, when good liquidity is vital.

Gratitude

We would like to express our sincere appreciation to all our stakeholders for their invaluable partnership throughout the previous fiscal year. We extend a special note of gratitude to the National Treasury for their continuous input and guidance. We are also thankful to our Board, investor community, strategic partners, clients and colleagues for their unwavering support and dedication in our mission to foster the growth and development of Africa, which we deeply cherish. Your commitment enables us to consistently evolve and improve the work of the DBSA.

Ms Ntombizodwa Petunia Mbele
Acting Chief Financial Officer

Treasury and balance sheet management review

Funding

The Bank maintains a funding strategy premised on balancing the dual requirements of optimising the cost of funds while containing refinancing and reinvestment risk within acceptable boundaries. Over the course of the year, despite bouts of excessive volatility and uncertainty fed by concerns over further sovereign credit downgrades, market conditions continued to improve, allowing the Bank to raise funding at increasingly favourable spreads.

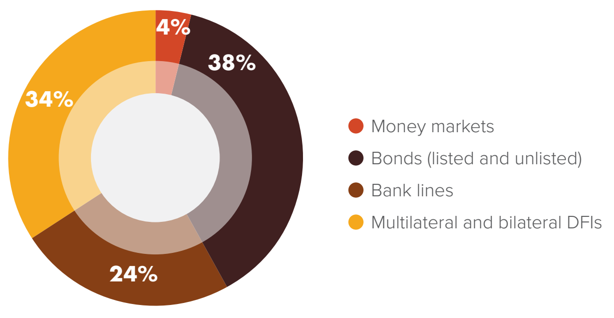
Total new debt raised during the year ending 31 March 2023 amounted to R14.06 billion (2022: R9.8 billion) equivalent, with debt redeemed amounting to R16.4 billion (2022: R13.3 billion). The weakening of the rand, however, saw total outstanding debt increase by R2.3 billion.

JSE listed bonds amounting to R9.4 billion were redeemed and a total of R2.8 billion new bonds were issued during the year, bringing the outstanding amount under the Bank's Domestic Medium-Term Note (DMTN) program to R17.3 billion as at financial year-end 2023.

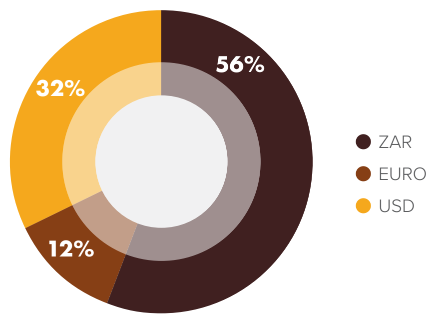
New bilateral loans with commercial banks totalling R7.9 billion were raised, with R5.0 billion repaid during the year.

The charts below depict the Bank's outstanding debt by source and by currency, respectively, as at 31 March 2023.

Outstanding debt by source (%)



Outstanding debt by currency (%)



Liquidity

Liquidity levels and ratios were maintained within the Bank's Board approved policy parameters, with liquid assets held primarily in the form of call deposits, money market investments and to a lesser extent, municipal bonds. Total liquidity excluding undrawn committed facilities as at financial year-end amounted to R6.3 billion (2022: R8.2 billion).

Liquid asset holdings are complemented with committed facilities from commercial banks in addition to sector specific committed lines of credit from international DFIs. As at financial year-end, contingent liquidity sources in the form of undrawn credit facilities amounted to R4.27 billion equivalent (31 March 2022: R1.9 billion).

Exchange rate risk management

Net of foreign currency liabilities naturally hedged through offsetting foreign currency assets, and prior to derivatives hedges the Bank as at financial year-end 2023 held a USD long open foreign currency position amounting to USD 453 million and a long euro open foreign currency position amounting to EUR 117 million. Derivatives positions entered to hedge the open positions, however, reduced the Bank's earnings sensitivity to movements in the exchange rate of the rand by some 71%.

Credit ratings

During the course of the year, Moody's revised the Bank's ratings outlook from negative to stable. The Bank's credit ratings remained unchanged during the year, in tandem with those of the sovereign.

The Bank's credit ratings as at financial year-end are summarised in the table below.

Agency	Issuer rating type	Short term	Long term	Outlook
Moody's	Global issuer	NP	Ba3	Stable
	National scale	P-1.za	Aa3.za	N/A[1]
Standard & Poor's	Foreign currency global	B	BB-	Stable
	Local currency global	B	BB	Stable

[1] *Moody's national scale ratings do not carry outlooks.*

MANAGING OUR INTELLECTUAL CAPITAL

Our intellectual capital is our brand, innovation capacity and industry-specific expertise and experience in infrastructure. It is derived from our institutional knowledge, reputation and relationships with global DFIs built over decades and based on extensive experience in infrastructure financing in Africa.

Intellectual capital inputs

- A leading African DFI with active exposures in 18 countries
- 40 years' experience in infrastructure development
- Strategic partnerships nationally, regionally and globally
- Knowledge derived from due diligence, project development, credit granting and post-investment processes
- Developing enabling financial products

Value created for stakeholders

- DLABs – including post-DLABs financial and non-financial support interventions
- High-impact investment portfolio
- Angel investment for the previously disadvantaged
- New product development
- Investment in fourth industrial revolution technology and alternative infrastructure

Key factors impacting the Bank's intellectual capital

Associated key risks	Strategic focus areas	Material issues	Stakeholders
• Reputation risk • Business environment and operations • People and culture risk		• People and culture • Institutional knowledge • Navigating the Just Transition • Scaling-up and fast-tracking infrastructure development	

Governance oversight

The Board's oversight of the management of our intellectual capital is delegated to the Infrastructure Delivery and Knowledge Management Committee (IDKC).

Board level oversight

Infrastructure Delivery and Knowledge Management Committee

This committee oversees strategic mandate programmes that will help with infrastructure delivery and programme implementation support in South Africa and the region, including through knowledge and research programmes that establish the Bank as a centre of excellence in infrastructure development.

Innovation

Innovation forms part of the DBSA's core values, where a key focus is to ensure the Bank not only delivers on its development mandate, but also bends the arch of history for South Africa and the Southern African region.

The Bank's Innovation Programme, or Moonshots, aims to drive disruption for greater development impact and social return. The Innovation Hub, DLAB Precincts, and High Impact Investment Portfolio are all Moonshots designed to solve existing problems in new ways by combining the Bank's experience and work across the infrastructure development value chain.

Innovation Hub

The Innovation Hub is an on-site DLAB situated at the DBSA Campus. Phases 1 to 5 have been successfully completed. Phase 1 was the initiation phase and entails project scope, site investigations and similar. Phase 5 brought us closer to completion with site handover back to the DBSA with a reconciliation of payment certificates and the issuing of practical completion certification. Owing to various unforeseen scope changes that required variance order approvals, the project completion date was pushed out to 31 March 2023.

DLAB Precincts

The Bank's Development Laboratories (DLAB) – one of the DBSA's Moonshots initiatives – present a potential solution for township economies and historically disadvantaged communities. They primarily use smart technologies and partnerships to create environments and opportunities that narrow the social divide without relocating people, positioning them as leading edge in the developmental space.

The DLABs Precinct programme is a scalable co-solutioning ecosystem that drives community Just Transitions, yields innovations for the green economy, creates pathways to employment opportunities, provides access to skills of the future, drives local economic development, facilitates linkages between the informal and formal economies, and builds resilience and wellbeing within marginalised township and rural economies.

The DBSA has established a platform comprising a network of approximately 30 key stakeholder partnerships across civil society, business, government and other like-minded groups that share common developmental goals. This partnership platform creates financial and non-financial opportunities within the DLABs Precinct ecosystem, mobilises and attracts investment inflows (through targeted investing), yields developmental returns (financial and non-financial) and stimulates the township economy. It has been key to the implementation successes.

In addition to the five implemented and operating DLAB Precincts, four new DLABs have now been approved, which has stretched the programme's footprint across seven provinces. The strength and uniqueness of each precinct lies in the community-specific methods to innovative solutioning and the immediate inclusion and mobilisation of local individuals. These four new DLABs are in Mpumalanga, Tembalethu, Marikana and Zwide, to respond to some of the socio-economic challenges prevalent in these areas, with each driving key developmental outcomes through its unique value add.

DLAB potential support for the South African Just Transition

Considering the lessons learnt, the evolution of the operating model and the country's evolving Just Transition needs, it is inevitable that a revised high-level strategy will be developed. A review of the programme, its impact measures, operating model, and capacity to scale has been commissioned and is scheduled for completion in early 2024. A formal social return on investment model will be created to assess the value proposition more comprehensively. By working with bodies like the Presidential Climate Change Commission and the DFI CEOs forum, there is potential to implement the 'just' aspects of the transition.

For more information about the DLAB outcomes, see our Sustainability Report.

Product innovation

The Bank, led by the Infrastructure Product Development team, recognised the need for smaller, emerging contractors to have access to working capital. These SMMEs often come to the project highly capable and with years of experience, but unable to access formal finance. In response, a working capital financial instrument was benchmarked against our peer DFIs and commercial banks before being approved in August 2021.

The new product was launched in the Eastern Cape with 47 Accelerated Schools Infrastructure Delivery Initiative contractors. The pilot has since been extended to the North West and Free State provinces.

Total contractors assisted to date	12
Transactions approved	4
Rand value	R58.9 million

While the Bank is relatively new to providing smaller, higher volume and more standardised finance in this manner, we are confident this initiative will have great impact in the coming financial year.

MANAGING OUR SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital is our relationships with key stakeholders, including the partnerships between private and public sectors that enable greater infrastructure development and impact.

Social and relationship capital inputs

- 16 countries in which we have active exposures
- 87 municipal clients
- Relationships with government, DFIs, private financers providing inputs to policy formulation

Value created for stakeholders

- Access to appropriately structured and affordable finance
- Technical skills and knowledge exchange
- Project management and execution
- Partnership opportunities
- Deal flow
- Market opportunities

Key factors impacting the Bank's social and relationship capital

Associated key risks	Strategic focus areas	Material issues	Stakeholders
• Reputation risk • Business environment and operations • People and culture risk		• Governance • People and culture • Institutional knowledge • Navigating the Just Transition • Scaling-up and fast-tracking infrastructure development • Equity funding for transformation and economic access • Long-term business cycle • Low B-BBEE rating	

Governance oversight

The Board's oversight of the management of our social and relationship capital is delegated as follows:

Board-level oversight

Social and Ethics Committee (SEC)

The committee monitors stakeholder relations, ESG and corporate social investment. The committee is also responsible for ensuring management cultivates a culture of ethical conduct and monitors adherence to the ethics-related policies such as the Conflict of Interest Policy, Code of Ethics, Gift, Entertainment and Hospitality Policy and Whistle-blowing Policy.

Human Resources Committee, Nominations Committee and Social Ethics Committee

The Board of Directors established the Human Resources Committee (HRC), Nominations Committee and Social Ethics Committee (SEC) to support it in the execution of its duties regarding implementation of the human capital strategy, people management, social, governance and culture management.

Strategic partnerships

Building smart partnerships is a key strategic enabler for the Bank. We are proud of our strong network of partnerships with key industry players, including various government departments and investors. The DBSA works with entities that can deliver bankable project pipelines for co-financing with commercial financial institutions and DFIs. The Bank also works with project sponsors such as South African metros, intermediate cities and SOEs. Our partners include key influential regional blocs, including SADC, the East African Community and the New Partnership for Africa's Development. Strategic partnerships are key to:

- Increasing access to finance: Partnerships with commercial financial institutions and DFIs increase the DBSA's ability to provide finance to projects
- Increasing expertise: Partnerships with government departments and investors provide the DBSA with access to expertise that it would not otherwise have
- Increasing impact: Partnerships with project sponsors and regional entities allow the DBSA to have a greater impact on development in South Africa and Africa

We work with our partners to deliver our infrastructure development mandate

Strategic partnerships enable the co-creation of fit-for-purpose solutions that are both scalable and sustainable, a core aspect of our programmatic approach. The DBSA's Coverage Division is responsible for strategic relationship management with investors and funders that contribute to our blended funding solutions for infrastructure financing. The Coverage team also contributes to regional integration by implementing our geographic mandate on the African continent.

In FY2022/23, the DBSA continues to build strategic partnerships with local and international organisations to improve its position as a partner of choice. During the year, the Bank cemented the following strategic partnerships and participated in engagements including:

- CEO led a climate delegation to COP27 in Egypt to address climate change and contribute to the broader low-carbon aspirations of South Africa and Africa.

- Signed a partnership with the European Investment Bank to increase clean energy power generation and signed a Memorandum of Understanding with the West African Development Bank to foster inter-regional cooperation on climate change mitigation and adaptation.
- Participated in the Brazil-Africa Forum 2022 titled 'Sustainable Cities: Global Challenges, Local Solutions', identifying co-financing and investment opportunities for water and sanitation solution projects within Mozambique and Angola.
- Partnered with the Association of African Development Finance Institutions in a pre-launch roundtable series on creating world-class sustainable DFIs through embracing holistic sustainability standards.
- Partnered with Japan International Cooperation Agency to implement a number of projects in the field of non-revenue water, including the construction of waterworks facilities through financial assistance and technical cooperation.

Transformation

The DBSA is committed to economic transformation, in line with national policy frameworks.

Supporting black- and black women-owned businesses

We made significant progress in supporting black-owned entities and black women-owned entities in FY2022/23, exceeding our targets. As of 31 March 2023, the DBSA had committed funding to seven black-owned entities transactions and four black women-owned entities transactions. The Bank approved R3.2 billion in project preparation funding for black-owned entities. In addition, the DBSA had achieved a procurement spend of 36% on black women-owned entities suppliers for IDD third-party funds. The DBSA had also approved seven transactions through the Emerging Contractors' Working Capital Facility and approved R250 million in funding for SMME lending. The DBSA had committed R666 million in funding from funds allocated for B-BBEE equity support.

Transformation analysis		2023	2022	2021	2020	2019
Value of funds disbursed to B-BBEE entities	R million	357	335	579	548	981
Value of infrastructure delivered by B-BBEE entities	R million	3 818	2 947	2 372	3 377	2 500
– B-BBEE entities	R million	3 033	2 033	1 761	2 429	1 964
– SMMEs and subcontractors	R million	785	914	611	948	536
Value of procurement spend by DBSA to B-BBEE entities	R million	273	106	175	117	83
Number of SMMEs and subcontractors benefitted	Number	1 524	1 543	1 031	1 219	1 097

We are proud to have exceeded our empowerment deal targets for the year.

	Target	Actual
Black-owned businesses	5	8
Black women-owned businesses	3	4

The DBSA targets specifically the social, energy and transport sectors to enact B-BBEE transactions. Some of the challenges in these sectors include protracted contract negotiations, the dominance of SOEs and small contractors' inability to package comprehensive deals. However, the Bank continues prioritising B-BBEE deals in the pipeline.

Sector	Number of deals	Rand value
Social sector	15	R2.2 billion
Transport sector	2	R0.5 billion
Energy sector	3	R4.9 billion

B-BBEE equity financing facility

The aim of the facility is to ring-fence capital, which will be utilised to increase the participation of B-BBEE entities in infrastructure projects and transactions by funding their own equity contribution. The facility was approved at the Board Credit and Investment Committee for a total value of R450 million. The facility received significant interest in the market and assessments of the numerous transactions that qualify are underway.

South African National Roads agency (Sanral) black contractor facility

The aim of this initiative is to facilitate a strategic partnership to provide financial and non-financial support to Sanral's B-BBEE and SMME contractors. The initiative was also meant to enable B-BBEE and SMME contractors to be competitive and sustainable through training, developmental programmes and access to short-term working capital finance. We are engaging with Sanral to get the project off the ground, with terms of reference signed off and the funding parameters defined.

Affordable housing sector entry

The objective of the programme is to generate transactions with black and women-owned entities owing to the low equity requirement and grant funding of approximately 65% of project capital expenditure from the Social Housing Regulatory Authority, an agency of the Department of Human Settlements.

	2021	2022	2023	Total
Projects completed (boreholes)	30	10	-	40
Projects completed (water treatment projects)	14	22	9	45
Households benefitting	23 545	970	93 428	117 943
Temporary jobs created	236	29	375	640

MANAGING OUR HUMAN CAPITAL

Our human capital includes our people, their development and the culture we foster. Our employees drive the overall performance and sustainability of our business.

Human capital inputs

- A total of 589 permanent and long-term contract employees
- R22 million spent on tertiary education for employees and their children, as well as training and development

Value created for stakeholders

- Job creation
- Training and development
- Knowledge exchange

Key factors impacting the bank's human capital

Associated key risks	Strategic focus areas	Material issues	Stakeholders
• Reputation risk • Business environment and operations • People and culture risk		• Governance • People and culture • Institutional knowledge • Navigating the Just Transition • Low B-BBEE rating	

Governance oversight

The Board's oversight of the management of its human capital is delegated to the Human Resources Committee, Nominations Committee, and the Social Ethics Committee.

Board level oversight

Human Resources Committee

The Board of Directors established the Human Resources Committee (HRC), Nominations Committee and Social Ethics Committee (SEC) to support it in the execution of its duties regarding implementation of the human capital strategy, people management, social, governance and culture management. The HRC provides the necessary oversight in respect of the Bank's performance and employee remuneration.

Employee overview

For the past two years, since the commencement of the COVID-19 pandemic, over 90% of DBSA employees continued working from home. In the year under review, the DBSA strived to maintain a stable work environment for our employees by ensuring they have the right tools, materials and support for working from home. The key for the DBSA was adjusting the work culture to better accommodate remote and onsite employees to ensure our employees are healthy and the performance of the organisation continues to grow and achieve the results as set out in our mandate.

Key initiatives in human capital management

- Capacitating the organisation with the employment of appropriate skills for the DBSA and agencies/mandate programmes, we recruited 120 employees.
- To create our own talent pool while responding to unsustainable youth unemployment, we initiated a 40-person strong graduate development programme.
- Aligning the work culture for remote working, including an increased focus on digitalisation.
- Reinforcing and aligning performance management for all levels within the organisation.
- Engagement and training with all staff on the cascading of corporate performance goals from divisional performance goals to individual goals.
- Talent and succession management framework and implementation.
- Training and development special focus was on:
  - Graduate and internship development programmes
  - Leadership development
  - Performance management
  - Specific technical skills
  - Labour relations
- Diversity management:
  - Employment equity three-year plan and implementation
  - Employment equity and B-BBEE reporting
- Employee wellness management

At year end, the DBSA employed 589 (2022: 604) permanent and fixed-term contract employees. This excludes the 130 employees recruited for key programmes, who are considered as non-headcount since these employees are appointed for the duration of the programmes in line with the memorandum of agreement between the DBSA and the funding stakeholders.

Employee statistics

Category	2023	2022	2021	2020	2019
Number of employees[1]	589	604	606	610	597
Employee turnover (%)[2]	8	8	6	7	6
Black representation (%)[3]	83	82	80	78	77
Women representation (%)	54	54	54	53	53
Total training spent (R million)[4]	22	22	10	20	23

Notes
1. *Excludes agencies/mandate programmes (130 employees) and graduates/interns (40)*
2. *Controllable and uncontrollable turnover*
3. *Black = African, coloured and Indian*
4. *Tertiary education for employees and their children and training and development for employees*

Succession management

Implementing our integrated talent management practices resulted in solid succession pipelines. In 2022, we reviewed the talent health of the Bank through various processes. The unit heads assessed the talent health of their units by reviewing the data from 2021. They identified their potential successors, key roles and high-potential employees within their business units. Through the talent analytics process, the Bank identified and monitored the brain drain and successors for key positions. For Group Exco succession planning, the unit heads were assessed and interviewed against the Group Executive (GE) job profiles. Feedback reports were compiled for all unit heads, highlighting strengths and areas of development as well as identifying if they have potential to be successors for Exco roles. All unit heads received verbal feedback on their reports and were requested to sign off for the information to be used and shared for succession management purposes.

The Bank held divisional talent discussions in which each GE assessed the talent health of their divisions by identifying areas of strength as well as opportunities for development for their direct reports (unit heads). The talent discussions also identified capability gaps within the divisions and the development initiatives required to address these.

Our working environment

We recognise that the future prosperity of the organisation depends largely on the competency and motivation of our employees. We therefore invest in and encourage a culture of continued development and advancement of the learning and training within the Bank. We are committed to creating and maintaining an environment that provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups. We embarked on several talent management initiatives during the year. Our approach to talent management focuses on succession planning, career management and building the critical competencies required to achieve the strategy of the Bank.

Our culture

The Board sets the tone by leading the Bank ethically, effectively and responsibly. The Board has overall responsibility for the Bank, including overseeing management's implementation of strategic objectives, the governance framework and corporate culture. People are a key enabler towards effective strategy execution and delivery of our mandate. Our corporate cultural practices, processes, frameworks and governance structures are anchored in our value systems.

The DBSA organisational culture is characterised by employees who live our values of collaboration, professionalism and a strong customer orientation in service to our communities. It is further exemplified by employee behaviour that displays high moral conviction, accountability, responsiveness, proactivity and the ability to embrace change and innovation and lead by example. This is our winning organisational culture. In the past year, which was characterised by the work-from-home culture, interventions became critically important. Staff engagements and culture surveys assumed centre stage in achieving a high-performance culture that recognises and rewards superior performance equitably.

Career management

As part of promoting a learning culture and being an employer of choice, we provide opportunities for our people to grow and develop their careers within the DBSA. Our career management approach focuses on the development of employees' broader personal career goals, which are aligned with the DBSA's vision, mission and goals.

To assist employees with their career planning, the Bank facilitated career development workshops where toolkits were provided to assist them with managing their careers holistically. The Bank hosted its annual Women's Day career workshop in August 2022 and launched the first career workshop for men in November 2022. Employees also completed their career profiles, which will guide the career discussion with their respective line managers and ensure their aspirations and development gaps are captured in their annual personal development plans.

Investing in our people

Building capacity through the skilling and reskilling of our employees is imperative for building a high culture of performance and learning. We initiated and delivered training interventions at an individual level through personal development plans, an employee bursary scheme and employees' children scholarship.

The Bank successfully implemented over 70% of its identified corporate and divisional learning needs and successfully implemented a number of Bank-wide training initiatives. These initiatives included workplace harassment training for all employees and labour relations training for all line managers. In line with the Just Transition strategy, the Bank implemented a euromoney climate sustainability unlocked training platform where 200 licences were provided to identified frontline employees. A coaching programme was launched in April 2022, with 34 employees on professional coaching and nine on executive coaching.

The Bank ringfences a portion of the salary bill for training and development through various programmes or schemes.

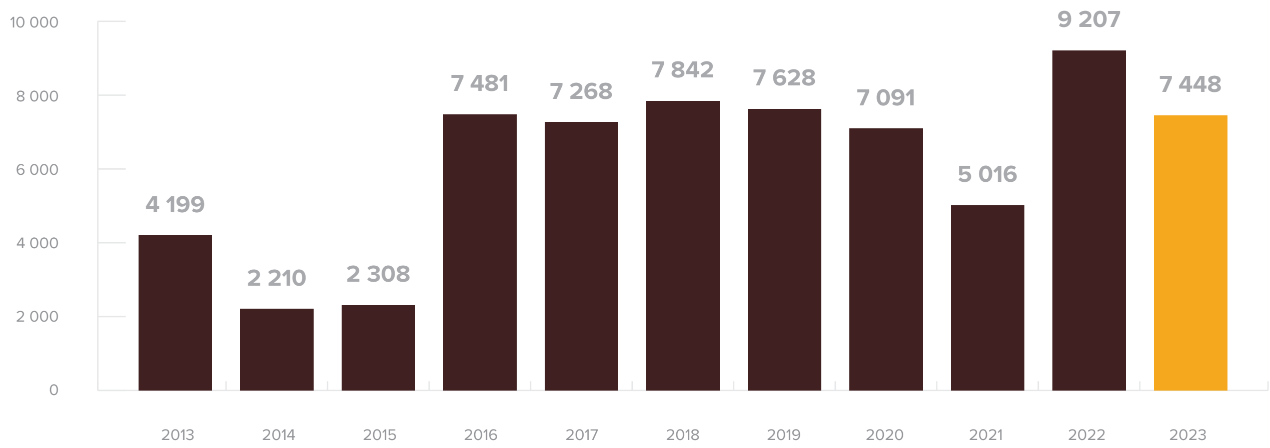
Training intervention	Number
Employee bursary	89
Employees' children scholarship	76
Employees on targeted training programmes	767
Executive leadership programme	4
Professional and executive coaching	43

In the 2022/23 financial year, the DBSA invested R22.61 million in skills development	
Training, internships and employee development	R15.2 million
Tertiary education (employees and employees' children)	R7.4 million

Long-term training and development metrics

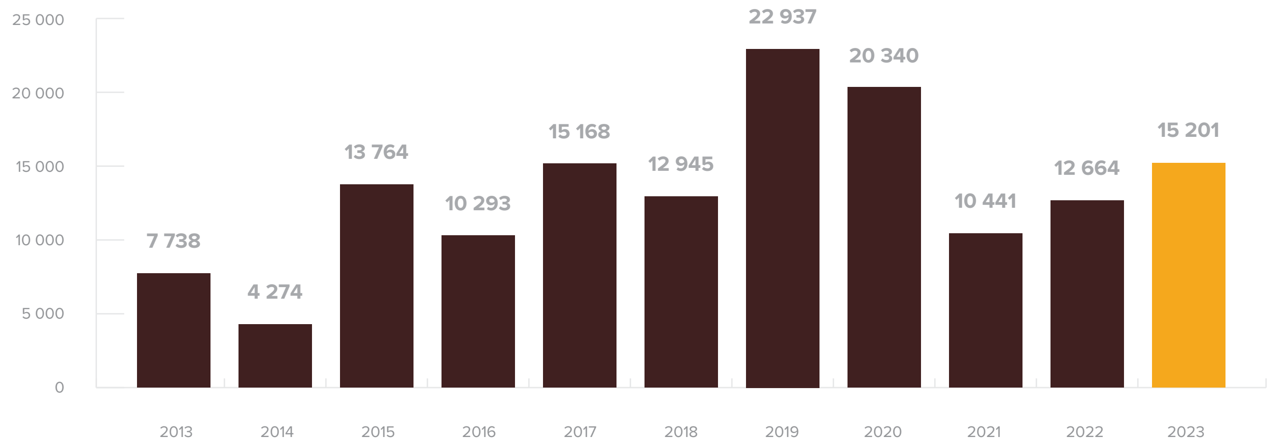
Learning and growth spent tertiary support (R 000)

Tertiary training spend: Employees and employees' children



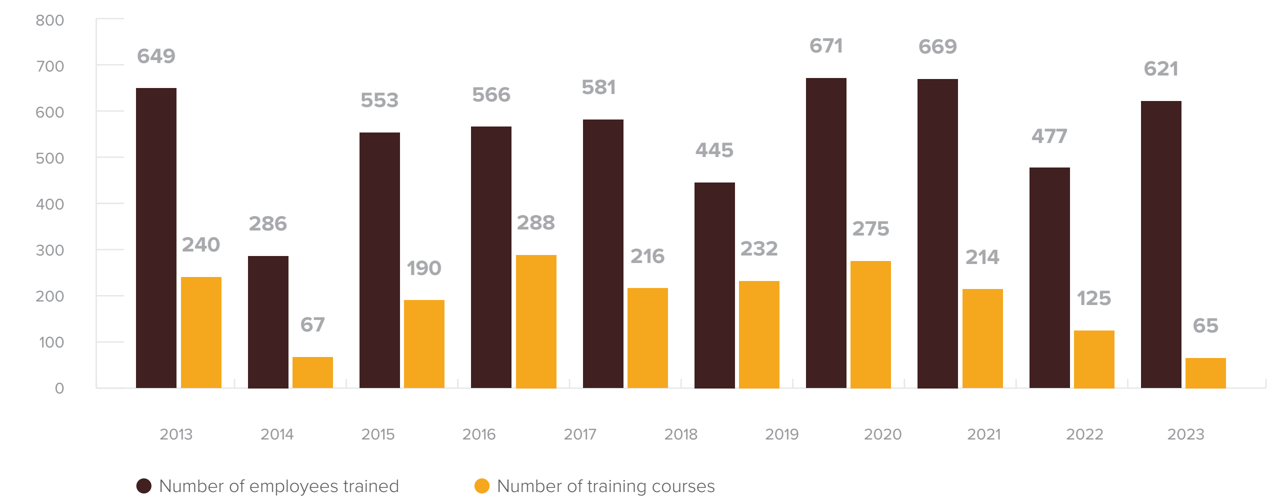
- Approximately R67.7 million was spent on employees and employees' children's tertiary education over the 11-year period
- Employees: 85 completed qualifications (estimation)
- Employees' children: 137 completed qualifications (estimation)
- The employee bursary uptake increased from 43 in FY2021/22 to 89 in FY2022/23
- The employees' children's bursary uptake went from 41 children in FY2021/22 to 76 children offered bursaries in FY2022/23.

Training and development (excludes bursaries) spent (R 000)



Approximately R145.8 million was spent on employee training and development over the past 11 years. Special focus on skills development is on developing depth enhancing critical skills requirements, leadership development (executive, management and junior management) and graduate and internships programmes.

Training and development (courses, seminars, and conferences): Number of employees and courses



Young talent initiatives

The DBSA currently has several young talent initiative, namely the DBSA Graduate Programme, International Public Policy Observatory (IPPO) Young Talent Programme, Infrastructure Development Division Work Integrated Programme (IDD WIL) and the Internal Audit Trainee (IAT) Programme.

The cohort of DBSA graduates successfully completed their first year of the 24-month programme and commenced with the second in July 2023. The graduates completed the Advanced Certificate in Management Practice (ACMP) from Henley Business School. They obtained a 100% completion rate and were recognised as the youngest qualifying group to have completed this programme during their graduation in October 2022. The IPPO graduates successfully completed their 12-month programme and completed the ACMP programme with Henley Business School. The success of the programme resulted in IPPO absorbing the graduates on a 12-month fixed-term contract.

The IDD WIL was launched in August 2022 and provided eight students with the opportunity to apply the basic theoretical and practical knowledge gained at university in a work environment. It helped them to develop the necessary ethics, professionalism and competencies required for construction-related practices and enterprises within the construction industry. The learners were placed on various site projects around Gauteng and Bloemfontein where they obtained the required work experience to attain their qualifications.

The DBSA launched the IAT programme in September 2022 and placed four trainees within Internal Audit on a three-year professionalisation programme. The trainees are undergoing training to qualify as internal auditors and register with the Institute of Internal Auditors of South Africa. In addition to the individualised programmes, all the young talent candidates across these programmes had continuous development through a formalised mentorship programme and were also trained on emotional intelligence and stress management.

IDD occupational health and safety

The building and construction aspect of infrastructure development carries the risk of physical injury for our contractors. We aim to provide the safest working environment possible through training, extensive processes and meticulous monitoring of all safety incidents on our sites.

Principal contractor statistics		
61 224 contractor employees	**1 224 480** shifts worked	**9 795 840** contractor hours worked

Lost-time injury frequency rate:
0.18
against a target of <1.2

Incidents:

Long-term injuries	7
Medical treatments	3
Fatalities	2
Near misses	1
COVID-19 cases	8
First aid cases	3

Diversity, inclusion and transformation

Employment Equity Plan

The DBSA Employment Equity Plan for the period 2021 to 2023 is currently in place and monitored on a regular basis.

The Bank's Employment Equity (EE) and Skills Development (SD) Committee is fully operational and meets on a quarterly basis. The subcommittees within the committee have been working at addressing the barriers identified within the current plan. Additional training has also been provided to the committee to address any knowledge gaps identified and to empower members to fulfil their functions and responsibilities. This feedback was incorporated into the Bank's EE three-year plan for the period 1 April 2021 to 31 March 2024.

Our employment equity vision:
To build a transformed and high-performing workforce that is representative of the demographics of South Africa.

Employee demographics

The following table reflects our employment equity statistics as at 31 March 2023.

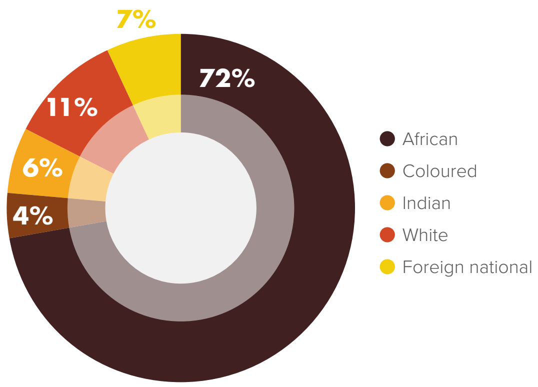
Occupational levels	Males by race A	C	I	W	Females by race A	C	I	W	Foreign nationals Male	Female	Total
Top management	3	1	-	1	4	-	-	-	1	-	10
Senior management	7	-	1	2	5	1	-	-	2	1	19
Professionally qualified and experienced specialists and mid-management	93	4	19	24	97	9	12	18	25	7	308
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	42	1	1	2	98	7	4	15	1	3	174
Semi-skilled and discretionary decision-making	29	-	-	-	18	-	-	-	-	-	47
Unskilled and defined decision-making	4	-	-	-	17	-	-	-	-	-	21
TOTAL PERMANENT	178	6	21	29	239	17	16	33	29	11	579
Temporary employees	5	1	-	-	4	-	-	-	-	-	10
GRAND TOTAL	**183**	**7**	**21**	**29**	**243**	**17**	**16**	**33**	**29**	**11**	**589**

The DBSA has an overall 83.53% black representation with the balance made up of 10.5% white and 6.8% foreign nationals. The main challenges in employment equity remain in the areas of senior management and employees with disabilities.

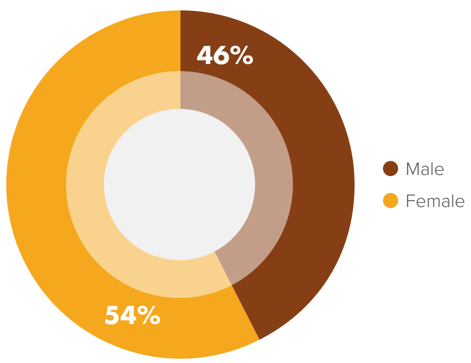
Diversity and gender representation (%)

We manage gender diversity to ensure our employee composition is representative of the society in which we operate. In the year under review, 54% of our staff were female. Beyond gender diversity within the DBSA, we focus on improving gender diversity beyond our own operations through gender mainstreaming, as detailed below.

Race representation (%)

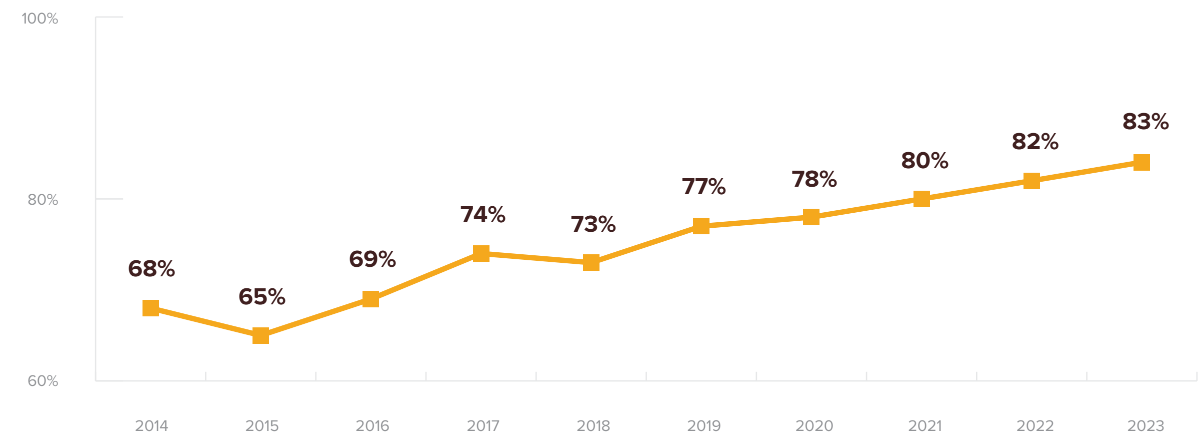


Gender representation (%)



Women represent 40% of the DBSA leadership team (executive and management levels). We aim to increase our female representation in the top three levels to 50% over the next three years.

Black representation over 10 years



MANAGING OUR MANUFACTURED AND NATURAL CAPITAL

Our manufactured capital represents our business structure and operational processes, including our physical and digital infrastructure, while our natural capital represents the natural resources we use in our operations and business activities.

Manufactured capital inputs

- The DBSA campus
- ICT infrastructure

Natural capital inputs

- 7.1 megawatts of electricity consumed
- 4.0 kilolitres of water consumed

Value created for stakeholders

- Access to climate financing
- Awareness of the need for a Just Transition

Key factors impacting the Bank's manufactured and natural capital

Associated key risks	Strategic focus areas	Material issues	Stakeholders
• Cyber risk • Reputation risk • Business environment and operations • People and culture risk		• Governance • People and culture • Institutional knowledge • Navigating the Just Transition • Scaling-up and fast-tracking infrastructure development	

Governance oversight

The Board's oversight of the management of our social and relationship capital is delegated to SEC.

Board level oversight

Social and Ethics Committee

This committee monitors the DBSA's environmental impacts.

Natural capital initiatives in our operations

The DBSA's environmental appraisals and decision-making is guided by the Environmental Appraisal Framework and lower case environmental and social safeguard standards . We aim to reduce the impact of our operations by monitoring and managing our energy demand, business travel and water consumption.

	2023	2022
Electricity consumption	7.1	0.4
Water consumption	4 023	2 573

Natural capital initiatives in the infrastructure development value chain

The impacts of climate change are widely apparent and the DBSA has been investing in initiatives aimed at climate change mitigation and adaptation. The DBSA has an integrated sustainable finance approach in place 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.

Green Climate Fund (GCF)

The DBSA's accreditation by the GCF, an entity of the UN Framework Convention on Climate Change, facilitates the DBSA's regional aspirations of developing a sustainable green economy. Considering the DBSA's stance on the Just Transition, GCF reaccredited the Bank in 2021 for a further five years, opening up new finance options to our projects and partners in sub-Saharan Africa.

Climate Finance Facility

The DBSA, in partnership with the national Department of Environmental Affairs, manages a special fund that provides catalytic finance to facilitate investment in high-impact and sustainable green initiatives in South Africa, as well as to support poverty reduction and job creation.

The Southern African region is particularly vulnerable to the extreme climate and rainfall fluctuations brought on by climate change, but access to suitable long-term financing remains a challenge for regional climate investments. The DBSA's Climate Finance Facility, based on the Green Bank model, is a lending facility adapted for emerging market conditions, which aims to increase climate-related investments in Southern Africa.

The DBSA's Climate Finance Programme de-risks and increases the bankability of climate projects, thereby attracting more private sector investment. It will provide the template for similar financial models in other countries.

Number of projects underway

	Project pipeline	Approved for finance
Investment projects	6	2

All these projects are self-sustaining and we expect complete repayment of debt.

Our Climate Finance Facility pipeline projects

Embedded Generation Investment Programme (EGIP)

The DBSA's first commercial and industrial project under the EGIP, Tronox Mineral Sands, disbursed during October 2022. The project is a 200MW solar PV projects with an offtake from Tronox Mineral Sands, located in Western Cape and KwaZulu-Natal. The projects were co-funded with three commercial banks.

The DBSA pipeline includes a further nine projects under the EGIP, which are in various stages of project file cycle by 2022/23 financial year end. Unlocking the foreign currency risk on EGIP remains a challenge. If it remains unresolved, the additional hedging costs may be borne by either the Bank or clients.

Digital innovation

Digital innovation is key to the Bank's drive to be future-fit. We are refining our operating models within the Bank, including through the incorporation of an e-procurement system and data management.

Cybersecurity

The DBSA experienced no major cyber breaches during the year under review. We ensure employees are trained and tested on cyber risk.

07

ENSURING VALUE CREATION THROUGH GOOD GOVERNANCE

Our governance philosophy

The DBSA has internalised the principle that sound corporate governance is a prerequisite to unlocking shareholder value and creating a necessary platform for increased investor confidence and achieving maximum development impact. The DBSA places a huge premium on good corporate governance and this permeates every facet of the Bank's activities.

Good governance – which promotes accountability, transparency, rule of law and participation – is central to creating and sustaining an enabling environment for development. The DBSA has a crucial responsibility of fostering a climate that stimulates economic growth and transformation. As an organisation, we play a significant role in addressing economic, social and service delivery challenges facing the region. The Bank's strong principles and high standards of governance are the bedrock of our business. Robust governance is permeating all facets of the organisation, playing a pivotal role in accessing capital and securing necessary funds for our operations and initiatives.

We firmly believe our commitment to the highest standards of corporate governance, integrity and ethics sets us apart from other institutions. It is our unwavering commitment to these principles that enables us to fulfil our mandate and create sustainable value for our stakeholders. We remain resolute in our determination to maintain and strengthen our governance framework to ensure we continue to meet and exceed these standards.

Our commitment to these principles is enabled by a robust governance framework complemented by an effective and efficient operating structure. We take great pride in our carefully developed and meticulously applied corporate governance policies, which guarantee every decision we make is governed by stringent standards.

Governance practices and processes add value by making certain that the DBSA is managed in a sound and ethical manner. This includes ensuring the DBSA has a strong Board of Directors, that its executive management is competent and experienced, that its strategy is aligned with its values and that it complies with all applicable laws and regulations. Governance practices and processes also help to safeguard the DBSA's reputation and make sure it is responsive to the needs of its stakeholders.

Governance environment

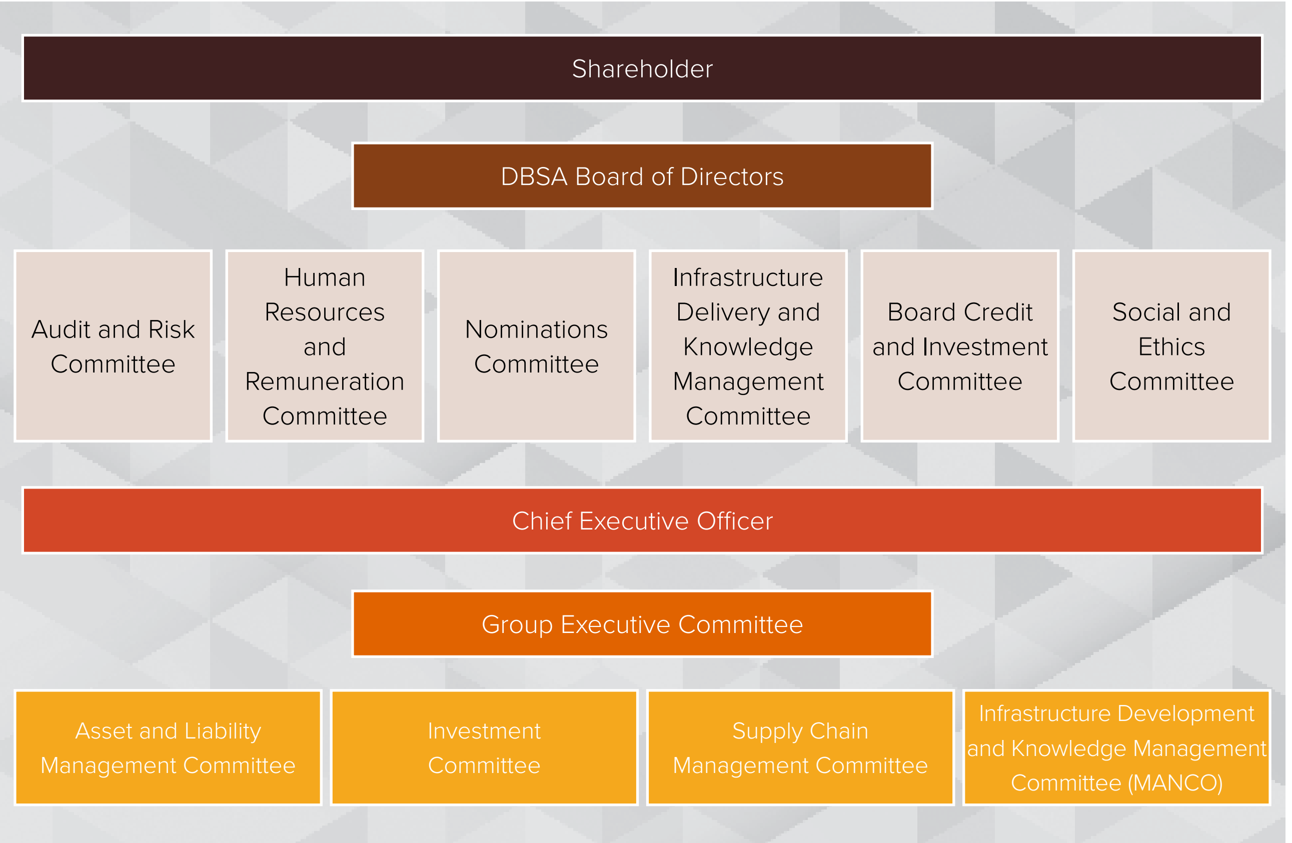
Key legislation and regulations	Governance principles	Governance partnerships	Policies and procedures in place
• The DBSA Act • Public Finance Management Act • Companies Act (where appropriate)	• King IV (where appropriate) • Corporate Governance Development Framework • Association of African Development Finance Institutions • Prudential Standards Guidelines and Rating System • UN Global Compact	• SADC Development Finance Resource Centre • Corporate Governance Development Framework • SADC Working Group	• Board Charter • Code of Ethics • Delegation of Authority • Directors' Policy on Conflict of Interest • Directors' Code of Conduct • Employees' Policy on Conflict of Interest • Board and subcommittees' terms of reference • Gift and Hospitality Policy • Whistle-blowing Policy • Appointment of DBSA nominee directors and private equity • Advisory Committee Member Policy • Ethics hotline

Governance structures

Our governance and control framework sets out the governance structures over operational functional areas and the interaction of these structures to ensure effective governance. The framework creates a conducive environment for independence and an objective decision-making process and facilitates agility, teamwork and swift decision-making across all levels of the organisation.

The separation of powers, duties and responsibilities between the shareholders, Board and management is strictly observed and has contributed immensely to making sure the DBSA has an effective corporate governance framework. The Directors of the DBSA are committed to full compliance with the principles embodied in appropriate domestic and international corporate governance codes and strive to align the Bank's corporate governance with national and international best practices. An efficient corporate secretarial team under the direction of the company secretary supports the DBSA governance structures.

The figure below illustrates its governance framework.



Our Board

At the heart of our governance framework is the Board, which serves as the custodian of corporate governance. Our Board, the majority of whom are independent Non-executive Directors, upholds the highest possible corporate governance standards by ensuring the tone is set at the top. In this regard, the DBSA Board works proactively with the executive management team to foster a corporate culture of effective governance across the Bank. The enforcement of good corporate governance principles extends to cover the relationship the DBSA has with its clients. This is further enhanced through engagement with regulators and industry bodies and seeking regular feedback from other stakeholders.

The Board is responsible for the sustainability of the DBSA and, to this end, sets the strategic direction, approves the strategy and monitors the performance of the Bank. Risks, opportunities, performance, operating model and sustainability matters are considered in terms of the DBSA's vision, development position and values, and are approved by the Board. The key performance measures and targets for assessing the achievement of strategic objectives over the short, medium and long term are approved and monitored by the Board. The strategies have taken the risks, the consequences of the Bank's activities and outputs on the economy, society and natural environment into account.

Key focus areas in FY2022/23

In line with our approved 2022/23 strategy and identified key strategic initiatives, the following areas were focused on in the 2022/23 financial year.

Board and Executive succession

The Board has successfully formulated and implemented a succession strategy, which yielded an orderly and peaceful filling of the vacancies of the Executive Director and Non-executive Director vacancies. In this regard, following the end of the tenure of Patrick Dlamini as the CEO of the DBSA on 31 March 2023, the Board identified and nominated Boitumelo Mosako, former CFO of the Bank, as the new CEO to the shareholder for its approval. The shareholder approved the appointment of Boitumelo Mosako as the new CEO of DBSA effective from 1 April 2023.

In addition, to invigorate the capabilities of the Board, three new Directors – two independents (Ms Dinao Lerutla and Mr Ebrahim Rasool) and one shareholder representative (Mr Kenneth Brown) respectively – were appointed for a term of three years effective from 30 November 2022 to 29 November 2025. The new Directors bring on board the necessary skills and extensive experience in areas of leadership, investment banking, socio-economic development, and extensive public sector experience in areas of intergovernmental relations, procurement and stakeholder management. These skills are imperative in driving the strategy of the Bank.

Integrated municipal approach

Considering the deepening crisis of local government, which is DBSA's core business, the Board spent a significant amount of time engaging on this matter to ensure alignment with the approach to municipal interventions. The matter remains a work in progress.

Strategy oversight

The strategy engagement remains a key item on the Board and relevant Board subcommittee's agenda. The Bank strategy leverages the Bank's ability to conceptualise infrastructure projects through a programmatic approach, which is a powerful means of solving pressing socio-economic challenges at scale and driving the implementation of government policy priorities.

In September 2022, the Board considered the mid-year review report on strategy execution update and it was confident that the Bank remains focused on delivering on the medium-term strategy notwithstanding constraints in the operating environment, particularly those presented by the external environment and largely impacting on the cost of funds. The annual Exco and Board strategy sessions for the 2023/24 financial year were held in October and November 2022 respectively.

ESG oversight

Integration of investment approval: The Board discussed the need for greater balance between the between SEC and BCIC considering that SEC plays a subordinate role to BCIC on ESG dimension.

Key Board discussions and approvals in the 2022/23 financial year

- Discussed the Corporate Governance Assessment Report, which indicated that the governance framework of the Bank is sound
- Approved the Annual Financial Statements for the year ended 31 March 2022
- Approved the Chief Executive Officer annual remuneration review and performance rating.
- Reflected on the current state of loadshedding and the impact it has on the economy and the role of the DBSA
- 2021/22 development impact results
- Discussed key actions and decisions for approval from the Board strategy session
- Approved 2023/24 corporate plan and shareholder compact
- Approved risk appetite statement
- Noted the appointment of BDO Advisory Services (Pty) Ltd as a Board evaluation service provider

Future focus areas

Leadership and succession

- Continuous support of the incoming CEO to continue to lead our esteemed Bank towards even greater stability, strength and sustainable growth
- Recruitment of a capable Chief Financial Officer.
- Filling of Board vacancies, including that of the Board Chairman whose term will expire on 1 October 2023
- Enhancing operational excellence
- Fit-for-purpose DBSA (digitalisation and organisational design review)

Other

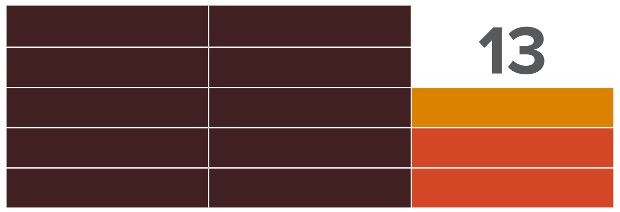
- Expansion of DLabs in terms of number across the country
- Integrated municipal approach
- Policy regulatory matters

Board composition

The DBSA Board reports to the Minister of Finance, who is the shareholder representative on behalf of the South African government. In terms of Section 7 of the DBSA Act, the Minister, in consultation with cabinet, appoints the Board members of the DBSA. Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration. The Chief Executive Officer, any executive manager or a member of the staff of the Bank may be appointed as a director. Directors shall hold office for a period of three years but shall be eligible for reappointment.

The DBSA's Board comprises a suitable balance of knowledge, skills, experience, diversity and independence to carry out its governance role and responsibilities objectively and effectively. To strengthen the Board diversity across different sectors, in filling the existing vacancies, the Board will seek to attract candidates with expertise in information and communications technology, human capital and deep experience in implementing ESG.

Board members at the end of the current year:



Independent Non-executive Directors: 77% (10)

Non-executive Director (shareholder representative): 8% (1)

Executive Directors: 15% (2)

Directors' skills and experience

Board expertise is categorised in terms of clause 7(3) of the Act, which stipulates that members of the Board of Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration.

Banking	2
Finance	4
Business	1
Development finance	4
Socio-economic development	2

Gender

Gender representation on the Board is below the required 50% of women representation in management positions. In filling its vacancies, the Board will focus on gender representativity.

	Female		Male	
	Number	%	Number	%
Black	4	80	7	87.5
White	1	20	1	12.5
Total	5	100	8	100

Age (years)

60+	6
50–59	5
40–49	2

Rotation and tenure

In line with the DBSA Act and recommendations by King IV, the DBSA does not have any members serving for longer than nine years. To ensure continuity, the Board has been implementing a succession strategy that focuses on structuring the Board appointments, so members fall into different terms. The Board effort is starting to yield some results. Our Board members fall into three different terms.

Maximum number of terms to be served	3 (nine years)
Third term (more than six years)	3
Second term (3–6 years)	2
First term (0–3 years)	3
Appointed to the Board in 2022/23 (November 2022)	3

Notes: Excludes Executive Directors' terms

Active participation

Annual General Meeting	1
Scheduled Board meetings	4
Special Board meetings	0
Board strategy sessions	1
Attendance at Board meetings	100

Board changes in the year under review

Expiry of term

By the effluxion of time, the term of office of Ms Malijeng Nqaleni as a Director and shareholder representative came to an end with effect from 1 April 2022. The Board expressed its appreciation for her valuable contribution to the Bank and wishes her well in her future endeavour.

Resignation

Ms. Maseapo Kganedi resigned as an independent non-executive director of the Board of DBSA and its committees (HRC and SEC) with effect from 30 April 2022 for personal reasons.

Reappointment

To retain valuable knowledge, skills and experience and maintain continuity within the Board, Ms Martie Janse van Rensburg was reappointed as an Independent Non-executive Director of the DBSA Board for a term of three years effective from 1 April 2022 to 31 March 2025.

Appointments

To invigorate the capabilities of the Board, three new Directors – two independent (Ms Dinao Lerutla and Mr

Ebrahim Rasool) and one shareholder representative (Mr Kenneth Brown) –were appointed for a term of three years effective from 30 November 2022 to 29 November 2025. The new Directors bring on board the necessary skills and extensive experience in areas of leadership, investment banking, socio-economic development, and extensive public sector experience in areas of intergovernmental relations, procurement, and stakeholder management. These skills are imperative in driving the strategy of the Bank.

Board Chair appointment

Prof Mark Swilling was appointed as DBSA board chair following the annual general meeting held on 30 May 2022.

Board Deputy Chair appointment

Dr Gaby Magomola, an Independent Non-Executive Director, was appointed as the DBSA Board Deputy Chair, with effect from 7 February 2023.

CEO and CFO appointments

Following the departure of the CEO (Mr Patrick Dlamini) on 31 March 2023, Ms Boitumelo Mosako, CFO of the Bank was appointed as the Chief Executive Officer effective from 1 April 2023. Ms Zodwa Mbele, current Group Executive Transacting, was appointed as the acting CFO with effect from 1 April 2023 to 30 September 2023, subsiquently she was appointed as the permanent CFO from 01 July 2023.

Board elevation

Governance assessment

During the year under review, the Board received the governance assessment report. Among others, it revealed the following points:

Strategy and planning: The Board possesses adequate ability to discharge its role in setting up the Bank's vision and strategy.

Capabilities and culture: The DBSA Board has adequate skills and competencies within its composition and the profiles of the Board members were sufficient to lead the bank effectively as well as shaping its culture.

Processes and structures: The Board has established governance structures that allow them to effectively discharge its role and responsibilities.

Stakeholder engagement and disclosure on stakeholder relationships were highlighted as areas of improvement. Corrective measures have been put in place to address the weakness identified.

The report articulating the Board performance and that of its committees, its chair and its individual members to support the continued improvement of the Board performance and effectiveness will be released in 2023/24 financial year.

Board committees

In support of an effective corporate governance environment, the Board has established six committees to assist it in the execution of its oversight mandate. The committees established by the Board play an important role in enhancing standards of governance and effectiveness within the group. Each committee acts in line with its terms of reference, all of which were reviewed during the year. The Board committees report on their activities to the Board at all meetings. The delegation of the Board's responsibilities to committees is not by itself abdication of the Board's fiduciary duties.

The Board is in the process of reviewing the Social and Ethics Committee terms of reference to enhance oversight over ESG matters.

A summary of the Board committees' composition and responsibilities and the meeting attendance, as well as the reports from the Audit and Risk Committee, Board Credit and Investment Committee, Human Resources and Remuneration Committee and Nominations Committee, Infrastructure Delivery and Knowledge Management Committee and Social and Ethics Committee are provided from pages 135 to 143.

To refresh the expertise of the Board committees and to accommodate the newly appointed directors, the Board committees have undergone the following changes in accordance with the changes made to the Board of Directors during the year under review.

Board Credit and Investment Committee (BCIC)

Ms Dinao Lerutla and Mr Ebrahim Rasool were appointed as members of the BCIC effective from 7 February 2023.

Infrastructure Delivery and Knowledge Management Committee (IDKC)

Mr Kenneth Brown, Mr Ebrahim Rasool, Dr Gaby Magomola and Ms Pinkie Nqeto were appointed as members of IDKC effective 7 February 2023. Further, Mr Petrus Matji, an existing member of IDKC, was appointed Chairperson of the IDKC. Mr Petrus Matji replaced Prof Mark Swilling who remained on as a member of the IDKC. Mr Patrick Dlamini ceased to be a member of the IDKC.

Human Resources and Remuneration Committee (HRC)

Mr Petrus Matji, Mr Kenneth Brown and Mr Bongani Nqwababa were appointed as members of the HRC. Dr Blessing Mudavanhu ceased to be member of the HRC.

Social and Ethics Committee (SEC)

Mr Kenneth Brown and Mr Ebrahim Rasool were appointed as members of the SEC. Prof Mark Swilling was appointed as the Chairperson of the SEC replacing Ms Pinkie Nqeto who remained as a member of the SEC.

Nominations Committee (NOMCO)

Dr Gaby Magomola was appointed as a member of the NOMCO (by virtue of his position as Deputy Chair of the Board), effective 7 February 2023.

Audit and Risk Committee (ARC)

Ms Dinao Lerutla was appointed a member of ARC and Dr Gaby Magomola and Ms Pinkie Nqeto ceased to be members of the ARC, effective 10 March 2023.

Board and committee record of attendance

	Number of meetings						
	Board	ARC	BCIC	HRC	SEC	IDKC	NOMCO
Scheduled	4	4	9	4	4	4	6
AGM	1	-	-	-	-	-	-
Strategy	1	-	-	-	-	-	-
Risk focused	-	2	-	-	-	-	-
Investment valuations [1,2]	-	2	-	-	-	-	-
Other/special	-	-	1	-	-	-	-
Total	**6**	**8**	**10**	**4**	**4**	**4**	**6**
Independent Non-executive Directors							
Mark Swilling[2] (Chairman)	6	1	8	3	3	4 (Chair)	6 (Chair)
Martie Janse van Rensburg	6	8 (Chair)	10	-	-	4	-
Blessing Mudavanhu	6	6	10	3	-	-	-
Patience Nqeto	6	8	-	4 (Chair)	4 (Chair)	-	6
Anuradha Sing[4]	6	8	10 (Chair)	4	-	-	5
Bongani Nqwababa[4]	6	8	8	-	-	-	-
Gaby Magomola (Deputy Chairman)[6]	6	8	10	-	-	-	-
Petrus Matji	6	2	10	-	-	4	-
Dinao Lerutla[3]	2	-	2	-	-	-	-
Ebrahim Rasool[3]	2	-	2	-	-	-	-
Kenneth Brown[3]	2	-	2	-	-	-	-
Adv M Kganedi[9]	-	-	-	-	-	-	-
Executive Directors[8]							
Patrick Dlamini[5] (Chief Executive Officer)	6	7	9	4	3	4	-
Boitumelo Mosako (Chief Financial Officer)[7]	6	8	10	-	-	-	-

Notes

1. *ARC meets twice a year to consider new investment valuations*
2. *BCIC members are invited to the ARC investment valuation meetings*
3. *New Board members were appointed from 30 November 2022 to 29 November 2025*
4. *Board members co-opted to NOMCO during the financial year*
5. *Patrick Dlamini's second term of office expired 31 August 2022 and was extended until 31 March 2023*
6. *Appointed as Deputy Chairman with effect from 07 February 2023 until 31 October 2023*
7. *Boitumelo Mosako was Chief Financial Officer and was appointed the Chief Executive Officer of the Bank, effective from 01 April 2023*
8. *Zodwa Mbele was appointed as the Acting Chief Financial Officer of the Bank, effective from 01 April 2023. Subsiquently she was appointed as the permanent CFO from 01 July 2023*
9. *Resigned with effect from 30 April 2022*

IRREGULAR EXPENDITURE DISCLOSURE

In terms of Chapter 9 of the new PFMA Compliance and Reporting Framework issued in December 2022, there is now a requirement for disclosure of irregular, wasteful and fruitless expenditure in our annual report, as detailed below:

in thousands of rands	2023	2022
1. Reconciliation of irregular expenditure		
Balance at the beginning of the year	-	766
Add: Irregular expenditure confirmed	111	-
Less: Irregular expenditure condoned	-	(766)
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**111**	**-**
2. Reconciling notes to the financial statement disclosure		
Irregular expenditure that was under assessment in 2021/22	-	-
Irregular expenditure that relates to 2021/22 and was identified in 2022/23	-	-
Irregular expenditure for the current year	111	-
Total	**111**	**-**
3. Reconciling notes to the financial statement disclosure		
Irregular expenditure that was under assessment in 2021/22	-	-
Irregular expenditure that relates to 2021/22 and was identified in 2022/23	-	-
Irregular expenditure for the current year	**111**	**-**
4. Details of current and previous year irregular expenditure condoned		
Irregular expenditure condoned	-	766
Total	**-**	**766**
5. Details of current and previous year irregular expenditure removed (not condoned)		
Irregular expenditure condoned	-	-
Total	**-**	**-**

in thousands of rands	2023	2022

6. Details of current and previous year irregular expenditure recovered

Irregular expenditure condoned	-	-
Total	-	-

7. Details of current and previous year irregular expenditure written off (irrecoverable)

Irregular expenditure condoned	-	-
Total	-	-

8. Details of non-compliance where the DBSA is involved in an inter-institutional arrangement and is not responsible for non-compliance

Description

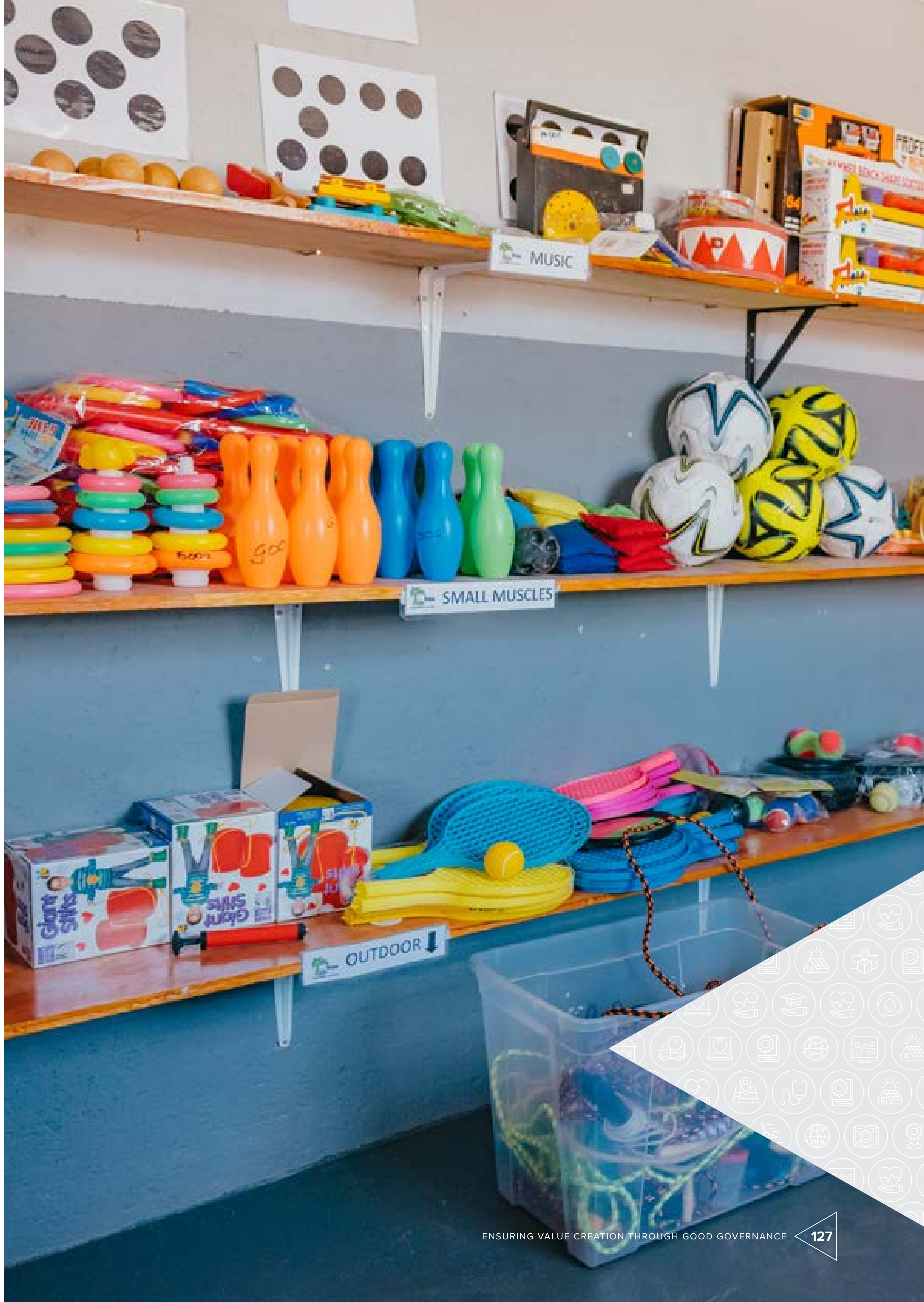
None

9. Details of non-compliance where the DBSA is involved in an inter-institutional arrangement and is responsible for non-compliance

Summary of instances		
Service providers were engaged to offer services before variation order was approved	563	-
Variation order exceeded the internally approved threshold, but within limit approved by principal department	8 253	-
Contractor executed additional work without the DBSA's approval	-	3 120
Total	**8 816**	**3 120**

10. Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

None		
Total	-	-



REPORTING OF PROCUREMENT BY OTHER MEANS

No	Project Description	Name of Supplier	Value of contract	Award Date	Contract start date	Contract expiry	Reason for the procurement by other means
1	Online Disclosure Project	Microsoft	R129 456,88	13-Apr-22	1-Jul-22	30-Jun-23	The underlying technology that has been selected to support ICT's private cloud strategy in Microsoft Azure. Sole Source - part of the Microsoft Enterprise Agreement. USD Rate on Date of Award: R14.559 Award Amount: $8 891.88
2	Temporary support system / propping service provider for Charlotte Maxeke johannesburg academic hospital (CMJAH) on behalf of the national Department of Health	VIVA Formwork & Scaffolding (JHB) (Pty) Ltd	R69 493 236.50	18-May-22	19-May-22	19-Nov-22	The specialist subcontractor VIVA Formwork & Scaffolding, who's contract was terminated by SKS Business Solutions as the main contractor due to the main contractors contract having been termintated. Due to non-payment issues to SKS resulting in threats to remove props, will result in and the threat to life and risk of complete collapse of the fire damaged structure. Therefore, urgent intervention is needed to ensure such props on site, are not removed. It should be noted that the above costs are not fixed and are subject to progressive reduction as props are removed, excluding instances where additional props are required. Reference to be made to the detailed Concurrence Document.
3	Euromoney: Sustainability Unlocked Learning Platform	Euromoney	R201 000.00	2-Aug-22	1-Aug-22	31-Jul-23	Climate and Environmental Finance Unit (CEFU) explored various training modules being offered by local and global institutions and have identified the learning platform titled "Sustainability Unlocked" offered by Euromoney as the most relevant and comprehensive training platform to address the above needs.
4	Additional user licenses for caseware valid for a period of 12 months (1 years)	Adapt IT	R55 022.15	16-Aug-22	1-Sep-22	31-Aug-23	Caseware Africa are the Sole Distributors of Caseware Software in South Africa, and Adapt IT are the accredited distributor
5	Additional 10 ARCGIS enterprise user type licenses from ESTRI	ESRI	R112 734.50	6-Sep-22	1-Sep-22	31-Aug-23	ESRI is the international sole supplier of geographic information systems (GIS) software, web GIS and geodatabase management applications. The Bank has been using ESRI ARCGIS software solution since 2010. ArcGIS is used for mapping, analytics and deployment of our on-site and desktop mobile data capture solution
6	Casual Guarding – Protection Services	TRSS	R28 980.00	24-Aug-22	1-Sep-22	2-Sep-22	To provide protection for DBSA facilities and assets, controlling of access/egress at all entrances and pro-actively patrolling to cover entire building including perimeter as well as any other security related services.
7	Guest Speaker -Manco Strategy Session	Craig Wing	R40 000.00	16-Sep-22	16-Sep-22	31-Oct-22	The Bank holds annual strategy sessions to reflect on the business of the DBSA and chart a new path for the Bank. In the process of doing this, it may be necessary to invite subject matter experts, whether in academia or in corporate, to share with the Bank's leadership trends that the Bank should be aware of to help it better position itself to remain competitive and relevant. The subject matter eperts were selected based on the relavance to the topics and their individual track record.
8	Azure e-Procurement Production	Microsoft	R535 294.03	20-Sep-22	1-Sep-22	31-Mar-23	DBSA ICT have an approved strategy that focuses on 'Cloud First'. Essentially when considering new application solutions, the focus will be to consider the cloud solution of the application first. The underlying technology that has been selected to support ICT's cloud strategy in Microsoft Azure. Microsoft Azure is a cloud computing service from Microsoft for building, testing, deploying, and managing applications and services through Microsoft-managed data centers. Azure offers the following services: (1) Platform as a service (PaaS), (2) Infrastructure as a service (IaaS), and Managed Database Service capabilities.
9	SharePoint Online Storage	BCX	R430 976.00	7-Oct-22	1-Jul-22	28-Feb-25	BCX was appointed to provision Microsoft 365 OneDrive, SharePoint online migration and Enterprise Mobility & Security from December 2020 to 31 July 2022. The allocation of the SharePoint Online storage allocated to DBSA was 8TB prior migration. The migration of shared folders from the on-premises File Server to SharePoint Online has resulted in increased storage requirement. To enable business continuity, the storage needs to be increased with an additional 37TB so that users continue to collaborate on SharePoint Online and provisioned for future growth.
10	Accounting System Software Licence	Sage Pastel	R14 228.18	10-Oct-22	1-Oct-22	30-Sep-23	The IPP Office makes use of Sage Pastel as its accounting system and it has been in use for the last 8 years. Only Sage can provide the renewal of the annual license
11	ThinkCell Licence Renewal	Titus Corporation	R48 438.00	10-Oct-22	1-Oct-22	30-Sep-23	Titus Corporation is the sole reseller of ThinkCell software in South Africa
12	Quantum changes for reference rate reform	Quantum	R46 200.00	6-Oct-22	10-Oct-22	10-Dec-22	During the scoping of IBOR requirements, the application vendor, FIS recommended an upgrade of Quantum to version 21.4.0 as a pre-requirement for the IBOR changes. This in line with OEM (Original Equipment Manufacturer) support recommendation
13	iPads and peripherals for EXCO	iStore	R429 345.80	11-Oct-22	11-Oct-22	31-Oct-22	Acquisition of iPads from OEM for Group EXCO

No	Project Description	Name of Supplier	Value of contract	Award Date	Contract start date	Contract expiry	Reason for the procurement by other means
14	HR Advisory and Consultancy (Specific topic and reference)	Professor Theo Veldsman	R500 000.00	13-Oct-22	13-Oct-22	31-Oct-22	The particular course that piqued the Bank's interest is designing fit-for-purpose organisations for the future. The reason hereof is because the Bank's Group Executives (GE's), together with the Unit Heads (HoD's) have following the 2017 Operating Model Review continued to advance changes to the Divisions/Units' organisational structures Dr/Professor Veldsman has not only been an academic and a practitioner, but has also consulted both in the public and the private sector on the same. He is internationally well-respected and his expertise on this topic is validated by him having also authored a book on the topic. His knowledge and experience are unmatched which make him a credible authority for enablement sessions with Board, Executive Committees as well as Executive/Senior Management.
15	Participation in the Deloitte Best Company Survey	Deloitte	R405 300.00	25-Oct-22	1-Nov-22	31-Mar-23	Participation of the DBSA in the Deloitte Best Company Survey to assess the current climate, culture and engagement, as experienced by employees in the Bank and for the DBSA to benchmark itself as an Employer of Choice.
16	Request for approval for procure check renewal	Lexus Procure Check	R194 208.17	3-Nov-22	7-Nov-22	7-Nov-23	Lexis Procure Check uses advanced technology and multiple databases to highlight any conflicts of interest that exist in both the human resources and procurement environments. Lexis Procure Check is a solution designed for the South African market to assist procurement, compliance and forensic auditing departments in procurement vetting, supply chain audit and supplier management processes
17	Board Strategy Session	Craig Wing	R63 250.00	9-Nov-22	18-Nov-22	19-Nov-22	The DBSA Board conducts a strategy session to ensure that it is in line with its delegated authority and clearly articulates the Bank's strategic direction to ensure that it remains relevant and aligned with the mandate. The Strategy session informs the strategy of the Bank which will, in turn, be translated into tangible agreements and targets with the Shareholder in the Shareholder's Compact and the Corporate Plan
18	Approval for Martin Hopkins (Mr.), Head of Reward Advisory Services, Bowmans	Martin Hopkins	R75 000 actual costs .	5-Dec-22	15-Dec-22	15-Dec-25	Mr Martin Hopkins is one of the foremost experts in overall Remuneration, Executive Remuneration and Long-Term Incentive (LTI) structuring in the country. Martin's participation in the DBSA Remuneration Policy project has been consulted with and agreed to. Total of R125 000 including contingencies
19	Limpopo Province new office rental for 5 years	Rendeals Four Consulting	R5 220 956.41	1-Mar-23	1-Mar-23	28-Feb-23	The purpose of this request is to obtain approval to utilise the single source procurement strategy to appoint a suitable service provider for the IDD Limpopo offices in Polokwane
20	Lender's insurance advisor (LIA) for the social housing programme (SHP) for the infrastructure fund (if) phase 1: Prefinancial close activities	INDECS Consulting Limited	USD 78 000	28-Feb-23	28-Feb-23	29-Apr-23	The required services are of a complex nature, and thus it requires a competent LIA in advising and assisting the Lenders with typical insurance matters for housing projects
21	Request for deviation from the normal tender process for urgent plumbing services for underground water leak on the main canteen water supply line next to the main water meter by Normad Plumbing	Normad Plumbing	R44 990.00	12-Feb-23	13-Feb-23	6-Mar-23	The purpose is to approve the deviation from normal process for the emergency plumbing services for R44 990.00 underground water leak next to the main canteen water mete
22	Request for deviation from the normal tender process for urgent repairs of leaking slab roof at welcome centre passage next to the electrical distribution board and security surveillance server room by Mmusi Project Management	Mmusi Project Management	R183 667.00	21-Dec-22	22-Dec-22	7-Mar-23	The required services are of a complex nature, and thus it requires a competent LIA in advising and R183 667.00 assisting the leaking roof slab at welcome centre passage towards security server room next to the electrical distribution board and security server room.

Upholding an ethical culture

The DBSA is committed to establishing an organisation rooted in ethical values and principles. Our employees embody the principles of collaboration, professionalism and a strong customer orientation as they serve our communities. Through our Umoja 'We are one' ethics journey comprising ethics-related initiatives, we foster a culture of high moral conviction, accountability, responsiveness, proactivity and adaptability to change and innovation. Our employees lead by example, displaying these qualities in their behaviour. They demonstrate high moral conviction, accountability, responsiveness, proactivity as well the ability to embrace change and innovation and lead by example. The Bank has a robust ethics and governance programme in place that includes a variety of proactive measures to identify unethical behaviour and address gaps where needed.

Governing and managing ethics

In maintaining the highest ethical standards, we have ensured that the DBSA Code of Ethics has been implemented throughout our organisation, thus creating an ethical culture that is evident in our robust internal control systems, proactive analytics and zero tolerance for breaches of governance.

The DBSA Code of Ethics is the foundation of our organisational culture, providing a guiding framework for our Board, senior management and all employees. It directs us to make decisions rooted in ethics, enabling us to effectively execute our corporate strategy.

The Ethics Office assumes the responsibility of safeguarding the Code of Ethics and ethics-related policies. As custodians, they are dedicated to promoting and reinforcing ethical standards within the organisation. They achieve this through diligent policy management, comprehensive training and awareness initiatives, and proactive management of ethics risks. During 2022/23, the Ethics Office has continued to ensure that ethical conduct remains a central focus, cultivating an environment that upholds the highest ethical standards throughout the organisation.

Policy management is crucial in maintaining an ethical culture. Therefore, during 2022/23, the following policies were reviewed and updated:

- Board of Directors Conflict of Interests Policy
- Anti-Bribery and Anti-Corruption Policy
- Code of Ethics
- Gifts, Entertainment and Hospitality Policy.

Furthermore, the DBSA embarked on a review of the DBSA Conflict of Interest policy in advance of its refresh date as the organisation continually reassesses its risk appetite against international standards and global trends. This has provided the DBSA with valuable data to safeguard itself against emerging ethics risks.

Regarding risk management, the main focus for the financial year was creating a more efficient automation of processes relating to conflict of interest. In January 2023, the DBSA launched its refurbished online declaration system, which has improved the declaration process for employees and directors. Over and above a smoother declaration process, the new system also provides the Ethics Office with a holistic view of all declarations made.

In keeping with principles 1 and 2 of the King IV Code, the DBSA ethics 'We are one' Umoja journey was launched and entails ethics-based training and awareness initiatives. The first group comprised graduates and trainees who were taken through the journey with the aim of understanding the importance of working cohesively in teams and being ethical future leaders. Employees also received continuous ethics training and awareness through divisional virtual training and participation in induction sessions for new employees and targeted conflict of interest training for managers.

The DBSA takes decisive action where incidents of unethical behaviour are identified and ensures a vigorous consequence management process is followed. For the financial year, no findings of unethical behaviour by staff were noted.

During the year under review, the Board provided oversight on strategic direction and targets set within a robust strategic framework while monitoring overall performance against targets. The Board led through good governance, setting the tone for ethical and effective leadership, with the support of a strong company secretary.

For the coming 2023/24 financial year, the Ethics Office will be focused on improving ethics-related policies based on analytics conducted and further embedding the 'We are one' journey initiatives to promote ethical behaviour in the organisation. Having examined key learnings from the Zondo Commission of Inquiry, the DBSA will be implementing a dedicated anti-corruption strategy. The outcomes of these initiatives will be measured in the 2023/24 ethics risk assessment to determine effectiveness.

Managing risks of politically exposed persons

The definitions of Politically Exposed Persons ("PEP") are wide-ranging. According to the Financial Intelligence Centre, a PEP is the term used for an individual who is or has in the past been entrusted with a prominent public or private sector position. The Financial Intelligence Centre Amendment Act sets out two categories of PEPs, namely foreign prominent public officials and domestic prominent influential persons.

PEPs are considered to be high risk as they hold positions of power and influence that may be abused for private gain or to benefit family members or close associates. Due to these risks, it is imperative that the DBSA takes steps to identify whether a client or prospective client is a PEP and ensures that the necessary enhanced due diligence and enhanced monitoring processes are applied.

By setting up these processes, the DBSA will ensure that it is able to appropriately manage any legal and reputational risks that may arise from entering business relationships with PEPs. It will also ensure compliance with various guidelines and directives issued by the Financial Intelligence Centre, which are aimed at combatting money-laundering and preventing and detecting fraud and other corrupt practices, including financing of terrorist activities.

The DBSA is not precluded from doing business with a PEP. Therefore the identification of a PEP does not on its own create an automatic reason to decline or reject an application for funding. However, when a PEP is identified, an enhanced due diligence should be conducted prior to a decision on whether to establish a business relationship or not.

The DBSA has adopted a PEP Policy to mitigate reputational risk, operational risk and legal risk. The policy is based on internationally accepted best practice, standards and guidelines on the management of PEPs, while simultaneously meeting regulatory compliance standards imposed by the Financial Intelligence Centre Act. This policy applies to all PEPs who may have an interest in obtaining any form of financing from the DBSA. The policy also applies to any employees of the DBSA who are PEPs as well as prospective suppliers and/or service providers.

JSE Debt Listings Requirements

It is the function of the JSE Limited (JSE) under the Financial Markets Act to provide for the listing, trading, clearing and settlement of debt securities in a transparent, efficient and orderly marketplace. The JSE Debt Listings Requirements reflect, inter alia, the rules and procedures governing new applications and the ongoing obligations of applicant issuers are aimed at providing investor confidence via an orderly, secure, efficient and transparent financial market. The JSE Debt Listings Requirements provide for the minimum disclosure that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the nature and state of an applicant issuer's business and terms of the debt securities. The relevant JSE Debt Listings Requirements sections are as follows:

Domestic prominent influential persons

Section 7.9 – *'If the applicant issuer is a state-owned entity or municipality, the applicant issuer must have a current policy dealing with the disclosure and treatment of domestic prominent influential persons (i) at board level and (ii) for prescribed officers of the applicant issuer in respect of any transactions/dealings by the applicant issuer with domestic prominent influential persons. The policy must be available on the website of the applicant issuer.'*

The DBSA's PEP Policy, which is published on the DBSA's website (https://www.dbsa.org/about-us/governance), deals with the disclosure and treatment of domestic prominent influential persons.

Section 7.10 – *'A current register of such domestic prominent influential persons and the relationship with the applicant issuer must be maintained by the applicant issuer and must be made available on the website of the applicant issuer when the applicant issuer publishes its annual financial statements. A negative statement must be made if there are no domestic prominent influential persons.'*

The DBSA confirms that it had no transactions/dealings with such domestic prominent influential persons during the 2022/23 financial year.

Procurement

Section 7.12 – *'If the applicant issuer is a state-owned entity or municipality and has a policy dealing with procurement of services and/or products, this policy must be current and published on the issuer's website.'*

Section 7.13 – *'A current register of procurement of services and/or products representing 10% or more of the annual procurement spend of the applicant issuer must be maintained by the applicant issuer and must be made available on the website of the applicant issuer when the applicant issuer publishes its annual financial statements. The register must disclose at least the following:*

(a) Parties to the agreement;
(b) Brief description as to the nature of the agreement;
(c) Date of the agreement and duration; and
(d) Total value of the agreement for the duration period.
A negative statement must be made if there are no such procurement partners at that level.'

The DBSA confirms that it had no such procurement partners at that level during the 2022/23 financial year.

General: Loans and procurement

Section 7.15 – *'If the applicant issuer is a state-owned entity or municipality, the applicant issuer must have a current policy dealing with the disclosure and treatment of loans and procurement, as a minimum, with –*

(a) Any related party;
(b) Domestic prominent influential persons; and
(c) Prescribed officers.
The policy must be available on the website of the applicant issuer.'

Both the DBSA's PEP Policy and the DBSA's Supply Chain Management Policy are published on the DBSA's website (https://www.dbsa.org/about-us/governance) and deal with the disclosure and treatment of loans and procurement with the abovementioned parties, respectively.

Section 7.16 – *'A current register of such loans and procurement with the applicant issuer must be maintained by the applicant issuer and must be made available on the website of the applicant issuer when the applicant issuer publishes its annual financial statements. The register must disclose at least the following:*

(a) Parties to the agreement;
(b) Brief description as to the nature of the agreement;
(c) Date of the agreement and duration; and
(d) Total value of the agreement for the duration period.
A negative statement must be made if there are no loans or procurement with such parties.'

In accordance with the DBSA's PEP Policy, the DBSA maintains an internal current register of such loans and procurement.

BOARD COMMITTEE REPORTS

Audit and Risk Committee report for the year ended 31 March 2023

ARC adopted an appropriate formal term of reference as its ARC Charter, regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

King IV recommends that the governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

ARC actively exercises oversight over the DBSA's risks and opportunities, compliance, strategy, corporate plan, performance and sustainability.

Responsibility

The fundamental role of ARC is to assist the Board in effecting its oversight responsibilities in the areas of internal and external audit, internal financial controls, statutory and regulatory compliance and financial reporting.

ARC remains focused on the DBSA's organisational resilience in an ever-expanding risk universe where traditional risks such as credit, market, operational, capital and liquidity risks are impacted by externally driven trends. These trends include adverse geo-political and macroeconomic risks, as well as major new non-financial risks such as cyber, conduct, crime/corruption, climate change and COVID-19 risks.

Committee activities for the FY2022/23

- Considered and recommended to the Shareholder the appointment of the Auditor-General as external auditors for the 2023 financial year at the annual general meeting
- Monitored the effectiveness of the external auditors in terms of their audit quality, expertise and independence
- Approved the external auditors' 2022/23 audit plan and related scope of work, confirming suitable reliance on Internal Audit and the appropriateness of key audit risks identified
- Reviewed the findings and recommendations of the external auditors and confirmed that there were no material unresolved matters
- Reviewed the 2021/22 audited Annual Financial Statements and related disclosures and recommended them to the Board for approval
- Reviewed the 2022/23 audited Interim Financial Statements and related disclosures and recommended them to the Board for approval
- Reviewed reports from management, the Chief Internal Auditor and the external auditors and considered the effectiveness of the internal financial controls
- Monitored the effectiveness of the Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation
- Monitored and challenged, where appropriate, actions taken by management regarding adverse internal audit findings
- Monitored that the Bank maintained information technology system functional availability and system stability (uptime) at world-class levels and ensured sound cybersecurity. The Bank had no reported incidents of cyber breaches during 2022
- Assessed compliance with all statutory requirements in terms of the Companies Act of 2008, King IV, JSE Debt Listings Requirements and any other applicable regulatory requirements and confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 26 of 2005
- Considered and were satisfied with the appropriateness of the expertise and experience of the Chief Financial Officer
- Recommended the Proposed Road Map to Regulatory Oversight
- Recommended the Single Obligor and Country Limits to the Board for approval

In terms of organisational resilience for 2022/23, ARC

- Monitored the DBSA's risk universe heatmap and risk trends, as well as the top 10 principal risks
- Reviewed reporting thereon across all three lines of defence in the DBSA's risk governance structure:
  - Line 1: Business
  - Line 2: Independent Group Risk
  - Line 3: Independent Assurance from Internal Audit and External Audit
- Ensured the DBSA's Enterprise Risk Management Framework remained 'fit for purpose', including monitoring the evolution/maturity of the newer major non-financial risks and other emerging risks
- Monitored that the Board-approved 2022/23 Risk Strategy and Risk Appetite (per 2022/23 Group Business Plan), and top 10 risks (for 2022/23) were successfully managed in all material respects
- Encouraged management's evolution of combined assurance
- Reviewed the DBSA's Balance Sheet Management risks and, in particular, oversight of outcomes across Capital Management, Liquidity and Funding, and Interest Rate Risk in the Banking Book
- Reviewed and recommended the Capital Allocation Plan to the Board for approval
- Considered the Capital Management Programme
- Assessed the DBSA's Stage 3 Assets portfolio and the Expected Credit Loss (ECL) Impairments
- Assessed the valuations of the DBSA's Credit and Equities Portfolios
- Continuing education
- Attended a Risk Rating Methodology Refresher training
- Attended refresher training on IFRS 9 and 13 presented by Ernst & Young
- Recommended the country and prudential limits for 2022/23

Key focus areas for FY2023/4 and beyond

The committee is cognisant of the critical role it plays in ensuring the Bank has strong cybersecurity defences. It is responsible for establishing and overseeing the information security governance framework. The Bank ensures, among other things, that cyber threats are prioritised as part of its risk management process.

The committee will assess the DBSA's activities in the following areas:

- Jointly with other committees monitor transition processes for senior management, as well as oversight and evaluation of the Bank's succession plan
- Continue to ensure that the DBSA's financial systems, processes and internal financial controls are operating effectively
- Review and consider management's plans in respect of future changes to IFRS and other regulations
- Monitor the implementation of the amended JSE Debt Listings Requirements, in particular the requirements regarding internal financial controls
- Update the DBSA's policies on Anti-money Laundering (AML), Combating the Financing of Terrorism (CFT) and sanctions, cyber, climate and conduct risks, with a focus on strategic execution risk and the fast-emerging digital/technology risks, and ultimately organisational resilience
- ARC will continue to focus on the information technology environment and cloud migration to ensure focused data protection and increased cybersecurity to mitigate cybercrime. This is in response to increased demands placed on the DBSA by the Protection of Personal Information Act (POPIA) 4 of 2013 and the General Data Protection Regulation 2016
- Continue monitoring the risk universe heatmap and changing risk trends or new emerging risks and management's response closely
- Implement the 2022/23 Risk Strategy and Risk Management Plan in conjunction with the Board-approved risk appetite
- Oversee the implementation of the Capital Management Programme

Ms Martie Janse van Rensburg
Chairman of the Audit and Risk Committee

Board Credit and Investment Committee report for the year ended 31 March 2023

The Board delegates to BCIC the oversight responsibility for approval decisions relating to DBSA investments (credit instruments, equity and development loans) and assessment of management portfolio reporting. The Chairman may propose that any decision within its mandate be escalated to the full Board for approval. BCIC adopted appropriate, formal terms of reference as its Board Credit and Investment Committee Charter, regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

In terms of King IV's 'risk and opportunity governance', integrated thinking helps the Board to avoid taking excessive risks that may lead to organisational failure. Risk and opportunity governance sets the tone for organisations to realise that risk management should cover both the negative and positive potential governance outcomes. The Board is responsible for setting the risk tolerance levels relevant to the organisational strategy and objectives.

Responsibility

The Board delegated to BCIC the oversight responsibility for approval decisions relating to DBSA investments (credit instruments, equity and development) and assessment of management portfolio reporting.

Committee activities for the FY2022/23

- Received updates on DBSA funding and liquidity levels and forecasts
- Reviewed and approved money market funds counterparty credit limits
- Received the DBSA project pipeline monthly reports
- Received updates on watch-listed borrowers
- Received DBSA project preparation year-end review
- Received syndication distribution review report
- Received an update on DBSA capital management roadmap to regulatory oversight
- Received the 2023 Country Risk Outlook report
- Received portfolio management updates outlining processes and policies applicable to credit and portfolio management
- Approved equity investment strategy
- Approved credit and investment proposals
- Approved Fragile State Policy/Framework outlining the DBSA's role within the fragility, conflict and social upheaval situations
- Reviewed its annual review of terms of reference and approved the BCIC annual agenda.

Summary of new loans approved

The total value of new loans approved during the year is detailed in the following table. It reflects the value of loans and bonds approved by the executive Investment Committee (IC) and by the BCIC in terms of their respective authority limits, together with the percentage thereof approved at BCIC:

R million	Approved by IC	Approved by BCIC	Total	BCIC approval %
South Africa				
Municipal clients	1 534	5 844	7378	79%
Non-municipal clients	226	31 415	31 641	1%
SADC	-	3 556	3 556	100%
Rest of Africa	-	2 659	2 659	100%
TOTAL	**1 760**	**43 474**	**45 234**	**96%**

Note: These are new loans only and do not include any restructuring of existing loans.

Key focus areas for FY2023/24 and beyond

- Ensure best practices are embedded in the management of credit portfolios to improve the quality and efficiency of investment
- Ensure the vigilant monitoring and reporting of high-risk watch list clients
- Provide guidance on single obligor high concentrations
- Receive updates on watch listed borrowers

Ms Anuradha Sing
Chairman of the Board Credit and Investment Committee

Infrastructure Delivery and Knowledge Management Committee report for the year ended 31 March 2023

The Infrastructure Delivery and Knowledge Management Committee (IDKC) adopted appropriate, formal terms of reference as its Infrastructure Delivery and Knowledge Management Committee Charter. The committee regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

King IV recommends that organisations proactively engage with regulators, legislators and industry associations. The committee monitors the implementation and impact of the DBSA's Development Position and related strategies to make recommendations on how best to remove any obstacles to implementation. In doing so, the committee must understand the compliance and regulatory universe of the DBSA to fulfil this King IV recommendation. The committee does not envisage any insurmountable obstacles in this quest.

Responsibility

In the execution of its function, the committee has oversight responsibility of the infrastructure delivery, knowledge management and non-financing infrastructure delivery support and programme implementation of the Bank.

Committee activities for the FY2022/23

Reviewed the IDKC terms of reference and approved the IDKC annual agenda.

Infrastructure delivery

As a DFI focused on investments in infrastructures that have a sustainable development impact, the DBSA is required to monitor developments in infrastructure planning and implementation, as well as the enabling environment that impacts the delivery of infrastructure and how it is financed. The committee:

- Considered and recommended the Bank's 2022/23 development impact results for approval by the Board
- Reviewed the 2022/23 performance report of infrastructure delivery in the Bank
- Discussed the National Infrastructure Plan 2050
- Approved Western Cape Department of Health and Wellness Infrastructure Programme
- Approved Free State Human Settlement Infrastructure Programme

Knowledge management

The DBSA is committed to facilitating processes of internal and external knowledge development and sharing. This facilitates appropriate learning, enhancing its status as an infrastructure DFI and supports the implementation of the DBSA's Development Position. In this regard the Committee:

- Approved the research agenda for the 2022/23 financial year
- Approved the following research outputs:
  - Infrastructure and Monetary Policy
  - The Construction Sector Post-Lockdown
  - The DBSA and Development Practice
  - Infrastructure as an Asset Class
  - Cutting-edge Practices: The Role of Project Preparation Facilities
  - Development Impact and the Current State of Infrastructure in Democratic South Africa, 1994-2019
- Received and deliberated on economic update reports on the latest economic developments
- Facilitated thought leadership engagements that provoked thought, dialogue and strategising on issues relevant to the strategy of the Bank and industry at large. The topics covered were as follows:
  - Financing the Just Energy Transition
  - Discussed the National Infrastructure Plan (NIP) 2050

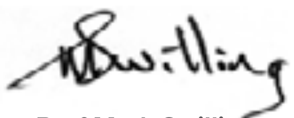
Social Economic Investment Support and Programme Implementation (Strategic Mandates)

The DBSA is committed to supporting the government in accelerating the implementation of agreed infrastructure and implementation programmes on a fully funded and/or cost-recovery basis. These strategic mandates include the provision of project management and other support in key priority sectors critical to the achievement of national objectives of economic growth, job creation, infrastructure delivery and governance, poverty eradication, environmental sustainability and wellbeing. The committee:

- Approved the Social Infrastructure Programme
- Approved the Rural Community Water Schemes Programme
- Considered DLABS Development Impact and Value Creation Report
- Considered the Infrastructure Fund Journey Report
- Considered the Climate Finance Facility for children
- Considered the National Department of Health Infrastructure Programme
- Considered four (4) New DLAB Business Cases
- Considered Ecological Infrastructure update report

Key focus areas for FY2023/24 and beyond

- Continuing to facilitate thought leadership engagements that provoke thought, dialogue and strategising on issues relevant to the strategy of the Bank and industry at large
- Continuing to monitor the Bank's activities aimed at sustainable development, green finance and the Just Transition
- Monitoring expansion of DLABS in terms of number across the country
- Monitoring implementation of the Municipal Integrated Approach



Prof Mark Swilling
Chairman of the Infrastructure Delivery and Knowledge Management Committee

Social and Ethics Committee report for the year ended 31 March 2023

The Social and Ethics Committee (SEC) adopted an appropriate formal term of reference as its SEC charter, regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

King IV recommends that the governing body should lead ethically and effectively and should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. SEC actively exercises oversight over the ethics management of the Bank.

Responsibility

The committee ensures that management cultivates a culture of ethical conduct and sets the values to which the DBSA adheres.

Key focus area

With the rise of ESG, the focus of the committee's oversight shifted to measures required to analyse how the Bank measures and evaluates its impact on society and the environment. The committee continues to deliberate on ESG issues. To demonstrate its commitment to addressing its ESG status, the Bank has hired an ESG specialist. The Board will bring in an ESG specialist to assist the committee in navigating the sustainability difficulties in the coming fiscal year.

Committee activities for the FY2022/23

- Considered the Bank's ESG Framework and recommended the adoption thereof on a pilot basis for approval by the Board
- Oversaw delivery on the Bank's purpose by referencing the SDGs as measures of such delivery
- Oversaw the Bank's response to climate change from an operational perspective by creating a watch list of environmentally unfriendly transactions and transactions that might not meet their covenants
- Monitored the Bank's media and corporate social investment activities
- Oversaw the Bank's establishment of gender mainstreaming within the organisation
- Monitored the B-BBEE transformation in the DBSA's procurement policies and appointment of service providers and contractors
- Considered the quarterly Ethics Reports, and Stakeholder Relations Reports
- Considered the audit of the implementation of the Memoranda of Agreements and Understandings Framework
- Considered the lessons learnt from the Zondo Commission
- Held in-committee meetings quarterly, during which reports on forensic investigations and legal cases involving the DBSA were discussed

Key focus areas for FY2023/24 and beyond

Strategic focus areas:

- Continue making meaningful progress in gaining a deeper understanding of sustainability issues and ensuring that ESG matters are considered in the Bank's operations. The committee and Board continue to discuss ESG issues, trends and best practices to ensure that the Bank addresses global ESG challenges and opportunities that are relevant to the DBSA's day-to-day operations, strategy and risk profile. The implementation of the ESG framework and elevated reporting on ESG will be a continued focus area for the Committee for 2023 and beyond supporting the national agenda to bring about transformation, incorporating gender mainstreaming, adopting a collaborative approach to ethical leadership, having a commonly accepted and lived set of values, effective governance and effective risk and compliance management.

- In addressing these, the committee will continue:
  - its oversight and guidance to enhance the culture of ethics and ethical leadership at the DBSA, working with key stakeholders and industry bodies to deliver better outcomes for society and inform the industry view on transformation
  - monitoring B-BBEE transformation in the Bank across all pillars of the BEE scorecard
  - overseeing the Bank's approach to the measurement, assessment and disclosure of its financial exposure to climate-related risks, ensuring its corporate governance mechanisms align our goals with those of our broad base of stakeholders in fulfilling our purpose of putting our financial expertise to do good while supporting stakeholder capitalism
  - overseeing the implementation of gender mainstreaming within the Bank

Ms Patience Nosipho Nqeto
Chairman of the Social and Ethics Committee

Human Resources and Remuneration Committee report for the year ended 31 March 2023

HRC adopted an appropriate formal term of reference as its charter, regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

King IV recommendeds that the accounting authority should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term. The HRC is responsible for reviewing and monitoring the implementation of the organisation's human capital strategy and plan. The DBSA has a remuneration policy and reward framework in place focused on attraction, retention and reward of strong performance and ensuring that employees are appropriately remunerated.

Responsibility

HRC supports the Board in the execution of its duties for the implementation of the human capital strategy and related matters, executive remuneration for the DBSA, governance issues and/or additional governance requirements outside the mandate of the Nomination Committee.

Committee activities for the FY2022/23

Governance

- Reviewed the HRC terms of reference and approved the HRC annual agenda
- Reviewed performance against agreed strategic objectives, as set out in the corporate plan and balanced scorecard, to facilitate effective performance monitoring, evaluation and corrective action
- Reviewed the 2023/24 Shareholder Compact and its alignment to good governance practices
- Considered and recommended for approval by the Board the DBSA delegation of authority

Remuneration

- Reviewed the market-related remuneration review report from the 21st Century for executive positions within the DBSA
- Considered and recommended for approval by the Board 2021/22 quantum of incentive pool for executives and staff of the DBSA
- Considered and recommended for approval by the Board 2023/24 headcount and remuneration budget
- Considered and recommended for approval by the Board 2023/24 annual increase envelope for employees
- Considered the DBSA Remuneration Policy and its alignment to best practices.

Human resources

- Discussed the design of a fit-for-purpose organisation for the future presentation
- Reviewed the enterprise risk management report concerning human capital risk
- Received and deliberated on the future-fit DBSA progress report evaluating the form of DBSA required to suit the current demands and the changing operating environment
- Reviewed the Units heads and General Executives succession Planning Report
- Reviewed Project Preparation Division Capacity Constraints and Turnaround Strategy
- Reviewed the human capital, headcount and remuneration report
- Recommended standardisation of the key personnel notice periods to mitigate the risk of unexpected terminations in the context of key performance areas and deliverables

Key focus areas for FY2023/24 and beyond

- Continue to monitor transition processes for senior management, as well as oversight and evaluation of the Bank's succession plan.
- Continuous engagements with the shareholder on the remuneration policy and its governance to ensure that the remuneration policy is fit for purpose
- Monitor the implementation of the Project Preparation Division turnaround strategy
- Monitoring the future-fit DBSA process

Ms Patience Nosipho Nqeto
Chairman of the Social and Ethics Committee

Nomination Committee report for the year ended 31 March 2023

The Nomination Committee (NOMCO) adopted an appropriate formal term of reference as its NOMCO Charter, regulated its affairs in compliance with this charter and discharged its responsibilities as contained therein.

Impact of King IV

King IV recommends that the process for nomination and election and, ultimately, the appointment of the members to the Board, should be formal and transparent. The NOMCO oversees the process for the appointment of directors, which includes identification of suitable members of the Board as well as performance of reference and background checks of candidates prior to nomination, including fit and proper assessment and conflicts of interest.

Responsibility

The NOMCO supports the Board in the execution of its duties in the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters.

Committee activities for the FY2022/23

- Reviewed the NOMCO terms of reference and approved the NOMCO annual agenda
- Approved the search strategy for filling existing Board vacancies
- Oversaw recruitment, including the onboarding process of the newly appointed Chief Executive Officer
- Discussed the outgoing Chief Executive Officer handover report
- Oversaw the onboarding of the newly appointed directors
- Oversaw the implementation of the 2022/23 Board enrichment plan and considered the 2023/24 enrichment plan
- Considered the governance assessment (deep dive) report and the action plan
- Considered progress report on the Board evaluation process
- Considered the Chief Executive Officer and Executive Directors' performance and salary review

Key focus areas for FY2023/24 and beyond

- Consider feedback from BDO Advisory Service on Board performance and that of its committees, its chair and its individual members to support the continued improvement of Board performance and effectiveness and enhance the governance of the Bank
- Recommend to the Board and the Minister suitably qualified and experienced directors to fill the existing vacancies and improve the diversity of the Board
- Finalise the Chief Financial Officer recruitment process

Prof Mark Swilling
Chairperson of the Nominations Committee

REMUNERATION REPORT

The Bank's remuneration philosophy is aligned to its mandate, corporate strategic objectives and growth strategy of the organisation. Our philosophy is embedded in our objective to achieve sustained growth, improve the development impact of the Bank and ensure our long-term financial sustainability.

The Bank's Remuneration Policy is aligned to the prescripts of King IV and best practices in remuneration and associated South African legislation inclusive of the Basic Conditions of Employment Act, Employment Equity Act and Skills Development Act. The Bank retains its status as a respected DFI by adhering to the promotion of good governance and risk management. The aforementioned principles are embodied in the remuneration practices of the Bank and considered accordingly in the designated approval structures.

The Bank fosters several principles that shape its Remuneration Policy, which include consistency, equity, fairness and transparency. The financial sector broadly, and the development finance sector in particular, are characterised by intense competition for highly talented and skilled employees. In this competitive market, the Bank continuously needs the ability to compete effectively in the labour market to ensure that it has the competencies needed to support the execution of its mandate and business strategy. The Bank prides itself on its ability to attract, retain and motivate talented employees with skills required to achieve the Bank's strategic objectives. With the right competencies, the institution can achieve its long-term objectives.

It is important to reinforce, encourage and promote superior performance at all levels of the Bank, not only for the good of the institution, but to ensure that employees reach their personal development goals while in the employment of the Bank. Culture also plays an important role in defining the way staff engage with the institution, how they interact with each other and how they promote the values and mission of the Bank. Employees continuously endeavour to espouse the values and culture of the Bank in their work and professional relationships.

Human resources committee (HRC)

HRC is delegated by the Board to ensure that the organisation remunerates fairly and responsibly to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

HRC's roles include:

- Considering for approval by the Board the Remuneration Policy and the Bank's employment practices in addition to any other strategic remuneration issues referred to by management and the Board of Directors in line with market trends and prevailing legislation
- Overseeing the setting and administering of remuneration at all levels and the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual and team performances
- Reviewing performance against agreed strategic objectives as set out in the corporate plan and balanced scorecard to facilitate effective performance monitoring, evaluation and corrective action
- Recommending to the Board for approval any changes to the agreed key performance indicators and ensuring that the shareholder compact is duly amended and submitted to the Minister of Finance and National Treasury
- Reviewing and recommending performance incentive policies applicable to executive directors and executive management to the Board of Directors to ensure that they are fairly rewarded for their individual and collective contribution to the Bank's performance
- Making recommendations to the Board for the approval of the annual remuneration budget for the Bank
- Making recommendations to the Board for approval of the annual employee salary increase
- Determining remuneration, retention incentives and termination policies and procedures for executives and staff of the Bank
- Considering and recommending to the Board for approval the quantum of incentive pool for executives and staff of the Bank
- Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.

The HRC Chairperson provides feedback to the Board post each HRC meeting for discussion and/or to seek approval where required. The HRC Chairperson also represents the Board at the Annual General Meeting on remuneration matters.

HRC considerations and decisions

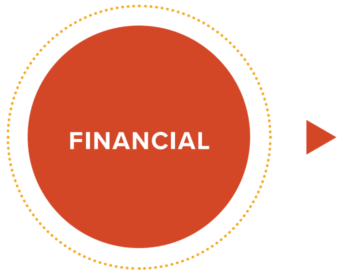
The DBSA set out challenging targets to achieve despite the impact of the COVID-19 pandemic and a tough economic and political environment on the continent. Despite these conditions, the Bank achieved good performance results from a financial sustainability and development perspective. This achievement could only be achieved because of the hard and consistent work of our management and employees. The performance of the Bank is further detailed in this report.

The key decisions taken by HRC and ratified by Board for the 2022/23 financial year:

- Approved the corporate and CEO performance scorecards
- Assessed the corporate and CEO performance against the approved corporate and CEO scorecard
- Approved annual increase envelope for employees and executives
- Approved the short-term incentive (STI) pool for employees and executives
- Approved the headcount and personnel expenditure budget for the next financial year (2023/24)
- Approved allocation of STI for the CEO and executives
- Approved retention bonus allocation for the CEO and executives
- Reviewed the DBSA remuneration practices specifically from a gender and pay parity perspective
- Monitored the progress regarding employment equity and that the DBSA filed the appropriate reports with the Department of Employment and Labour
- Monitored and reviewed the learning and development programme and initiatives for the Bank
- Monitored and reviewed the key human capital risks
- Reviewed the DBSA practices in respect of remuneration governance in accordance with King IV
- Reviewed and approved the performance conditions for the organisation for the 2022/23 financial year
- Approved increases and adjustments for executives, senior management and employees
- Recommended the Remuneration Policy to the Annual General Meeting (AGM) for approval

Bank's reward framework

The Bank's reward framework consists of financial and non-financial components.



- Guaranteed pay
- Performance incentives (short-term incentives)
- Retention/buyout
- Cellphone allowances, data, fibre and UPS
- Various types of paid leave

- Employee benefits
- Learning and development
- Tertiary education bursary for employees' children
- Employee wellness programme
- Flexible work environment (60% home, 40% office)

Benchmarking

To ensure market competitiveness for the attraction and retention of key talent, the Bank benchmarked its pay mix with the financial services sector (inclusive of investments), development finance institutions sector, construction sector and national market (inclusive of state-owned enterprises).

The Bank utilises remuneration surveys as a basis for determining the benchmarked pay ranges per grade. The pay ranges are for all job categories inclusive of the CEO and group executives.

Benchmarked pay ranges are reviewed on an annual basis to ensure market competitiveness and adjusted for market movements. Multiple service providers, dependent on suitability to the sector, are employed to determine the market relatedness of the remuneration structure. Benchmarking for Executives is done for all components of remuneration, i.e. guaranteed pay, on-target earnings, STI and LTI. The Bank pays employees from the first quartile (25%) to the upper quartile (75%) of the grade pay range.

Where the Executive Directors (Chief Executive Officer and Chief Financial Officer) and Prescribed Officers (Group Executives) exceed the market median, the requisite motivation and rationale are tendered for consideration and approval as per the State-Owned Enterprises Remuneration Guidelines (SOERG).

Overall appropriate benchmarking assists the DBSA to align its remuneration with best practice and deliver fair and responsible remuneration.

The DBSA total reward approach consists of guaranteed and variable pay:

Guaranteed Pay (GP): A fixed income/salary an employee receives for the role he or she performs. The GP includes contributions to medical aid, the provident fund and insured benefits.

Short-term Incentives (STI): An annual performance incentive subject to the organisation and individuals achieving agreed key performance targets for the financial year.

Retention/buyout incentive: An incentive award for the purposes of hiring key talent and/or retaining key employees of the Bank based on continued demonstrated skills, capability and performance.

Remuneration in a broader context

Guaranteed pay: This is pay for the job role, skills and experience requirements. This level of pay includes a cash component and includes mandatory benefits for permanent and long-term contract employees. The mandatory benefits are detailed below.

Retirement benefit: The Bank has a defined contribution provident fund. Employees have the option to use their level contribution to the provident fund, starting from 6% up to a maximum of 25% of GP. The normal retirement age for employees is 60 years unless otherwise specified in the Bank's retirement policy.

Insured benefit: The Bank provides compulsory risk benefits such as group life insurance, spouses cover, funeral benefit, critical illness and disability benefit. The cost of these benefits is funded from the employees GP.

Disability benefit: Employees who are medically boarded through a process of medical evaluation and approval by the insurer will receive a monthly income of 75% of their GP. The disability premiums are included in the insured benefit cost. This benefit, if permanent, is payable to retirement age or, in case of temporary disability, until the employee sufficiently recovers. During the period of disability, in addition to the disability payment, the insurer will continue to contribute to the employee's retirement fund and insured benefits.

Medical aid: It is compulsory for all employees to join any of the Bank's medical aid scheme provider/s unless the employee is on his/her spouse's medical aid. The Bank reviews the medical aid schemes on an annual basis to assess their appropriateness. As part of the medical aid benefit offering, we have medical aid consultants (currently ASI) available to assist employees with any medical aid-related queries.

Short-term incentive: Eligibility to participate is at the discretion of HRC. Eligibility is restricted to full-time, permanent and long-term contract employees of the Bank.

Although staff are eligible to participate in this scheme, actual participation will depend upon the Bank achieving its annual performance targets set out in the rules of the scheme and the individual achieving at least the minimum performance standard requirements in his or her personal performance appraisal for the year.

The Bank's STI bonus pool is determined by the performance measures agreed for the financial year under review. To qualify for a bonus pool the organisation must achieve the minimum performance rating of three or greater in annual balanced scorecard performance assessment, achieve an unqualified audit and achieve a weighted score of =>80% of the STI scorecard.The STI hurdles to measure and determine the size of the pool are as follows:

STI Scorecard		
Measure	Strategy	Weighting
Sustainable earnings*	Sustainable profitability	40%
Operating cash flow generated	Profitability converted to cash	30%
Value of infrastructure unlocked	Developmental mandate	30%

** Sustainable earnings = net profit, adjusted for non-recurring items, foreign exchange gains/losses and revaluation adjustments on treasury instruments*

Payments are made once an unqualified audit has been attained, the Bank has achieved the financial, development and other strategic targets and a bonus pool has been approved by HRC and Board. For the FY2022/23, the total STI payment was capped at 20% of total actual personnel costs.

Retention incentives: The Bank may award retention incentives for the purposes of retaining key employees. The retention incentives (awards/agreements) will be determined by the relevant Group Executive in consultation with the Group Executive: Human Capital and approved by the CEO. The allocation of retention incentives (awards/agreements) for Group Executives is determined by the CEO and approved by HRC. The NOMCO is responsible for the determination of a retention incentive for the CEO. A precondition of the retention incentives is that if the recipient of the incentive leaves the employ of the Bank within 12 to 36 months (period determined according to value and criticality of skill), the recipient will be required to pay the prorated incentive back to the Bank.

Agencies mandate specific and cost recovery programme: Individuals appointed on cost recovery programmes or mandates will apply the Bank's remuneration guidelines. These guidelines as directed by the relevant principals of the programme are subject to availability of funds in their respective programmes.

Areas of focus for the next year

- Long-term incentive scheme: for the Bank, including the appropriate performance conditions
- Succession management
- Fit-for-purpose organisational architecture: aligned to the growth strategy of the Bank
- Monitor changes in the labour market and environment with regards to pay to be competitive to attract the best talent to deliver on our mandate
- Focus on fair and responsible pay

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REFERENCE INFORMATION

Annexure A: Application of King IV Principles

King IV Principle	Application
Principle 1: The governing body should lead ethically and effectively	The DBSA's Board is responsible for providing leadership and strategic oversight to the Bank to ensure that the Shareholder's value creation is achieved. The Board members are accountable both as individuals and as a collective to provide sound judgment and ethical leadership through the ethical principles enacted in King IV and their fiduciary responsibilities contained in the Companies Act of 2008. These principles and responsibilities are embedded in the Board Charter, the DBSA's Code of Ethics and the Code of Conduct. Our ethics policies include the Directors' Conflict of Interest Policy, the Politically Exposed Persons Policy and the Anti-Bribery and Corruption Policy which govern the Board to uphold ethical standards and lead ethically. Furthermore, the Board ensures that the shared organisational values are enshrined in all the policies and operations of the Bank. During the year under review, the Board received the outcome of the shareholder-initiated independent Board evaluation. The outcome was that the Board is ethical in its dealings, there is good governance and it is supported by a strong company secretariat team. During the year under review, the Board approved four ethics-related policies, namely the Code of Ethics, Board of Directors' Conflicts of Interest Policy, Anti-Corruption and Anti-Bribery Policy and Gifts, Entertainment and Hospitality Policy. The Board confirms that is has executed the evaluation responsibilities stipulated in NOMCO›s terms of reference. The annual disclosure process for board members has now been automated through the introduction of a new online declaration system for the board. The board discloses their financial and external interests, and where there are instances of conflict of interests the board as a collective and/or board committee mitigates the risk appropriately to the best interest of the Bank. Furthermore, each board and committee's agenda consist of a declaration of interests in reference to the agenda items at each meeting. This affords the board to act responsibly and remain transparent.

King IV Principle	Application
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board has approved shared values namely integrity, high performance, service orientation, customer, and innovation. These values came under serious test during the period of the pandemic; however, we were able to stick to them and remain as agile as possible in the new way of work. These values form the basis of our Code of Ethics, which applies to the DBSA's employees, Board, and suppliers. The Ethics Office has developed a well-consulted Ethics Management Strategy and Plan during the year under review. This is aimed at entrenching ethics in the day-to-day business conducts, thus building towards a maturing ethical culture in the Bank. Training of ethics policies was provided during inductions throughout the year and through employees/managers consulting with the Ethics Office for ethical advice before making business decisions in the best interest of the Bank. Performance evaluations of employees include ethical conduct. The Ethics Office reports to the Social and Ethics Committee quarterly about the ethics performance of the Bank. The Social and Ethics Committee of the Board exercises oversight over the ethics management of the Bank. As a continuous endeavour to establish an ethical culture, the future focus includes starting to institutionalise the three years Ethics Management Plan according to the timelines on the plan. However, it must be noted that the adverse effect emanating from the COVID-19 pandemic has stalled progress on this deliverable as most of the activities required physical contact. However, virtual initiatives are considered to maintain an ethical culture in the Bank. The Code of Ethics is available on our website, www.dbsa.org.
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The DBSA deliberately incorporates responsible corporate citizenship (RCC) into its business practices. The Board has given the Social and Ethics Committee and the Board Credit and Investment Committee authority to oversee the DBSA's performance in terms of integrated responsible corporate citizenship. The Board understands the need to reform how it measures and assesses the impact of the Bank on society and the environment given the rise of ESG. Our approach to ESG will become clearer in the coming year and measuring standards will be developed. The Social and Ethics Committee continued deliberating the report outlining the DBSA's social and environmental concerns during the year under review.

King IV Principle	Application
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The DBSA's Board sets out the strategic direction of the Bank annually, which informs the Corporate Plan development. The strategy of the DBSA is implemented through four key pillars and considers risks and opportunities as well as stakeholder concerns. The four pillars which encapsulate the strategic intent of the Bank focus on the DBSA being a Conceptualizer, a Catalyser, an implementer and responsive to a dynamic environment. The Strategy of the DBSA is centred around sustainable development, and this is clearly articulated in the Integrated Annual Report and Sustainability Review report. By reviewing and assessing transactions, designing tailored financing solutions and enhancing partnerships among stakeholders, the DBSA is helping to mobilise capital in support of sustainable development. The Board is accountable for the strategic direction and provides strategic direction by proposing, discussing and approving plans and strategies based on the values and objectives of the Bank, taking into consideration stakeholder interests and expectations. The Bank ensures a continuous risk identification and assessment process in order to remain ahead of emerging risks. Prior to approving the Corporate Plan of the Bank, the Board satisfies itself that key performance and risk areas have been identified and the mitigation actions have been put in place. The Integrated Annual Report provides an assessment of performance against the strategy and plans.
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects.	The BDSA Board oversees organisational performance reporting, taking into account amongst others the applicable legislation, JSE Listings Requirements, Integrated Reporting Framework, GRI, IFRS and King IV. The DBSA Integrated Annual Report complies with the Public Finance Management Act of 1999 and JSE reporting requirements. The Integrated Annual Report presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of the DBSA's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. Our reporting is also geared towards reporting on development impact in order to demonstrate the economic and social impact of our programmes, identify development-focused transactions and crowd in third-party capital providers. The DBSA solicits input from key users of our reports and communicates with our stakeholders amongst others, through our reports, website and Stock Exchange News Service (SENS). The IAR also provides illustrative examples of transactions in the sustainability report and outlines our strategic priorities. The Board assesses continually the positive and negative outcomes resulting from its business model and responds to it as highlighted in the Integrated Annual Report. The DBSA's Integrated Annual Report, Annual Financial Statements, Sustainability Review and Corporate governance disclosures required can be downloaded from our website, www.dbsa.org

King IV Principle	Application
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The DBSA Board serves as the focal point and custodian of corporate governance in the organisation by ensuring that at all levels, the DBSA subscribes to the highest standards of corporate governance, integrity and ethics. The directors of the DBSA are committed to full compliance with the principles embodied in appropriate domestic and international corporate governance codes and strive to align the Bank's corporate governance with national and international best practices. In carrying out its oversight responsibility which amongst other include accountability for the strategic direction and performance of the DBSA, the Board is satisfied that it has fulfilled its responsibilities in accordance with the King IV principles of good governance, Board and Board Committee Charters which were reviewed during the year under review to ensure alignment with best practices. The Board met 5 (five) times and attendance was satisfactory. Some of the steps taken by the Board during the year under review concerning its custodianship of governance include deliberating the outcome of the governance assessment and action plan to be implemented to address the recommendations made. In addition, the Board endorsed the appointment of an independent service provider to conduct Board evaluation on Board performance and that of its committees, its chair and its individual members to support the continued improvement of the Board's performance and effectiveness and how to enhance the governance of the Bank. The report will be issued in the 2023/24 financial year. The Board Charter is available on our website, www.dbsa.org.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board is satisfied with the current composition and believes that it reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The majority of the members are independent directors (the chairman of the Board is an independent director) and the Board has diverse skills in terms of qualifications, experience and overall strong value add. In addition, the Board has satisfactory diversity in terms of skill set, race, age and gender. Consideration will be given to female gender representation in the coming Board appointment cycle. During the year under review, three new directors, i.e., two independents (Ms. Dinao Lerutla and Mr. Ebrahim Rasool) and one shareholder representative (Mr. Kenneth Brown) were appointed for a term of 3 years effective from 30 November 2022 to 29 November 2025. The new directors bring on board the necessary skills and extensive experience in areas of leadership, investment banking, socio-economic development, and extensive public sector experience in areas of intergovernmental relations, procurement and stakeholder management. These skills are imperative in driving the strategy of the Bank. At year end the Board has two Board vacancies. The DBSA does not have any members that are serving for more than 9 years. In accordance with the Board Charter, any term beyond nine years (three three-year terms) for an independent non-executive director should be subject to a particularly rigorous review by the Board, of not only the performance of the Director but also the factors that may impair his independence. For more detail on the composition of the Board of Directors, refer to pages 27 to 30 of the IAR.

King IV Principle	Application
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	To enable the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control, assurance, and oversight and confirmation of the location of authority and decision rights within the Bank, there is a clear delegation of authority from the Board to its Committees and subsequently to the Chief Executive Officer articulated by the Committee charters and the DBSA Delegation of Authority (DoA) matrix. The Committee charters and DOA matrix were reviewed during the year. In support of an effective corporate governance environment, the Board has established six committees to assist the Board in the execution of its oversight mandate. The committees established by the Board play an important role in enhancing standards of governance and effectiveness within the Group. Each committee acts in line with its terms of reference, all of which were reviewed during the year. The Board committees report back on their activities to the Board at all meetings. The delegation of the Board's responsibilities to committees is not by itself an abdication of the Board's fiduciary duties. The Board is in the process of reviewing the Social and Ethics Committee's terms of reference to enhance oversight over ESG matters. For information on Board Committees, i.e., responsibilities, functions, composition, etc. refer to page 135 to 143 of the IAR.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual members, support continued improvement in its performance and effectiveness.	During the year under review, the Board received the Governance Assessment Report which amongst others revealed that: Strategy and Planning- The Board possess adequate ability to discharge its role in setting up the bank's vision and strategy. Capabilities and Culture- The DBSA Board has adequate skills and competencies within its composition and the profile of the Board members were sufficient to lead the bank effectively as well as shaping its culture. Processes and Structures -The Board has established governance structures that allow them to effectively discharge its role and responsibilities. Stakeholder engagement and disclosure on stakeholder relationships were highlighted as areas of improvement. Corrective measures have been put in place to address the weakness identified. During the next financial year, the Board would consider feedback from BDO Advisory Service on Board performance and that of its committees, its chair and its individual members to support the continued improvement of the Board performance and effectiveness in how to enhance the governance of the Bank.

King IV Principle	Application
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	The Board considers Delegation of authority an essential principle of confirming the location of authority and decision rights within the Bank. The Board is satisfied that its delegation to management enables the Bank to optimally balance the needs for timely, effective and quality decisions and appropriate control and assurance. Directors receive regular briefings on changes in risks, laws and the environment in which the Company operates. The Nomination Committee oversees the development and implementation of continuing development programs for directors in relation to the requirements of the Bank. The Board is satisfied with the current arrangements in place for accessing professional corporate governance services and there is an ongoing discussion to enhance the arrangements.

King IV Principle	Application
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The management of risk and opportunity is a fundamental part of delivering on our mandate ensuring that the Bank achieves its objectives on a sustainable basis. The DBSA's risk management function adheres to the principles of KING IV to oversee the Bank's internal control framework and the implementation of risk management processes across the Banks value chain. The Bank has adopted a combined assurance model that comprises five lines of defence and clearly defines the roles and responsibilities for the management of risk within the Bank. It emphasizes that the ownership and management of risk is everyone's responsibility within the Bank from the Board to line management and employees. As per DBSA's governance framework, the DBSA Board has appointed the Audit and Risk Committee (ARC), a Board subcommittee, to be ultimately accountable for the effective management of risk and opportunity. All other Board subcommittees provide oversight for key risks that are relevant for their Terms of Reference. In pursuit of the Bank's strategic objectives which are: deepening financial sustainability, accelerating development impact, building future-fit DBSA and smart partnerships. The Bank identifies the effects of uncertainty on these objectives, this is done on an annual basis and published as the principal risks. The Board has approved a risk appetite statement with specific metrics to track and monitor key risks that have been approved by the Board. The risk appetite statement defines the types and amount of risk that the DBSA can take in pursuit of its objectives. As of 31 March 2023, the following were the principal risks of the DBSA:

Rank	Principal risk	Residual Risk Rating (2023)
1	Credit risk	High
2	Cyber security risk	High
3	Liquidity risk	Moderate
4	Reputation risk	Moderate
5	Business environment and operations	High
6	People and culture risk	Moderate

A review of the Enterprise Risk Management (ERM) function across the Bank, is done on a regular basis by external auditors. The outcome showed that the control environment for the ERM process is considered to be "Good" in providing reasonable assurance that the inherent risks are appropriately managed and that the business objectives will be attained. Actions emanating from any findings are addressed where applicable. The ERM unit sets out its objectives in the annual Enterprise Risk Management plan which is approved by the Audit and Risk Committee.

King IV Principle	Application
Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board places the importance of technology and information as it is interrelated with the strategy, performance and sustainability of the DBSA. The Audit and Risk Committee exercises oversight over the governance of the Information, Communication and Technology function of the Bank. The operationalisation of Information and Communication Technologies (ICT) governance and compliance has been delegated to management. Management monitors the implementation and compliance of ICT Governance, ICT Risk Management (aligned to the Bank's ERM framework), IT infrastructure and Architecture and implementation of Business and Information Technology (IT) projects aligned to the Bank's priorities through the ICT Steering Committee. Priorities are the enterprise data and analytics platform, ongoing cybersecurity capabilities, cloud migration and optimisation of existing ICT infrastructure. Initiatives to continuously automate business processes are progressing well for the reporting period. Heightened cybersecurity awareness training was provided to employees, simulation tests conducted periodically, and gaps identified addressed through ICT operational and monitoring processes in place. There were no major incidents during the reporting period. The Internal Audit function annually issues a written assessment to the Audit and Risk Committee (ARC), providing assurance on the overall control environment, taking into account the governance of information technology. The assurance provided is informed by the outcome of the audits/ reviews conducted based on an approved risk-based audit plan. The future focus continues to be the acceleration of the digital bank capabilities and initiatives for both internal and external stakeholders, through the establishment of a digital centre of excellence, that will optimise the Banks approach towards achieving digital transformation and driving execution.

King IV Principle	Application
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Regulatory and best practice requirements, as well as ongoing changes to the regulatory environment within which the DBSA operates, require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation but also supervisory requirements and industry guidelines. The DBSA's compliance risk management programme is aligned to King IV's principle 13, as well as the Generally Accepted Compliance Practice Framework of the Compliance Institute Southern Africa. A compliance framework has been implemented to ensure effective compliance management. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage, and monitor compliance risk. Furthermore, this framework sets out arrangements for governing and managing compliance, evident in the DBSA's respective compliance policies. The Compliance Unit has adopted a risk-based approach to the compliance management process within the DBSA. This pragmatic approach recognises that there is a need to prioritise regulatory requirements based on their relative risks and implications. During the year under review, the Compliance Unit focused on the UN Global Compact Principles which calls on companies to align strategies and operations with universal principals on human rights, labour, environment, and anti-corruption. Planned areas of future focus: Key compliance focus areas are approved by the DBSA's Audit and Risk Committee on an annual basis. Key focus areas include, inter alia: • Public Finance Management Act, No 1 of 1999, • Preferential Procurement Policy Framework Act, No 5 of 2000, • National Treasury Regulations, • Protection of Personal Information Act No 4. of 2013, • Cyber Crimes Act 19 of 2020, • FATF grey listing recommendations, the Anti-Money Laundering Legislative Framework, Financial Intelligence Centre Act Amendment Act, No 2 of 2017 • Environmental, Social and Governance (ESG) criteria The status of DBSA's compliance is still within our risk appetite, relationships are being well managed with our respective regulators and no fines and/or penalties have been incurred in the financial year. The DBSA Board and executive management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements, and is conducted in accordance with the highest ethical standards.

King IV Principle	Application
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Remuneration at the DBSA is set against a number of factors such as performance, job level, the scope of responsibilities, market benchmarks and competitiveness, the country's economic drivers, and State-Owned Enterprises Remuneration Guidelines pronouncements. The DBSA's Board has the ultimate responsibility to ensure compliance with remuneration principles and limiting risk (this is achieved through an appropriate governance structure). The Human Resources and Remuneration Committee (HRC) determines appropriate remuneration policies and guidelines for different levels of the organisation (subject to delegated authority) and monitors performance, in line with the committee's role and responsibility as set out in the HRC terms of reference. The Audit & Risk Committee assists the Board in carrying out its responsibilities regarding governance, compliance, and risk management. This includes the approval of the financial affordability of the remuneration envelope and Short-Term Incentives (STI) pool to ensure the risk exposure within the organisation remains at acceptable levels. The CEO is responsible for approval of changes in remuneration, incentives and benefits and signs off on all increases, promotions, and performance bonus awards (within mandate). The Group Executive: Human Capital is responsible for managing the day-to-day application of the Remuneration Policy and for recommending changes to policies and practices to the CEO and HRC.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The DBSA has established an effective Internal Audit Unit that reports functionally to the Board Audit and Risk Committee. It provides independent assurance on key and high-risk areas, amongst others to senior management and the Audit and Risk Committee quarterly in line with an approved audit plan. In addition, the DBSA has implemented a combined assurance which the Internal Audit function facilitates and coordinates, ensuring that the assurance of all assurance providers are consolidated and presented to the Audit and Risk Committee. A combined assurance policy has been developed, which includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, business continuity, credit and market risk, IT, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audits. Quarterly assurance reporting is done by the Combined Assurance Working Committee to the Audit and Risk Committee. In line with Combined Assurance, Internal Audit also provides the Auditor General their approved audit plan and working papers with the view to place reliance on their work and reduce duplication. The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.

King IV Principle	Application
Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.	The DBSA is committed to a stakeholder-inclusive and customer-centric approach to business and has embedded engagement with stakeholders into its value creation process. The DBSA regards stakeholder relationships as very critical to gaining an authentic social license to operate in the various markets we operate in. The DBSA has a Stakeholder Relationship Management Policy Framework approved by Board. To operationalize the Framework, an annual Stakeholder Engagement Plan that outlines Board, Executive and Employees' responsibilities and deliverables is developed. Stakeholder identification and prioritisation is fundamental to the DBSA SRMF given that the organisation's business is operated in diverse contexts where stakeholders have varied interests and levels of influence. Each stakeholder is identified and ranked in accordance with the DBSA strategic intent, prevailing risk factors and the prevailing business environment. The interests and influence of stakeholders are dynamic and require continuous monitoring. Such monitoring is conducted in line with the Bank's stakeholder matrix. The focus is on key stakeholders including, employees, clients, suppliers, shareholder, service providers and providers of finance. The focus of the Board in the period under review was to measure the perceptions and expectations of stakeholders and identify gaps using a brand health survey. This has helped the Bank to establish a reputation baseline in the Bank markets as a reference point for continuous improvement. The key component of the survey, brand delivery, a measure of the quality of relationships with stakeholders scored 80% which compromising of two variables advocacy and delivery which respectively scored 80%. In an effort to address concerns emanating from the 2022/23 client satisfaction survey results, a Bank-wide client engagement strategy is being developed to close the client satisfaction gaps identified and improve the client experience. The approach entails a six-phase process outlining key activities and key deliverables. In addition, the focus in 2023/24 will be on developing a measurable stakeholder engagement plan aligned to the survey recommendations to drive desired outcomes at corporate level.

ACRONYMS AND ABBREVIATIONS

ARC	Audit and Risk Committee
AU	African Union
B-BBEE	Broad-based black economic empowerment
BCIC	Board Credit and Investment Committee
CEO	Chief Executive Officer
COVID-19	Coronavirus disease 2019
DBSA	Development Bank of Southern Africa
DFI	Development finance institution
ERM	Enterprise risk management
GDP	Gross domestic product
HRC	Human Resources and Remuneration Committee
ICT	Information and communications technology
IDD	Infrastructure Delivery Division
IDKC	Infrastructure Delivery and Knowledge Management Committee
IFRS	International Financial Reporting Standards
NDP	National Development Plan
PEP	Politically exposed person
PFMA	Public Finance Management Act, No 1 of 1999
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDG	Sustainable Development Goal
SMME	Small, medium, and micro-enterprise
SOE	State-owned entity
UN	United Nations

FINANCIAL DEFINITIONS

Callable capital	The authorised but unissued share capital of the DBSA
Cost-to-income ratio	Operating expenses, (including personnel, general and administration, depreciation and amortisation expenses), project preparation and development expenditure as a percentage of income from operations
Income from operations	Net interest income, net fee income and other operating income
Interest cover	Interest income divided by interest expense
Long term debt-to-equity ratio	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits, as percentage of total equity
Long term debt-to-equity ratio (including callable capital)	Total liabilities, excluding other payables, provisions and liabilities for funeral benefits as a percentage of total equity and callable capital
Net interest margin	Net interest income (interest income less interest expense) as a percentage of interest bearing assets
Return on average assets	Net profit or loss for the year expressed as a percentage of average total assets
Return on average equity	Net profit or loss for the year expressed as a percentage of average total equity
Sustainable earnings	Profit or loss from operations before net foreign exchange gain/(loss) and net gain/(loss) from financial assets and financial liabilities, but including revaluation on equity investments

GENERAL INFORMATION

Registered office	Headway Hill 1258 Lever Road Midrand Johannesburg South Africa
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Postal address	PO Box 1234 Halfway House 1685 South Africa
Banker	Standard Bank of South Africa
Registered auditor	Auditor-General of South Africa
Company registration number	1600157FN
JSE debt sponsor	Rand Merchant Bank (a division of FirstRand Bank Limited)
Primary Debt Listings	JSE Limited
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