2018
INTEGRATED REPORT

PARTNERING FOR INCLUSIVE INDUSTRIALISATION

IDC

Industrial Development Corporation

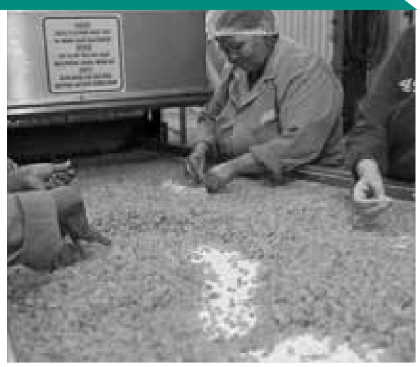
Your partner in development finance

The IDC is a state-owned development finance institution primarily mandated to provide funding for the development of industry in South Africa and the rest of Africa.

INDUSTRIES THAT WE FUND

BASIC CHEMICALS AND CHEMICAL PRODUCTS

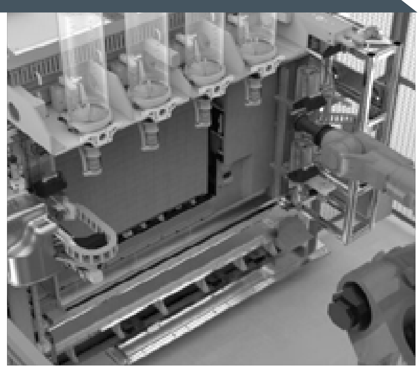
AGRO-PROCESSING AND AGRICULTURE



INDUSTRIAL INFRASTRUCTURE

MINING, BASIC METALS AND METAL PRODUCTS

NEW INDUSTRIES



TOURISM, ICT AND MEDIA

OTHER MANUFACTURING INDUSTRIES INCLUDING CLOTHING AND TEXTILES

PERFORMANCE OVERVIEW

202 TRANSACTIONS APPROVED

LA **R16.7 billion*** ⬆ 9%

TOTAL FUNDING DISBURSED

RA **R15.4 billion** ⬆ 40%

NUMBER OF JOBS EXPECTED TO BE CREATED AND SAVED (CREATED: 23 348*; SAVED: 6 537)

LA **29 885*** ⬆ 43%

APPROVED FOR THE MANUFACTURING SECTOR

R8.0 billion ⬆ 5%

APPROVED FOR BLACK INDUSTRIALISTS

LA **R7.9 billion** ⬆ 67%

APPROVED FOR BLACK EMPOWERED COMPANIES

R9.7 billion* ⬇ 4%

APPROVED FOR BUSINESSES WITH WOMEN OWNERSHIP OF MORE THAN 25%

LA **R2.2 billion*** ⬇ 32%

APPROVED FOR BUSINESSES WITH YOUTH OWNERSHIP OF MORE THAN 25%

LA **R1.0 billion** ⬇ 59%

NET PROFIT AFTER TAX

R3.2 billion ⬆ 47%

TOTAL ASSETS

R137.0 billion ⬆ 5%

IMPAIRMENT RATIO

RA **17.4%** ⬆ 70 basis points

* Includes an approval of R100 million for a woman-empowered construction company that is expected to create 5 298 jobs which fall outside of the IDC's priority approved sectors.

CONTENTS

Minister's Foreword ... 2
Chairperson's Statement ... 4
Company Overview ... 6
Material Matters ... 16
Performance Trends ... 18
Our Board of Directors ... 20
Chief Executive Officer's Statement ... 22
Our Executive Management ... 24
Leading Industrial Capacity Development ... 26
Transforming Marginalised Communities ... 48
Our B-BBEE Rating ... 50
Committed to Good Governance ... 51
Ensuring Financial Sustainability ... 73
About this Report ... 79
Assurance Report ... 80
Glossary ... 83
Contact Information ... 84
Administration ... 86

ADDITIONAL ONLINE INFORMATION

Group Structure
Stakeholder Engagement
Board and Executive Management Directorships
Carbon Footprint
Corporate Social Investment
Human Capital
Information Technology
Procurement
Special Funding Schemes
Memberships
Customer Relationship Management
King IV Checklist
GRI Table

Icons referring to the IDC's strategy

Increase Industrial Development
Maintain Financial Sustainability
Human Capital
Stakeholders
Natural Environment
Utilisation of Resources

Icons denoting assurance

LA Denotes Limited Assurance
RA Denotes Reasonable Assurance

Icons denoting availability of additional information

i Additional information available at www.idc.co.za/ir2018

MINISTER'S FOREWORD

During April 2018, President Ramaphosa announced a $100 billion investment target to be achieved over the next five years, with a focus on investment which drives industrial expansion, inclusivity and job creation. The target is intended to galvanise efforts to draw in more domestic and foreign direct investment.

The IDC will need to play a critical role in sourcing and co-funding a significant part of this investment in line with its role to develop the nation's industrial capacity.

There are strengths that the IDC can build on, many of which are highlighted in this Report. To achieve the target and to expand aggregate industrial output will, however, require that the Corporation step up its efforts considerably and work in new ways.

Industrial development is an important driver of economic growth and job creation, critical to South Africa's efforts to address persistent inequality and foster transformation.

During 2017, growth and industrial expansion numbers were well below the levels required to expand living standards and create jobs for all South Africans.

Growth in South Africa's real GDP rose by 1.3% in 2017, while investment spending by private business enterprises showed an increase of 1.2%, following two consecutive years of decline. Business confidence rebounded strongly in the first quarter of 2018, largely on the back of positive developments in the political environment.

Global developments will affect the rate of domestic growth: rising global growth rates present an opportunity particularly through demand on the rest of the African continent; though trade actions by the United States administration may negatively impact on SA export performance.

In the more uncertain global policy environment, South Africa must increase its own 'rain-making' efforts rather than wait for the weather to improve. That is at the heart of the social accord efforts that Government seeks to pursue with the business community and organised labour.

To do so successfully will need a range of interventions. In the period ahead, government is advancing a new agenda of economic inclusion and faster growth across multiple fronts.

Major changes to the competition laws have been proposed, focusing on opportunities for small and medium businesses and new investors. These changes will address high levels of economic concentration that limit the growth potential and dynamism of the economy. Market Inquiries, into critical input costs such as data prices, medical costs and transport costs, will provide policy-makers with the information to enable steps that can improve competitiveness.

Reforms of state-owned corporations have commenced, with the purpose of ensuring financially sound and sustainable public enterprises that can produce energy or provide transport and other services at cost-effective prices.

A renewed focus on expanding economic infrastructure, particularly focused on transport logistics, ICT and water resources, will lay the basis for drawing in new investment. This will be pursued through the changes in state-owned corporations, new funding arrangements, partnerships with the private sector and regulatory steps (such as release of spectrum to the market).

Additional support for township enterprises and small and medium businesses are being considered to draw more entrepreneurs into the economy. To support youth entry into the economy, the government is pursuing youth entrepreneurship support and the private sector launched an initiative to draw in young people as interns to provide them with work exposure.

Within this context, the target of $100 billion in new investment is one of the most significant interventions, and can support and underpin a number of the other initiatives.

IDC's funding approvals totalled R16.7 billion for 2018, an increase of 9% on 2017. Disbursements increased from R11.0 billion for 2017 to R15.4 billion. The IDC notes that the bulk of this funding is directed towards capacity expansions, projects and start-ups (72% in 2018), in line with its mandate of creating industrial capacity development.

IDC information projects that 29 885 jobs will be created or saved as a result of this investment which includes 5 298 jobs which will be created from a R100 million funding approval outside of the IDC's priority approved sectors.

The IDC has in the past three years, focused a significant portion of its funding approvals towards supporting Black Industrialists (2018: R7.9 billion), youth (2018: R963 million) and women empowered businesses (2018: R2.2 billion). This follows five-year approval targets for black industrialist, youth and women-empowered businesses which I set for the organisation in my Budget Vote Speech in May 2015. With two years remaining, IDC has now approved 67% of the R23 billion that I directed it to provide to Black Industrialists. Notably, the IDC has already achieved the five-year target that was set for women entrepreneurs, with R6.6 billion approved for women-empowered businesses over the last three years against the target of R4.5 billion, whilst funding approvals for youth entrepreneurs is within close reach of the R4.5 billion 5-year target at R4.4 billion.

These targets were set to begin the process of redirecting IDC funding to greater economic inclusivity. When the GDP growth rate (and the high levels of unemployment) is taken into account, more will clearly need to be done in the period ahead. The quality of investment will also need to be improved, that is to achieve a better alignment between investment approvals and the industrialisation mandate of the IDC.

I will be working with the IDC Board and management to strengthen a stimulus package of support to township enterprises and other parts of the economy, to bring the necessary funds to support South Africa's emerging entrepreneurs.

In the last year's Integrated Report, I highlighted the importance of technological innovation in reshaping the economy, the greater use of robotics, artificial intelligence and big data. I note the IDC's entry into some of these industries, some of which are highlighted in this Integrated Report. The Corporation's experience in this regard will provide valuable lessons regarding the threats and opportunities, the need for investment in education capabilities and skills development and the potential for further development in these new sectors.

At a regional level, the rest of the African continent continues to develop as one of the largest markets for South Africa's merchandise exports, accounting for 26.5% of the entire export basket in 2017.

Exports to the rest of Africa are now greater than to the EU, US or China, and totalled R310 billion last year. In 2017, close to 39% of all locally manufactured exports were destined to countries elsewhere on the African continent.

The IDC should utilise two opportunities that flow from this: investment in South African enterprises that export to the rest of the continent; and investment in projects that help to grow neighbouring economies and in the process, leveraging opportunities to supply material and technical and other services. IDC's investment in Alphamin Bisie Tin Mine project (in the Democratic Republic of Congo) is a practical example of an investment aligned to this approach.

The performance of IDC subsidiary Foskor remains below par and will need more attention from the Board and management in the year ahead. During 2017, the IDC was in the news for its loan to Oakbay Resources and public disquiet at perceived governance challenges. Following discussion between the shareholder and the Board, the IDC introduced a range of measures to strengthen transparency and governance. These include public disclosure of the names of IDC beneficiaries since April 2017 and changes in the IDC auditors following a request in July 2017 by the shareholder that KPMG be replaced. The IDC also instituted litigation against Oakbay Resources for the recovery of funds advanced.

Where the IDC has successful projects, it must look at scaling-up such projects. The time taken to process applications must be reduced to assist investors to meet rapidly-changing market demands. The IDC should also play a role to assist partners to complete fresh investment projects expeditiously so that the country sees the positive impact of investment approvals.

From a strategic perspective, the IDC will need to improve its capacity to proactively identify new investment opportunities and marshal the private sector resources and expertise required to drive their realisation; and increase funding levels biased towards unlocking jobs-rich industrial activities. This strategic orientation combined with the strengths of the institution, particularly remaining financially viable, will be the foundation for what the Shareholder expects of the IDC.

I look forward to the IDC using its significant strengths over the years such as its strong balance sheet, sound governance, and a capability for development financing. These strengths have contributed to the country's development over the years.

On behalf of the Shareholder and the beneficiaries of IDC's endeavours I wish to thank IDC Chairperson, Ms Busisiwe Mabuza and the Board of the IDC for their guidance of the Corporation and support to IDC's management as well as their role in upholding a strong governance culture. I also wish to thank Geoffrey Qhena and his management team, who continue to lead the Corporation through challenging times.

Ebrahim Patel
Minister of Economic Development

CHAIRPERSON'S STATEMENT

The IDC increases its funding activity in support of the economic recovery and transformational agenda as it continues to deliver on its developmental objectives.

Global conditions remained relatively favourable and supportive during calendar year 2017, despite a trading environment beset by concerns over rising protectionist tendencies, geo-political tensions in parts of the world and the uncertainty associated with the United Kingdom's decision to leave the European Union. World output expanded by a firmer 3.7%. However, there are emerging signs of moderating growth in several of the world's major economies.

In South Africa, 2018 started on a hopeful note, with signs of improving confidence amongst the business and investor communities. The positive sentiment contributed to our improved funding activity as the financial year under review drew to a close, and provided some counterbalance to an otherwise unfavourable operating environment that characterised most of the year.

We remain mindful of the socio-economic challenges that continue to exist. Persistently high levels of unemployment, especially amongst the youth, as well as unacceptable levels of poverty and income inequality have made the imperative for inclusive growth and industrialisation even more critical. Cognisant of these realities, we have made a consistent effort to increase our developmental impact.

Our financing activity with respect to approvals and disbursements continued to focus on providing counter-cyclical support particularly to those business partners in distress due to unfavourable trading conditions, while also focusing on those initiatives aimed at ensuring that we sustain our objectives of transformation and economic inclusivity.

We are attentive to a global environment that is becoming increasingly uncertain and the downside risks pertaining thereto. Rising trade tensions and resultant retaliatory measures by several affected countries could have negative consequences for world trade and investment flows, global value chains, production activity and employment. Such developments would affect the performance of the South African economy. The disappointing performance of the domestic economy in the first quarter of calendar year 2018 shows the fragility of South Africa's economic recovery and the structural challenges that still need to be overcome to sustain its momentum.

Nonetheless, prospects for the world economy are expected to remain relatively favourable. Anticipated increases in consumption spending and investment activity in some of South Africa's key external markets, including the Sub-Saharan African region and the Eurozone would likely benefit domestic exporters, including some of our business partners. The imposition of import tariffs on steel and aluminium products by the US is likely to adversely affect certain business partners that operate in the associated value chains.

Our funding activities in the rest of the African continent, which also include support for the integration of value chains, could be further enhanced by the ultimate implementation of the recently signed Africa Continental Free Trade Area (AfCFTA) agreement. The AfCFTA agreement has the potential to bring about opportunities for the development of new regional value chains.

Gradually improving demand conditions, along with a recovery in business confidence and investor sentiment, should pave the way for a revival in fixed investment spending by the private sector going forward. Sustained economic growth and increased investment activity globally should be supportive of the export-oriented sectors of the South African economy where trade related uncertainties can be mitigated.

The IDC will continue to support existing and new business partners in benefitting from an eventual upturn in capital spending.

COMMITTED TO INCLUSIVE AND TRANSFORMATIVE DEVELOPMENT

We remain committed to our strategic intent of increasing our development impact and promoting inclusive and transformative development. We continued to accelerate the implementation of this strategy, often with more boldness and different emphasis in order to achieve the desired developmental outcomes as envisaged, and also to respond to the changes in our operating environment and challenges faced by our business partners.

Considering the need to accelerate the pace of industrial development while advancing transformation, we focussed our strategies on those sectors that could yield positive results on production capacity and job creation, while also increasing our funding aimed at transformation.

Through our more focused and proactive approach, our efforts are realising positive outcomes. Our approvals to the manufacturing sector, which is the anchor for jobs-rich industrialisation, account for a larger proportion of our funding activity at 46%, indicating closer alignment to the priority sectors and value chains envisioned in our strategy. Furthermore, the commitment to transformation is evident in the increased quantum of funding to black industrialists as well as that directed towards women- and youth-empowered businesses over the three-year period to 2018. To date, we have approved 67%

of the R23 billion committed to funding black industrialists over the five-year period to March 2020. Funding approvals in support of women entrepreneurs reached R6.5 billion over the three-year period to March 2018 – exceeding the R4.5 billion target set for the five-year period ending in March 2020, while cumulative approvals to youth-empowered businesses increased to R4.4 billion over the same period and stood within close range of the five-year target of R4.5 billion.

While we note the progress achieved so far through the implementation of our long-term strategy, we continue to refine certain areas of our sector strategies to achieve better linkages between and within our value chains as well as improved alignment with planned projects.

ENSURING FINANCIAL SUSTAINABILITY AND GOOD CORPORATE GOVERNANCE

Financial sustainability and good governance, which is generally characterised by significant risks and constant scrutiny by various stakeholders including lenders, co-investors and rating agencies, remain key imperatives for the IDC.

The IDC continues to set ambitious investment and developmental targets, including increased levels of funding activity, that are focused on job creation, advancing transformation and inclusive growth. This is in line with our development mandate.

Nonetheless, we remain cognisant of the importance of ensuring the Corporation's long-term financial sustainability and thus continue to assess the capacity and resilience of our balance sheet as well as to monitor any financial risks that may arise through our increased disbursements. These, in turn, have enabled the Corporation to respond in a more prudent and efficient manner.

A generally challenging operating environment has continued to impact negatively on the financial performance of our key subsidiaries. Due to the critical role that our subsidiaries play in the implementation of some of the IDC's strategies, we continue to focus on enhancing their performance. Progress has been made in respect of the restructuring of the Scaw Group. Foskor has reported some operational improvements on the back of continued support from the IDC, which was aimed at improving efficiencies and increasing competitiveness. However, the company continued to suffer from the difficult trading conditions during the year, which adversely affected its overall performance. To further improve the performance and support our material subsidiaries, we, as the Board, have increased our oversight through the relevant IDC Board sub-committees.

We continue to ensure financial sustainability through prudent management of our balance sheet, which includes enhancing financial efficiencies and exploring various options to diversify and expand our sources of capital. We expect that a more favourable outlook on the IDC's credit rating is likely to have a positive impact for the Corporation's future financing activity in terms of both the sourcing and pricing of funding.

Sound corporate governance based on an ethical foundation remains the cornerstone of our efforts for a sustainable and successful organisation. We continue to strengthen our governance structures and frameworks across the IDC and its subsidiaries.

The IDC Board remains committed to finding opportunities for continuous improvement and ensuring that good governance, coupled with the principles of fairness and transparency, underpin our activities. In the year under review, we have taken further steps to strengthen our governance frameworks and to improve our oversight role in our subsidiaries and investee companies.

To this end, the IDC Board approved a Corporate Governance Framework for IDC Subsidiaries and Investee Companies. This seeks to enable effective governance oversight over our subsidiaries and investee companies, and ensures that timeous alerts are made available to us whenever new material risks and issues that have an impact on our investee companies and the industries in which they operate arise. A revised and updated Director Nominations Policy was also approved by the Board. This policy will facilitate effective governance of our subsidiaries by safeguarding the integrity of the nomination process and ensuring that the boards of our subsidiaries and investee companies are independent and fit for purpose.

In line with our policy of disclosing the business partners of IDC-funded transactions, a detailed schedule has been published quarterly on the IDC website over the year under review. We shall continue to improve the quality of our disclosure in this regard.

The IDC is cognisant of the importance of maintaining the independence of the Corporation's Independent Auditor, both in fact and appearance. As such, each year an evaluation process aimed at determining whether to re-engage the current Independent Auditor is undertaken. Following the evaluation of the qualifications, performance and independence of the Independent Auditor, the Shareholder of the IDC assented to the retention of SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc. as the Corporation's external auditors.

ACKNOWLEDGEMENTS

The IDC continues to strive for outcomes that are reflective of the commitment and effort of its leadership and management teams as well as staff. On behalf of the Board, I therefore congratulate and thank Mr Geoffrey Qhena, his executive team as well as the entire management and staff complement of the IDC for their firm commitment to the Corporation's critical role in helping address the developmental and transformational needs of the country.

We express our sincere appreciation to the Minister of Economic Development, Mr Ebrahim Patel, MP; Dr. Monde Tom, the acting Director-General of the Economic Development Department and his entire team at the department. Our gratitude is also extended to members of the Portfolio Committee for Economic Development and the Select Committee on Economic and Business Development for their diligent oversight, guidance and encouragement.

Finally, I record my appreciation to my fellow directors for their wisdom, diligence, commitment and continued support.

BA Mabuza
Board Chairperson
27 June 2018

COMPANY OVERVIEW

VISION
To be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa.

MISSION
The Industrial Development Corporation is a national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

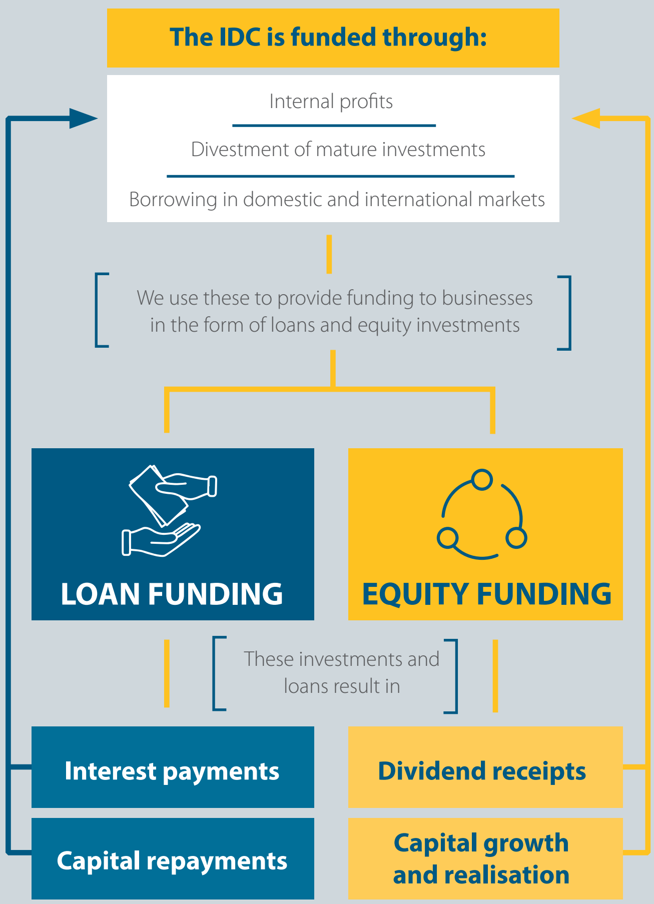
OUR VALUES
Our day-to-day activities and business conduct are guided by our values.

PARTNERSHIP

PROFESSIONALISM

PASSION

OUR FUNDING MODEL



Proceeds from this funding are used to repay borrowings, cover our costs and grow our balance sheet to re-invest in future businesses

OUR STRATEGY

INCREASE INDUSTRIAL DEVELOPMENT
- Be proactive and strategic in developing priority industries
- Align our funding activities with government's economic, industrial and infrastructure policies
- Integrate industries across the continent
- Address the needs of SMMEs particularly through sefa

MAINTAIN FINANCIAL SUSTAINABILITY
- Manage concentration risk in our portfolio
- Diversify income sources in our portfolio
- Improve portfolio management

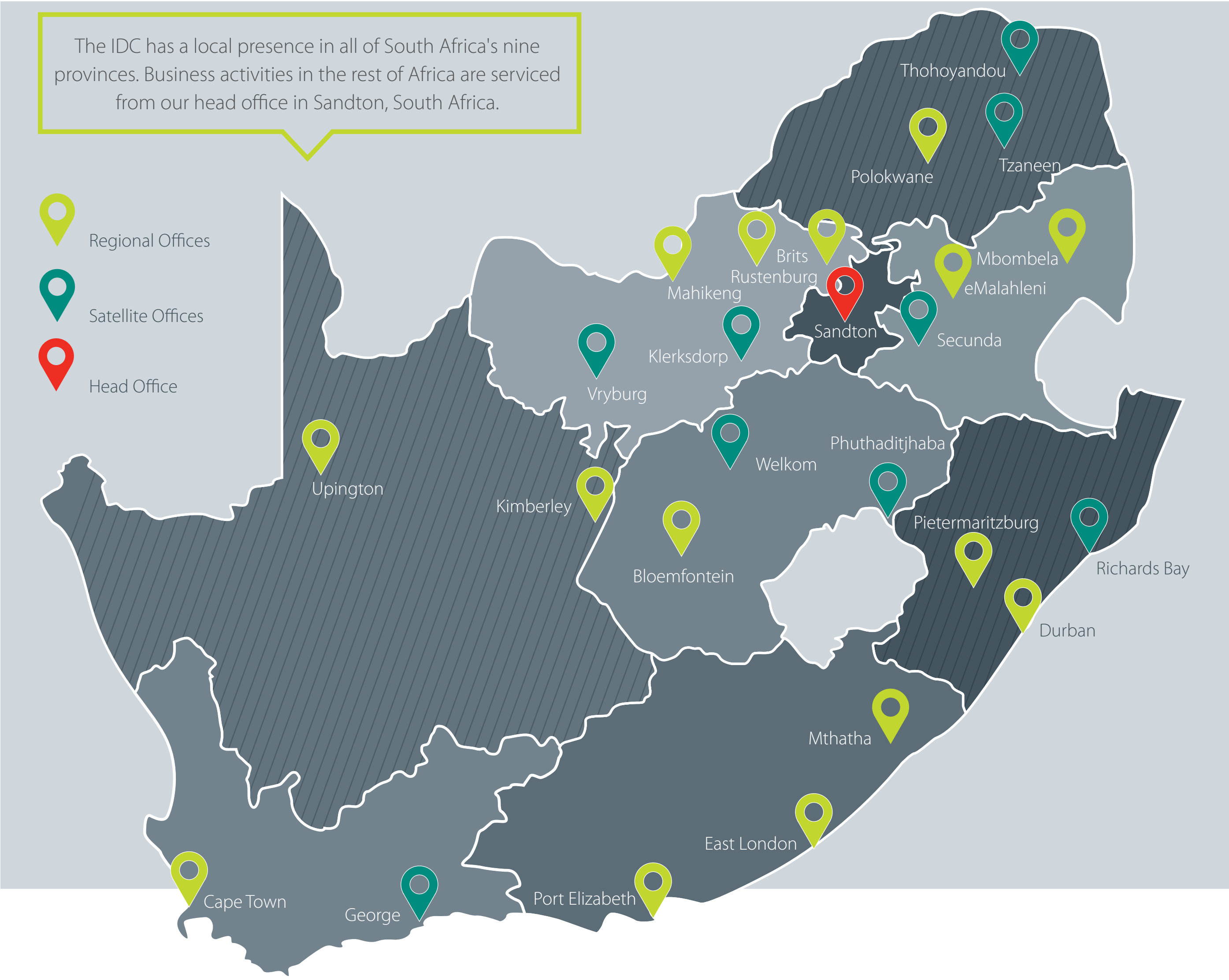
HUMAN CAPITAL
- Enhance skills and capacity
- Entrench a culture of performance and development

STAKEHOLDERS
- Improve customer service
- Leverage other financiers
- Identify industry development opportunities through broader sectoral engagement
- Develop Black Industrialists and increase funding to women and youth entrepreneurs
- Contribute to policy development
- Build strong communities around IDC-funded projects

NATURAL ENVIRONMENT
- Improve the IDC's and industry's environmental sustainability

UTILISATION OF RESOURCES
- Enhance efficiencies

REGIONAL FOOTPRINT



- IDC funding approved for the five years from 2014 to 2018 (figure in brackets indicates share of total approvals in SA over the same period)
- Jobs expected to be created and saved for the five years from 2014 to 2018 through IDC funding
- Provincial contribution to total SA GDP (2016 calendar year)
- IDC's total financial exposure to businesses in the region valued at cost as at 31 March 2018 (figure in brackets indicates share of total SA exposure)

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo
Funding approved	R4 bn (6%)	R1 bn (1%)	R18 bn (27%)	R6 bn (9%)	R10 bn (16%)
GDP contribution	8%	5%	35%	16%	7%
Jobs	6 428	2 929	30 517	9 389	17 052
Exposure	R4 bn (6%)	R1 bn (1%)	R20 bn (28%)	R4 bn (6%)	R11 bn (15%)

	Mpumalanga	North West	Northern Cape	Western Cape
Funding approved	R5 bn (8%)	R2 bn (3%)	R12 bn (18%)	R8 bn (12%)
GDP contribution	7%	6%	2%	14%
Jobs	11 390	14 797	4 156	9 163
Exposure	R5 bn (6%)	R7 bn (10%)	R17 bn (23%)	R5 bn (6%)

Outside SA

- R6 bn (9% of total approvals)
- 17 countries
- R11 bn (13% of total portfolio)

OUR BUSINESS MODEL

OUR RESOURCES

CAPITAL	WE USE RESOURCES TO SUPPORT OUR BUSINESS MODEL
FINANCIAL CAPITAL • Dividends and capital profits from equity investments • Interest and capital repayments from loans provided • Borrowings • Funds managed on behalf of others	• Extending new loans • Making new equity investments • Repaying borrowings • Covering operating expenses • Subsidising interest rates
SOCIAL CAPITAL • Network of entrepreneurs, clients and project partners • Government ties • Other funders and development partners	• Sourcing transactions • Developing and co-investing in projects • Providing inputs to policy formulation • Leveraging our balance sheet to increase impact
HUMAN CAPITAL • Our employees	• Assessing funding applications • Monitoring and managing our portfolio and all other aspects of our business
INTELLECTUAL CAPITAL • Industry-specific and macroeconomic research • Knowledge gained through our industry experience • Knowledge derived from/ during due-diligence, project development, credit-granting, and post-investment processes	• Crafting strategies for the development of industries • Providing inputs to policy formulation • Identifying and managing risk in the businesses that we fund
MANUFACTURED CAPITAL • IT infrastructure and systems • Country-wide infrastructure	• Improving our processes • Connecting with our stakeholders

SUPPORT ACTIVITIES

ACTIVITIES DIRECTLY RELATED TO PROVISION OF FUNDING	• Assessing the viability of business plans • Providing funding to potentially viable businesses • Developing and funding industrial projects • Sourcing partners for industrial projects
ACTIVITIES SUPPORTING THE DEVELOPMENT IMPACT OF OUR BUSINESS	• Providing non-financial support to entrepreneurs • Developing and managing specialised funding products to address specific development outcomes • Undertaking industry and economic research • Participating in government and private sector industry and economic development initiatives
ACTIVITIES DIRECTLY SUPPORTING THE FUNDING ASPECTS OF OUR BUSINESS	• Sourcing and managing loans and other funds at the lowest possible cost to pass on these benefits to our clients • Managing our portfolio of loans and investments ensuring that we collect payments, interest and dividends and exit from mature investments
CROSS-CUTTING SUPPORTING ACTIVITIES	• Financial management • Human capital management • Information technology • Strategy • Continuous improvement • Governance, compliance and legal • Risk management • Corporate affairs and marketing • Procurement

Icons represent areas of the IDC's strategy that address the specific aspect. See page 6.

OUTPUTS

DEVELOPMENT OUTCOMES

FUNDING PROVIDED

CUMULATIVE VALUE APPROVED
5 years: 2014-2018
R72 bn

DISBURSEMENTS
5 years: 2014-2018
R60 bn

TRANSACTIONS APPROVED

NUMBER OF APPROVALS
5 years: 2014-2018
965

FUNDING RAISED

VALUE OF BORROWINGS RAISED
5 years: 2014-2018
R52 bn

EMPLOYEES TRAINED

TRAINING COSTS AS A PERCENTAGE OF STAFF COSTS
2018
1%

INFORM INDUSTRIAL POLICY

INDUSTRIAL POLICY RELATED OUTPUTS (2018)

- Industry research completed on, among others, ceramic products, chocolate confectionery, fuel cell application potential, energy storage capacity roll-out
- Prospects for the beneficiation of South Africa's iron ore resources
- Estimates of the potential economy-wide impacts associated with public sector infrastructure spending
- Economy-wide impact of a youth investment programme
- Support for the development of the Industrial Policy Action Plan (IPAP)

INVESTMENT GENERATED

INVESTMENT FACILITATED
5 years: 2014-2018
R176 bn

JOBS CREATED AND SAVED

DIRECT AND INDIRECT JOBS IMPACT
5 years: 2014-2018

DIRECT	INDIRECT	TOTAL
109 000	280 000	389 000

INDUSTRY SECTORS SUPPORTED

SECTORAL DISTRIBUTION OF FUNDING APPROVALS
5 years: 2014-2018

Manufacturing	45%	Services	16%
Mining	21%	Agriculture	2%
Electricity generation	16%		

See value chain reports for more detail

DEVELOPING RURAL AREAS

NUMBER OF DIRECT JOBS CREATED/SAVED IN RURAL AREAS
5 years: 2014-2018
32 833

ECONOMIC TRANSFORMATION

CUMULATIVE VALUE OF FUNDING FOR BLACK ECONOMIC EMPOWERMENT 5 years: 2014-2018

R40 bn to black-empowered businesses, of which
R21 bn to black-owned businesses
R20 bn to Black Industrialists (included in the above categories)

CUMULATIVE VALUE OF FUNDING FOR WOMEN AND YOUTH EMPOWERMENT

Youth empowered
R4 bn

Women empowered
R10 bn

FINANCIAL OUTCOMES

2018
TOTAL ASSETS
R137 bn

5 years: 2014-2018
NET PROFIT AFTER TAX
R8.9 bn

KEY RISKS

RISK	RISK MITIGATION
Macro-economic conditions Macro-economic conditions or sovereign credit downgrades impacting the IDC's business and its ability to achieve strategic objectives.	This risk is monitored through regular analysis of economic, political and legal events, potential implications assessed and interventions implemented.
Developmental finance support to fellow SOCs In light of tight macroeconomic conditions, the possibility that the IDC may be requested to utilise its capital to support SOCs in need of funding for developmental projects.	This risk is mitigated by the IDC increasing its effectiveness as a DFI and demonstrating the value that it creates for its Shareholder.
Subsidiary delivery and performance Financial viability of material subsidiaries and their ability to deliver effectively (sefa, Scaw and Foskor).	Board representation on key subsidiaries. Subsidiaries' performance is monitored on an ongoing basis. New department established to support subsidiaries.
Job creation Risk that the IDC may not be able to contribute adequately to job creation.	Incentivising job creation in transactions through concessionary rates, greater emphasis on activities in sectors that create more jobs and support for transactions in upstream industries and infrastructure that will unlock job creating activities.
Carbon taxes paid by the IDC, subsidiaries and associates The high impact of the cost of carbon taxes payable by the IDC, its subsidiaries and associates on its financial sustainability.	Carbon Tax Management Strategy for the IDC as well as at material subsidiaries and associates.

RISK	RISK MITIGATION
Sub-optimal business processes The risk of non-alignment of processes and systems to support the delivery of the strategy.	The risk is managed through the close monitoring of operational performance and deal throughput and a process of continuous improvement focused on business processes.
Human capital The risk of not having adequate or appropriately skilled human capital to deliver against the IDC strategy.	The risk is mitigated by targeted recruitment, retention strategies, e.g. competitive remuneration and total reward offering. Focusing on employee education and training as well as study assistance packages for personal development.
Ethical conduct and behaviour All forms of internally and externally conducted theft or fraudulent activities including unethical business practices and behaviour.	This risk is mitigated by fraud and ethics awareness training, implementation of the Code of Ethics and Business Conduct, and thorough due diligence processes and assessment of business partners.
Corporate governance Non-adherence to good corporate governance standards by the IDC, subsidiaries and investee companies.	Implementation of Corporate Governance Framework.
Sector concentration and listed share portfolio volatility The risk that the IDC portfolio concentration results in investment value fluctuations that impact on dividend income and balance sheet strength.	Investment analyses and monitoring. The IDC's diversification strategy, e.g. capital allocation to sectors with low exposure.
Credit and investment risk Risk of non-payment by the IDC's business partners and non-recoverability of investments.	Risk managed through quarterly Investment Monitoring Committee meetings to ensure that appropriate intervention strategies are in place to address risk. Well-defined Credit and Investment Policy and approved Delegation of Authority Policy in place to authorise transactions. The IDC's Post Investment Management Department monitors client performance and collections. The Workout and Restructuring Department assists with the turnaround of clients in financial distress.

RISK	RISK MITIGATION
IT security and cyber risk Risk of unauthorised electronic information access could lead to compromised information.	IT security awareness and training. Daily monitoring by IT Governance and Network Teams. Risk mitigation through, inter alia, firewalls and anti-virus software. Regular systems-testing to prevent unauthorised user access.
Fines (local and foreign) for legal and regulatory non-compliance Inability of the IDC and business partners to meet legal, contractual and regulatory requirements.	Risk mitigation through key controls, including Legal Department systems, monitoring procedures, compliance manual and policies. Adequately resourced Compliance and Regulatory Affairs Department in place.
Inadequate regional integration Inadequate regional integration between South Africa and neighbouring countries.	Dedicated departments in place to market the IDC and source IDC value chain-related projects.
Winning organisational culture Risk of the IDC's culture and values not aligned with delivery against mandate or strategy.	Managed through culture transformation initiative, culture awareness sessions and ongoing employee engagement. Process approved to achieve desired behaviour, culture and values and implementation monitored.
Proactive new business generation Inability to source new business proactively.	Proactive industry development strategies for the IDC to develop projects. Marketing of the IDC's products and services, especially through industry bodies active in the priority areas where the IDC is involved.
Black Industrialists, women and youth entrepreneurs strategy Insufficient participation by Black Industrialists, women and youth entrepreneurs in the economy.	Black Industrialist preferential pricing schemes and business support introduced. Active participation in and representation on Black Industrialist programme through the dti. Development Impact Support Department assisting operational units to source and facilitate transactions benefiting women and young entrepreneurs.

RISK	RISK MITIGATION
Business continuity risk Major business disruption that impacts the IDC's ability to resume operations.	Implementation of business continuity plans and disaster recovery plan testing.

High Risk Medium Risk Low Risk

MAKING TRADE-OFFS

Competing needs from multiple stakeholders in a capital-scarce environment require certain trade-offs to deliver on our mandate. This requires proactively tough, yet balanced, decisions to direct resources effectively towards strategic focus areas that will create the most long-term value.

Description	Strategic areas impacted
Funding for capital-intensive vs. labour-intensive industries The IDC is targeting job creation to alleviate unemployment. We balance investment in more capital-intensive industries that do not create many direct jobs but have the potential to unlock downstream economic activity and increase competitiveness with investment in more labour-intensive downstream businesses that create jobs, often at a lower cost but without a catalytic impact on industrial or value chain development.	
Leveraging more funding from the private sector vs. the IDC increasing its share of funding for projects The IDC prefers other funders, including project promoters, to participate in funding for projects to avoid crowding out investment and to permit the allocation of limited financial resources to other developmental endeavours. However, partially-funded projects that do not attract other investors and are not implemented, will not contribute to development. Such partially funded projects require an increase in IDC funding, especially where the potential impact is considerable.	
Focus on project development vs. transactions with short-term outcomes The IDC aims to proactively develop industries, specifically those identified as essential elements of the prioritised value chains. We endeavour to optimise resource allocation between achieving short-term goals and investing in activities with a long-term impact.	
Supporting transactions that create new jobs vs. assisting companies in distress and saving jobs The IDC provides funding predominantly for start-up businesses and the expansion of existing businesses. We also assist businesses that experience difficult trading/operating conditions with funding to build their strengths and improve their competitiveness. In addition, our countercyclical assistance to distressed companies with long-term sustainability potential, increases resource allocation and avoids negative de-industrialisation costs.	
Taking more risk vs. reducing impairments The IDC provides funding to entities with viable business plans. Given its higher appetite for risk, the IDC can fund more businesses but with a potentially negative impact on impairments. Ideally, the IDC wants to increase funding while simultaneously managing impairments downward. We manage increased funding/decreased impairment conflicts by continuously strengthening post-investment processes and monitoring high-risk clients, and will continue with interventions to assist clients before they become financially stressed. Decisions that reduce the IDC's financial risk such as not continuing support for a business that has proven not to be sustainable, can result in negative social impacts such as jobs being lost. These considerations are taken into account when such decisions are made.	
Maximising short-term impact vs. ensuring long-term financial sustainability High short- and medium-term funding levels can deplete IDC's funding capacity. This is exacerbated by funding that does not deliver returns in the short-term. IDC will continue to monitor economic conditions and assess its capacity to increase funding levels by considering the performance of its mature portfolio and new investments.	

Selected performance indicators

	2019 projected		2018			2017	2016
Indicator	**Base**	**Target**	**Actual**	**Base**	**Target**	**Actual**	**Actual**
Development impact			RA				
Value of funding disbursed (R'bn)[1]	17.2	21.8	14.6[1]	14.5	18.5	11.0	11.4
Funding to Black Industrialists (R'bn)[2]	5.5	8.0	7.8	4.9	7.4	4.9	4.5
Funding to women-empowered businesses (R'bn)[2]	1.2	1.5	2.0	1.2	1.5	3.3	3.0
Funding to youth-empowered businesses (R'bn)[2]	0.8	1.0	1.0	0.8	1.0	1.7	0.9
Funding in support of government localisation initiatives (R'bn)[2]	4.7	5.4	7.0	4.4	5.1	4.8	4.5
Expected direct jobs created and saved (number)[2]	28 262	34 795	22 193	23 951	29 488	20 155	18 010
Financial and efficiency indicators							
Impairments as percentage of the portfolio at cost (%)	22.6	24.6	17.4	18.4	16.4	16.7	16.9
Net interest, dividends, fees and money market income as a percentage of total assets (%)	4.5	5.0	5.3	3.9	4.4	4.1	4.8
Growth in reserves (%)	Yield on LT government bonds	Yield on LT government bonds + 2%	5.5	9.2	11.2	7.5	8.2
Subsidiaries							
sefa – Performance rating	3	5	3.3	3	5	3.2	3.1
Scaw – Operating profits/losses (R'm)	(39)[3]	8[3]	(538)	(216)	(194)	(787)	(1 074)
Foskor – Operating profits/losses (R'm)	(392)	(349)	(763)	(97)	(87)	(902)	(569)

[1] Disbursements to some subsidiaries are not taken into account when the indicator is measured for performance purposes.
[2] Measured when agreements are signed. Information elsewhere in the report are as at approval.
[3] Previous Scaw Grinding Media and Cast Products divisions.

OUR STRATEGY

Our strategic focus is on industrial capacity development that maximises our development impact and ensures the long-term sustainability of the Corporation. We do this by supporting jobs-rich industrialisation and competitiveness improvements, addressing issues related to our financial and human capital, stakeholders and the natural environment, as well as increasing the efficient use of resources.

Our strategy development is a continuous and formally reviewed process. These reviews consider changes in the operating environment and are guided by robust discussions between the Shareholder, Board, Executive Management and other senior managers. We develop strategies that target specific industries and functional areas with input from field- and sector-specific experts within the Corporation.

Details of the pillars of our strategy and how they address different aspects of our business model are illustrated on page 6 of this report.

PROJECT EVOLVE

IDC started with the implementation of Project Evolve on 1 April 2015. The purpose of the project was to prioritise industries that increase our effectiveness and maximise our impact on the economy. The criteria for selecting priority industries were South Africa's current and long-term growth potential, our ability to make a meaningful impact, and industry alignment with government priorities. We identified three value chains where our proactive support could impact meaningfully on direct and indirect job creation through increased competitiveness, downstream industry development and export levels – especially into markets in the rest of Africa.

In addition, we are increasingly proactive in nurturing and developing industries that, while not currently significant players in the South African economy, are deemed to have future growth potential. In this regard, new sectors imbued with innovation, science and technology are particularly important.

Another priority area is to address the negative impact of the infrastructure backlog on industry development. We specifically target infrastructure projects that can unlock industrial development.

We support projects in the rest of Africa that benefit South African industry through procurement from local businesses, or those with local ownership or that form part of a regional value chain.

Project Evolve also identified opportunities to increase our operational efficiencies and effectiveness.

FOCUS AREAS FOR THE YEAR UNDER REVIEW

Aligned with our long-term strategy, IDC pursued the following priorities during the 2018 financial year:

Focus Area	Description
Project Evolve implementation	• Implement value chain/priority sector strategies and key initiatives/ projects • Achieve development impact
Response to operating environment	• Support companies in distress • Support sectors with immediate job creation impact • Sector-specific interventions for those affected significantly by operating environment
Financial sustainability	• Improve collections, manage impairments, price more appropriately, strengthen planning, optimise portfolio, optimise products and increase leverage of external funds
Subsidiaries management	• Engage, monitor, report and deploy IDC resources and services more proactively to subsidiaries
Organisational culture and capabilities	• Build an appropriate internal environment and focus more on developing IDC's human capital, including leadership
Governance and regulatory matters	• Improve governance further by implementing Corporate Governance Framework including conflict of interest policies, strengthening fraud and corruption prevention strategies, managing risk and increasing transparency

OBJECTIVE AND DEVELOPMENT OUTCOMES

IDC funding is directed at increasing investment in industrial sectors. Our investments are aimed at expanding capacity in productive sectors, enhancing value-addition to raw materials, improving the competitiveness of industries, increasing exports and import replacement, and integrating value chains across the continent. In this way, IDC investments and the resulting industry enhancements support the development outcomes that address South Africa's socio-economic challenges.

OBJECTIVE

- Lead industrial capacity development

DEVELOPMENT OUTCOMES

- Facilitation of decent sustainable direct and indirect jobs
- Development of Black Industrialists and support for women and youth entrepreneurs
- Increased development in poorer areas and higher integration of regional economies
- Promotion of entrepreneurship and small and medium enterprise (SME) growth
- Advancement of environmentally sustainable growth
- Increased sector diversity and localised production
- Support for the transformation of communities

OUR CONTRIBUTION TO THE NEW GROWTH PATH, NATIONAL DEVELOPMENT PLAN AND SUSTAINABLE DEVELOPMENT GOALS

IDC development outcomes	Priority areas in the New Growth Path addressed directly through development outcomes	Priority areas in the National Development Plan addressed directly through development outcome	Sustainable Development Goals addressed directly through development outcomes
Facilitation of decent sustainable direct and indirect jobs	• Jobs drivers	• Social protection (Chapter 11) • Economy and employment (Chapter 3) • Inclusive rural economy (Chapter 6)	1. No poverty 2. Zero hunger 8. Decent work and economic growth
Development of Black Industrialists and support for women and youth entrepreneurs	• Development policy – Broad-based Black Economic Empowerment	• Economy and employment (Chapter 3) • Transforming society and uniting the country (Chapter 15)	5. Gender equality 10. Reduced inequalities
Increased development in poorer areas and higher integration of regional economies	• Jobs drivers – Spatial development • Development policy – Rural development policy • Development policy – Policies for African development	• Economic Infrastructure (Chapter 4) • Environmental sustainability and resilience (Chapter 5) • Integrated and inclusive rural economy (Chapter 6) • South Africa in the world (Chapter 7) • Transforming human settlements (Chapter 8)	7. Affordable and clean energy
Promotion of entrepreneurship and SME growth (including sefa)	• Development Policy – Enterprise development	• Economy and employment (Chapter 3) • Economic infrastructure (Chapter 4)	1. No poverty 8. Decent work and economic growth
Advancement of environmentally sustainable growth	• Jobs drivers – Green economy	• Economic infrastructure (Chapter 4) • Environmental sustainability and resilience (Chapter 5)	3. Good health and well-being 6. Clean water and sanitation 12. Sustainable consumption and production patterns 13. Climate action 14. Life below water 15. Life on land
Increased sector diversity and localised production	• Jobs drivers	• Economic infrastructure (Chapter 4) • Building a capable developmental state (Chapter 13)	9. Industry, innovation and infrastructure
Support community transformation	• Jobs drivers – Social capital • Development policy – Broad-based Black Economic Empowerment • Jobs drivers – Spatial development	• Economic infrastructure (Chapter 4) • Transforming human settlements (Chapter 8)	11. Sustainable cities and communities

OPERATIONAL STRUCTURE

The Corporation consists of 11 divisions, each headed by a Divisional Executive, who reports to the Chief Executive Officer.

Four of the 11 divisions are solely engaged in transactions and project development. These divisions consist of individual units that focus on specific value chains and industries. Each unit handles applications and projects for a specific industry to foster specialisation and industry expertise.

Four transaction support and middle office divisions assist the operational divisions in terms of:

- The legal aspects of transactions
- Post-investment and business turnaround
- Research and strategy formulation
- Support for targeted groups of entrepreneurs
- Credit risk assessments.

These four divisions also perform other corporate support functions such as compliance monitoring, secretarial and IT services and operational risk management.

Finally, three divisions provide administrative support related to finance and funding, corporate affairs and human capital. The internal audit unit reports operationally to the CEO.

A Subsidiaries and Significant Investments Department was established in June 2018 to improve the monitoring and management of our subsidiaries and other large investments.

Chief Executive Officer

Operations

Mining & Metals Industries	Agro, Infrastructure & New Industries	Chemicals & Textiles Industries	High Impact & Regions
Basic Metals & Mining	Agro-processing & Agriculture	Basic & Speciality Chemicals	Media & Motion Pictures
Machinery & Equipment	Industrial Infrastructure	Chemical Products & Pharmaceuticals	Heavy Manufacturing
Automotive & Transport Equipment	New Industries	Clothing & Textiles	Light Manufacturing & Tourism
			Rest of Africa Support
			Operations Head Office

Support and Administration

Finance & Funding	Corporate Affairs	Human Capital
Corporate Funding	Corporate Marketing & Communication	HC Business Partners
Corporate Treasury	Customer Relations Management	Talent Management & Organisational Effectiveness
Financial Management	Facilities Management	Remuneration & Benefits, Systems & Payroll
Procurement	Corporate Social Investment	Operations Training & Knowledge Management
Development Funds		

Internal Audit

Transaction Support and Middle Office

Legal & Governance	Transaction Support & Post Investment	Corporate Risk	Corporate Strategy
Legal Services	Post Investment Management	Risk Management	Corporate Strategy
Workout & Restructuring	Developmental Impact Support	Asset & Liability Management	Research & Information
Compliance & Regulatory Affairs	Information Technology	Environmental Health & Safety	Innovation & Continuous Improvement
Corporate Secretariat & Records		Fixed Asset Valuations	PICC Support
			PICC Technical Unit

MATERIAL MATTERS

We define material issues as those with the potential to significantly affect our performance and ability to create value. We base the determination of materiality in integrated reporting on the guidelines of the International Integrated Reporting Council (IIRC), International Federation of Accountants (IFAC) and the Global Reporting Initiative (GRI).

The materiality assessment process entails the identification of matters most significant to our business and stakeholders. Social, environmental and governance issues of concern emerge through ongoing stakeholder engagement. These activities also inform our response to risks and opportunities.

LA Our stakeholder engagement strategy and interactions are available on-line. We rank our stakeholders in terms of mutual impact, influence and interdependence, which enables us to prioritise their requirements.

Stakeholders with the highest levels of influence and interdependence are government structures involved with industrial policy and economic development, as well as lenders, employees, clients and project partners.

Government relies on IDC to deliver against its goals, while we rely on government to create an enabling environment conducive to investment and economic growth. IDC raises capital for investment activities from lenders who depend on us to honour financial commitments. We need our human capital to mobilise the required financial capital, while our employees trust us to provide a work environment that offers meaningful work, market-related compensation and appropriate skills development. We rely on project partners to be accountable and responsible for project delivery, while they need ongoing IDC funding and support.

Stakeholder feedback and environmental scanning results inform our mandate and purpose. The resultant material issues were confirmed after considering the key risks and strategy of the organisation. The Board Audit Committee (BAC) validates all material issues.

i *Stakeholder engagement matrix*

Our Executive Management is responsible for managing the material issues in a structured way and ensures that the list remains current and relevant.

After due consideration, the seven material issues adopted for the 2017 financial year were retained for this reporting period.

Material matters and their linkages to strategic pillars

Material matter	Link to strategy		
Industrial development	INCREASE INDUSTRIAL DEVELOPMENT	UTILISATION OF RESOURCES	
Socio-economic development	INCREASE INDUSTRIAL DEVELOPMENT	STAKEHOLDERS	NATURAL ENVIRONMENT
Customer expectations	STAKEHOLDERS	UTILISATION OF RESOURCES	
Human capital	HUMAN CAPITAL	UTILISATION OF RESOURCES	
Partners	STAKEHOLDERS		
Governance, regulation and risk management	MAINTAIN FINANCIAL SUSTAINABILITY	STAKEHOLDERS	
Financial sustainability	MAINTAIN FINANCIAL SUSTAINABILITY	UTILISATION OF RESOURCES	

Stakeholder prioritisation LA

Stakeholder's influence on IDC ↑ / IDC's impact on the stakeholder →	Low	Medium	High
High	• Rating agencies	• Regulators • Government departments not mentioned elsewhere in the table with an interest in IDC-funded sectors • National Treasury • Mature listed investments where IDC has a low shareholding • Department of Small Business Development (sefa)	• Existing and potential clients • Strategic project partners • Employees • Lenders (bondholders, commercial banks, DFIs, PIC, UIF) • Portfolio Committee on Economic Development and Select Committee on Economic and Business Development • Economic Development Department • Department of Trade and Industry
Medium	• Media	• The unemployed • Organised labour • Banks and other financial services providers • Government departments not mentioned elsewhere in the table • Governments of African countries other than South Africa • Business associations • SOEs	• Broader communities around IDC-funded projects • IDC's subsidiaries • Provincial governments
Low	• Former employees • Potential employees • Higher education institutions • Activist bodies		• Suppliers

Stakeholder's influence on IDC

IDC's impact on the stakeholder

CONTEXTUALISATION OF MATERIAL MATTERS

Industrial development

IDC is a key implementing agent of government policies, such as the National Development Plan, Industrial Policy Action Plan and New Growth Path. As such, we intensify investments in our selected value chains and sectors and execute our mandate of industrial development in accordance with relevant legislation and government policy.

Socio-economic development

Our funding influences certain socio-economic development outcomes directly. As a DFI, we participate in relevant forums and platforms to contribute to achieving South Africa's Sustainable Development Goals.

Customer expectations

i Customer satisfaction survey results

We regularly revise products and simplify processes to remain relevant and meet customer needs. Our endeavours to respond to requests timeously and improve stakeholder communication are measured through quarterly and annual customer satisfaction surveys. Survey results for the reporting period rated IDC service delivery as 7.8 on a scale of 1-10 (2017: 7.9). Customer dissatisfaction again centred mainly on turnaround times. RA

Human capital

Transformation and diversity are cornerstones of our human capital strategy and we endeavour to offer appropriate rewards and recognition, work satisfaction and an enabling work environment. We strive to attract and retain appropriately qualified, skilled and experienced employees and are responsive to employee expectations, which include commitment to our mandate, a stable and predictable work environment and an engaged and supportive leadership.

Partners

The IDC is integral to structuring projects that crowd in private capital. Our business partners depend on our financial stability, operational independence and adherence to good governance principles.

Governance, regulation and risk management

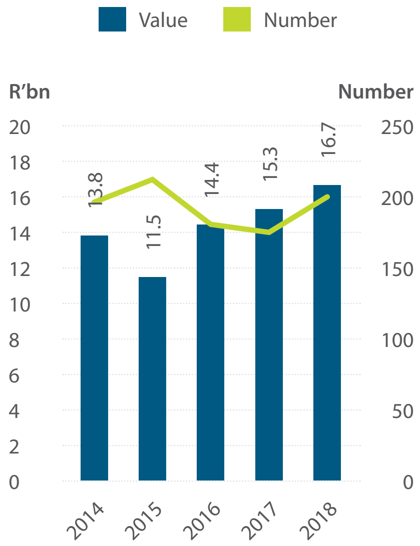
We subscribe to the principles of good governance as espoused in King IV and comply with PFMA provisions and the Treasury Regulations applicable to Schedule 2 entities. We regularly update systems and processes, as well as registers that relate to conflicts of interest, risk management and fraud prevention.

Financial sustainability

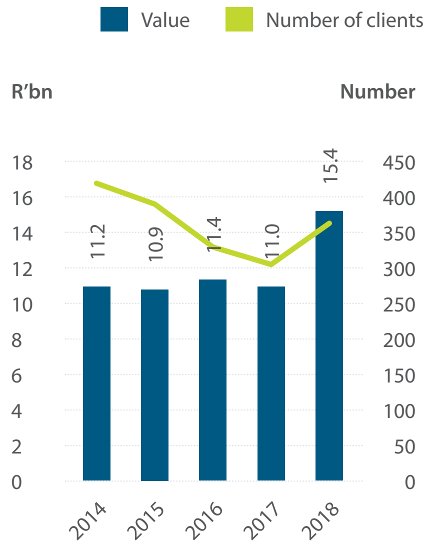
As a financially sustainable SOE, we use our balance sheet and the ability to leverage equity to achieve our objectives. We base our business decisions on factors that include risk, as well as capital and financial structures, to give effect to achieving our development outcomes.

PERFORMANCE TRENDS

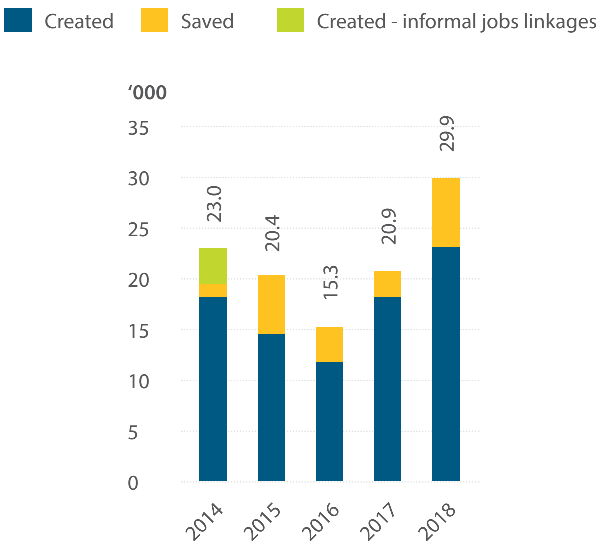
Funding approvals



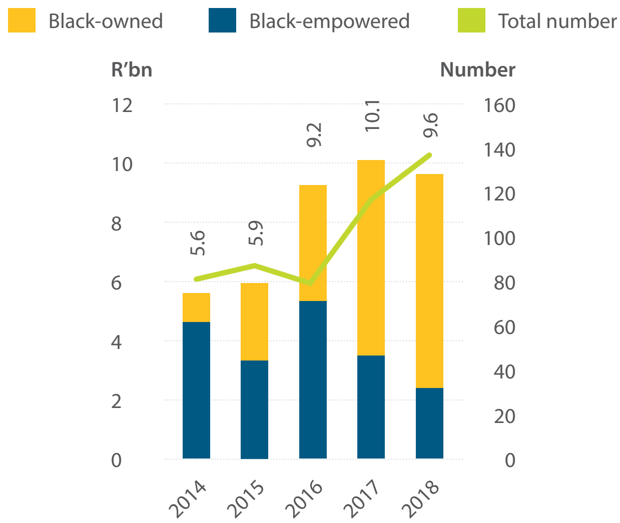
Value of funding disbursed and number of clients disbursed to



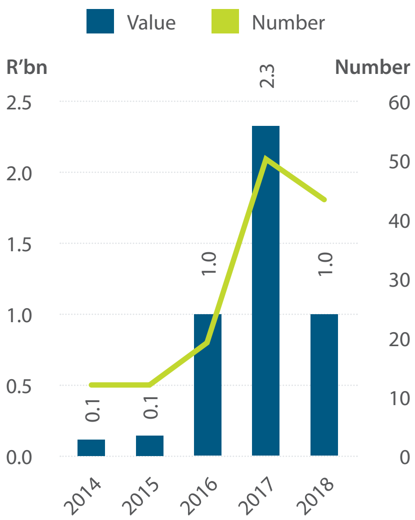
Number of jobs expected to be created and saved



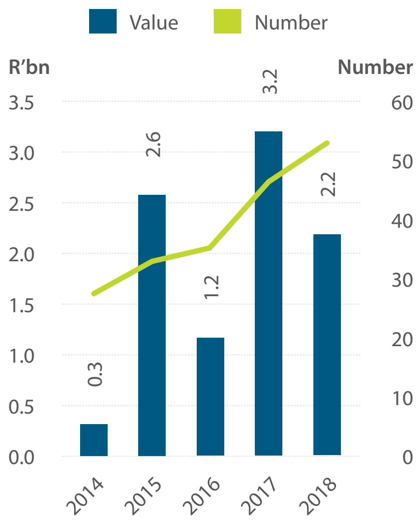
Value approved and number of approvals for black-empowered and black-owned companies



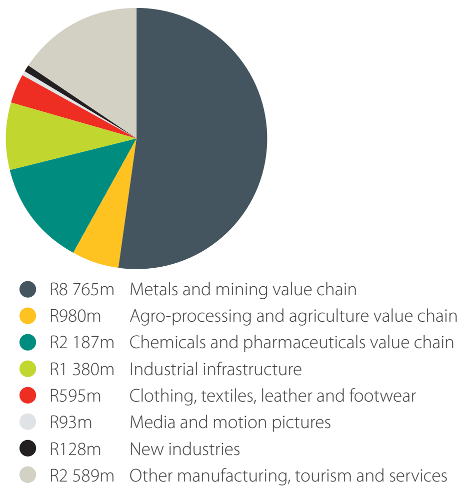
Value approved and number of approvals for youth-empowered enterprises



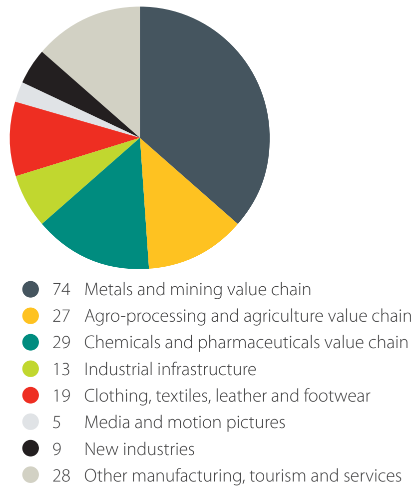
Value approved and number of approvals for women-empowered enterprises



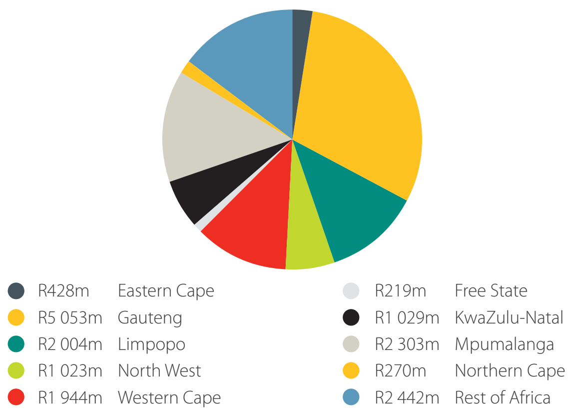
Value approved by sectoral focus area (2018)



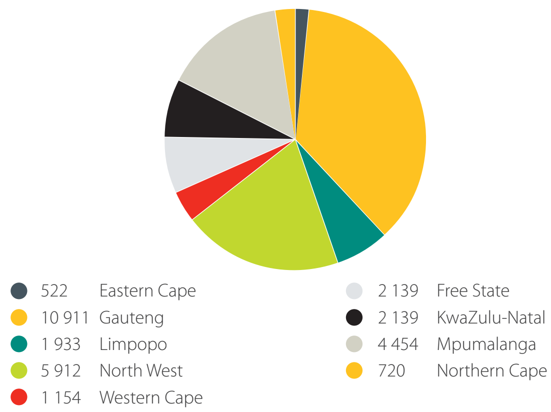
Number of transactions approved by sectoral focus area (2018)



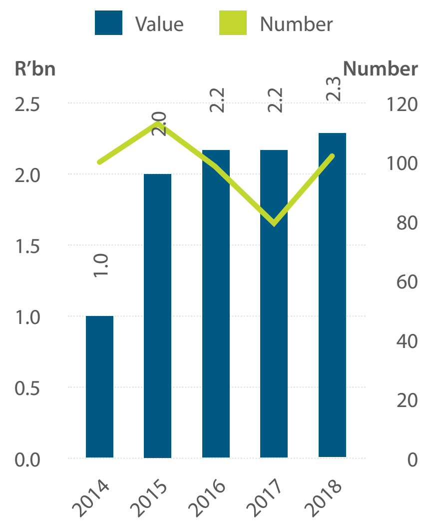
Value approved by region (2018)



Number of jobs expected to be created and saved by region (2018)

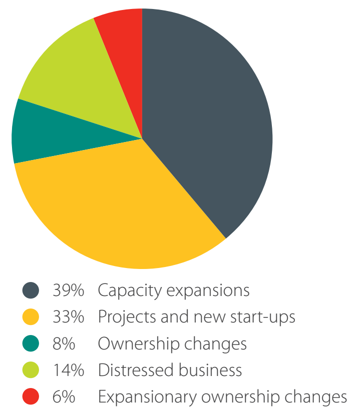


Funding approved for SMEs*



* Excluding sefa funding to SMMEs

Utilisation of funds approved (2018)



OUR BOARD OF DIRECTORS

BA MABUZA (54)

Chairperson of the Board
(Non-Executive Director)

MBA (Finance and Information Systems) (Leonard Stern School of Business, New York University, USA), BA (Mathematics and Computer Science) (Hunter College, City University of New York, USA)

Appointed to the Board on 25 November 2011 and appointed Chairperson on 29 January 2015

Committees:
- Member of the Board Human Capital and Nominations Committee
- Member of Board Investment Committee

MG QHENA (52)

Chief Executive Officer
(Executive Director)

CA(SA), BCompt (Hons) (UNISA), SEP (Wits and Harvard), Advanced Tax Certificate (UNISA)

Appointed to the Board on 1 March 2005

LI BETHLEHEM (50)

(Non-Executive Director)

Master of Arts (Wits), BA (Hons) (Industrial Sociology) (Wits), Certificate in Economics and Public Finance (UNISA)

Appointed to the Board on 1 October 2008

Committees:
- Chairperson of the Board Risk and Sustainability Committee

BA DAMES (52)

(Non-Executive Director)

MBA (Samford University, USA), BSc (Hons) (UWC)

Appointed to the Board on 25 November 2011

Committees:
- Chairperson of the Board Human Capital and Nominations Committee
- Member of Board Risk and Sustainability Committee

RM GODSELL (65)

(Non-Executive Director)

MA (Liberal Ethics) (UCT), Postgraduate studies (Sociology and Philosophy) (Leiden University, Netherlands), BA (Sociology and Philosophy) (UKZN)

Appointed to the Board on 25 November 2011

Committees:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Audit Committee

AT KRIEL (55)

(Non-Executive Director)

BSoc Sci (Cape Town)

Appointed to the Board on 1 April 2016

Committees:
- Member of the Board Human Capital and Nominations Committee
- Member of Board Risk and Sustainability Committee
- Member of the Social and Ethics Committee

SM MAGWENTSHU-RENSBURG (58)

(Non-Executive Director)

DPhil (Business Management) (UJ), MBA (Webster University, London), BA (Management Accounting and Business Administration) (Webster University, Vienna)

Appointed to the Board on 25 November 2011

Committees:
- Chairperson of the Board Investment Committee
- Member of the Board Audit Committee

NP MNXASANA (61)

(Non-Executive Director)

CA(SA), BCompt (Hons) (UNISA)

Appointed to the Board on 29 January 2015

Committees:
- Chairperson of the Board Audit Committee
- Member of the Board Risk and Sustainability Committee

M MORE (37)

(Non-Executive Director)

CA (SA), CTA (UKZN), BBus Sc (Fin Hons – CA option) (UCT), B Com (Acc Hons)

Appointed to the Board on 1 April 2016

Committees:
- Member of the Board Audit Committee
- Member of the Social and Ethics Committee

PM MTHETHWA (54)

(Non-Executive Director)

MBA (Corporate Finance) (University of Sheffield, England), MSc (Economics) (University of Paris, France), BA (Economics) (University of Limpopo)

Appointed to the Board on 25 November 2011

Committees:
- Member of the Board Investment Committee
- Member of the Board Risk and Sustainability Committee

ND ORLEYN (62)

(Non-Executive Director)

LLB (UNISA), BProc (UNISA), Bluris (Fort Hare), Certificate in Energy Law, Executive Management Programme (Kellogg Business School, USA)

Appointed to the Board on 29 January 2015

Committees:
- Chairperson of the Social and Ethics Committee
- Member of the Board Investment Committee
- Member of the Board Human Capital and Nominations Committee

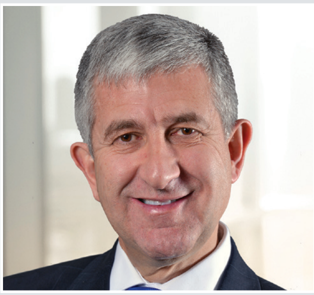
NE ZALK (49)

(Non-Executive Director)

MSc (Economics) (with merit) (School of Oriental and African Studies, London University), BA (English and Private Law) (UNISA), Postgraduate Diploma in Economics (Development) (School of Oriental and African Studies, London University),

Appointed to the Board on 25 November 2011

Committees:
- Member of the Board Investment Committee
- Member of the Social and Ethics Committee

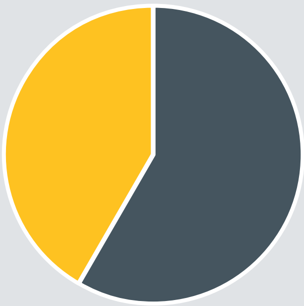


GS GOUWS (59)

Divisional Executive: Transaction Support and Post Investment
(Alternate Director to CEO)

CA(SA), BCom (Hons) (UJ), BCom (Law) (UJ), FCMA, Advanced Management Programme (Insead)

Board demographics



- 7 - Female
- 5 - Male

- 9 - Black
- 3 - White

Significant directorships in other companies

CHIEF EXECUTIVE OFFICER'S STATEMENT

Despite difficult local trading conditions during the past year, the IDC remained steadfast in its commitment to industry development, transformation and increasing investment to facilitate inclusive economic growth for the country.

OPERATING ENVIRONMENT

In 2017, the world economy recorded its fasted most broad-based and synchronised upturn in GDP growth since 2011. The Eurozone in particular, which is a key market for South Africa's manufactured goods, recorded the fastest rate of expansion in the past decade, with emerging markets and developing economies as a group also making visibly stronger contributions to world GDP growth, investment activity and trade flows.

The Chinese economy grew at a robust pace of 6.9% in 2017, with strong export demand as a major contributor. The Indian economy remained one of the fastest growing economies in the world, expanding by 6.7% in 2017 on the back of robust growth in fixed investment and household spending. Moderate rates of expansion were reported in Russia (1.5%) and Brazil (1%), while Sub-Saharan Africa posted a modest growth of 2.8% in 2017.

The South African economy saw a modest recovery in private sector fixed investment in the second half of the year, following a sharp drop in 2016, whilst the public sector at large recorded its second consecutive year of lower capital spending, in real terms, due to weaker than anticipated demand and, in certain cases, financial constraints. Consequently, these factors impacted negatively on the quality and volume of applications for IDC funding considered during the year under review.

DELIVERING ON OUR STRATEGY

The past three years have provided us with a solid base as we continue to deliver on our strategy. We have continued to improve our focus on the value chains in support of the country's objectives. These value chains remain relevant in the current environment and are aligned with opportunities in the local, regional and global economies. In the same vein, we continued to optimise our operating model to increase activity levels in order to derive improved value from our industrial capacity development interventions.

As a result, in the financial year under review we improved the total value of funding approvals by 9% to R16.7 billion, from R15.3 billion in the previous year. At the same time the number of approvals also increased by 15% from 175 to 202. We expect these approvals to have increased our impact on employment through the creation and saving of 29 885 jobs compared to 20 881 in 2017. Cumulatively since 2014, the IDC's financing activities have facilitated the creation and saving of approximately 109 000 jobs. This has contributed, inter alia, to an inclusive economy by amongst others, funding of black-owned companies, Black Industrialists, women- and youth-owned enterprises.

Total disbursements for the year increased by 40% to R15.4 billion (2017: R11.0 billion), despite many clients holding back on their investment plans. Ensuring that funding flows into the economy is a critical measure of our success and will remain a priority going forward.

I am also pleased to report that funding for agro-industries and agriculture more than quadrupled to R991 million, compared to R203 million in 2017. Although due mainly to improved weather conditions and a significant turnaround in agricultural production, our targeted interventions had an impact.

These include an increased focus on raw material supply to industries experiencing shortages, establishing projects to replace imports of certain products and enhancing South Africa's export competitiveness. Some funding went to Black Industrialists who operate medium-sized food processing and beverage businesses, such as our investment in Casa-Mia Biscuits, an independently-owned local biscuit manufacturer based in Johannesburg, South Africa. This enterprise uses the finest local ingredients to create consumer value.

While this improvement in funding to the agro-processing and agriculture sectors is still not at the desired level, considering the potential and impact of this sector on job creation, it remains high on our funding agenda.

We are also acutely aware of the need to develop industries of the future to optimise the game changing opportunities that will be integral to the "4th Industrial Revolution". According to Prof Klaus Schwab at the World Economic Forum in Davos earlier this year, "The evidence of dramatic change is all around us and it's happening at exponential speed. We are at the beginning of a revolution that is fundamentally changing the way we live, work and relate to one another."

It is incumbent on the IDC to facilitate the adoption of emerging technologies and creation of new industries that will provide the world with clean energy solutions and natural gas products, among others. We have already funded a Black Industrialist to establish a manufacturing facility to upscale and commercialise carbon nanotube manufacturing technology. Carbon nanotubes have a unique combination of properties that make them ideal for integration into, inter alia, next-generation electronics, advanced energy storage and fuel cells, super-strength plastics, water purification and additive manufacturing.

PARTNERING FOR INCLUSIVE GROWTH AND INDUSTRIALISATION

In the year under review we continued to integrate the transformation agenda into our industrial development activities. We maintained our commitment to do substantially more towards increasing industrial capacity and support to the development of Black Industrialists, women and youth entrepreneurs.

I am pleased, therefore, to announce a significant increase of 67% or R7.9 billion in 113 transactions (2017: R4.7 billion in 83 transactions) in funding approved for Black Industrialists. This demonstrates our intention to deliberately advance transformation towards inclusive growth and development. Our investment in FX Group (Pty) Ltd in Lothair is a case in point. This will be the biggest industrial investment in the Lothair area creating 398 jobs.

Total number of approvals to businesses where women have at least 25% ownership increased by 15%. However, the projects were smaller which resulted in a decline in the value of approvals. Ensuring that women have access to capital remains a key strategic focus for the IDC.

High unemployment amongst South Africa's youth population continues to persist and needs to be addressed. We are similarly committed to doubling our efforts to support youth-owned enterprises that can appreciably absorb young people, despite a decline in approvals of 25% to R1 billion (2017: R2.3 billion) over the past year.

FINANCIAL PERFORMANCE

Group profits increased from R2.2 billion to R3.2 billion during the review period. The debt to equity ratio increased to 36.1% up from 34% in the previous year.

The impairment charge however increased from R2.1 billion to R4.9bn in the current year, with the ratio of accumulated impairments to the book at cost increasing from 16.7% to 17.4 %. Whilst the impairment ratio is within the appetite range set by the Board which has an upper limit of 20%, the Corporation remains concerned with the total amount of impairments. A significant portion of the impairment charge in the current year was in respect of, Foskor and Scaw. The Corporation has taken strategic actions to contain further impairments on these subsidiaries, which among others, entail finding strategic partners, with capital and extensive experience in these industries. We have also refocused our organisation and have now established a dedicated unit within the Corporation that will focus on the strategic management of our key subsidiaries and investments.

The Scaw corporatisation process has been completed with Cast South Africa (Cast SA) and Grinding Media South Africa (GMSA) divisions carved out into separate legal entities. We have successfully introduced a strategic equity partner for GMSA as well as a controlling strategic equity partner for the remainder of Scaw and are still in discussion in relation to Cast SA.

Our balance sheet continued to grow with an asset base of R137 billion from R130 billion in the previous year, on the back of stronger commodity prices and new investment approvals. Asset diversification away from commodities to mitigate concentration risk remains a key focus area for us. This will ensure that we generate a steady and predictable dividend income while at the same time mitigating against cyclical events.

LOOKING FORWARD

I believe that during the 2018 financial year we demonstrated financial and performance resilience as well as our ability to adapt to rapidly changing market conditions. We are keenly aware of our responsibility to ensure that the IDC's funding support is transformative and inclusive and draws in young people and women as we continue to implement our strategy.

The recent improvement in business confidence augurs well for increased IDC funding to further support entrepreneurial activity to create more jobs and improve localisation efforts- to leverage off the expected increase in economic growth. We will continue to prioritize our project development portfolio, as well as pursue value chain opportunities in the African continent.

We have embraced the Presidential initiative to raise USD 100 billion in additional fixed investment to bolster confidence in the economy. We will look for opportunities to support this initiative. We will also continue to differentiate ourselves from commercial financiers, deepen our transformative role while enhancing our partnerships to remain relevant as we deliver our mandate. This includes maintaining a cost-effective business, prudent and judicious capital allocations and an investment in our people to develop industrial development thought-leaders.

ACKNOWLEDGEMENTS

I wish to extend my gratitude to the IDC staff for their unwavering commitment and dedication to upholding the hopes of many South Africans and their invaluable efforts to ensure that the IDC's impact on the economy and communities at large is relevant and meaningful.

A special thanks to my management team for their continued support in striving to deliver against our commitments. To our customers who do business with us, we greatly value your continued support and partnership.

My appreciation also to the Chairperson and the Board for support during the past year that has helped to strengthen the organisation. A special word of thanks to our shareholder representative, Minister Ebrahim Patel, for continuing to push us to do more and sincere appreciation to the Honourable members of the Portfolio Committee on Economic Development led by Ms Coleman for their continued support of our activities.

MG Qhena
Chief Executive Officer
27 June 2018

OUR EXECUTIVE MANAGEMENT

MG QHENA (52)

Chief Executive Officer

CA(SA), BCompt (Hons) (UNISA), SEP (Wits and Harvard), Advanced Tax Certificate (UNISA)

N DLAMINI (44)

Chief Financial Officer

CA(SA), BCom (Accounting) (Wits), Post Graduate Diploma in Accounting (UKZN)

MP MAINGANYA (45)

Chief Risk Officer

CA(SA), BCom (Wits), BAcc (Wits), HDip Tax Law (RAU – UJ), Adv. Cert. Banking (UJ), IEDP (Wits), GEDP (GIBS)

RJ GAVENI (46)

Divisional Executive: Human Capital

Masters in HR Management (Golden Gate University, USA), BAdmin (Hons) (Industrial Psychology) (UNISA), Executive Development Programme (GIBS)

AP MALINGA (53)

Divisional Executive: Mining and Metals Industries

MBL (UNISA), BSc (Geology) (UCT)

L MATSHEKGA (44)

Divisional Executive: Agro, Infrastructure and New Industries

Masters in Development Finance (USB), BCom Hons Financial Analysis and Portfolio Management (UCT), BCom General (UWC), Global Executive Development Programme (GIBS)

SAU MEER (56)

Divisional Executive: Chemicals and Textiles Industries

MBL (UNISA), BSc (Mechanical Engineering) (UKZN), Advanced Management Programme (Insead), Executive Development Programme (GIBS)

WH SMITH (57)

Divisional Executive: High Impact and Regions

BEng (Civil) (University of Stellenbosch), GDE (Civil) (Wits), Pr Eng

GS GOUWS (59)

Divisional Executive: Transaction Support and Post Investment

CA(SA), BCom (Hons) (UJ), BCom (Law) (UJ), FCMA, Advanced Management Programme (Insead)

P MAKWANE (52)

General Counsel and Group Company Secretary

LLB (UWC), Bluris (UWC)

PZ LUTHULI (41)

Divisional Executive: Corporate Affairs

MBA (UNISA), BA Communications (University of Zululand)

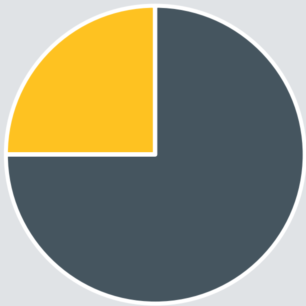
DA JARVIS (48)

Divisional Executive: Corporate Strategy

MSocSci (UKZN), BSocSci (Hons), (UKZN) BSocSci (UKZN)

Executive Management demographics

- 8 - Male
- 4 - Female



- 9 - Black
- 3 - White

METALS AND MINING VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

MINING

- Mining of ferrous and non-ferrous ores to build a competitive downstream industry
- Security of supply of energy minerals

BASIC METALS

- Development of competitive base metals industries
- Competitiveness improvement of primary steel industry

FABRICATED METALS

- Production of metal products such as coil, pipes, tubes, rods, wire and cables, including aluminium body sheets and aluminium rods

MACHINERY AND EQUIPMENT

- Manufacture of power generation, transmission and distribution equipment (including renewable energy)
- Manufacture of mining, quarrying and construction equipment
- Manufacture of bulk handling and heavy lifting equipment
- Manufacture of oil and gas, water handling, storage and distribution equipment

MOTOR VEHICLES, PARTS AND ACCESSORIES

- Increase of motor vehicle and medium and commercial heavy vehicle assembly capacity
- Manufacture of automotive parts and components

OTHER TRANSPORT EQUIPMENT

- Manufacture or assembly of rail and rolling stock, as well as parts and components (including forged train wheels)
- Development of new capacity for marine building and repair
- Increase the production of aerospace components for exports

INDUSTRY RESEARCH COMPLETED 2015-2018

- Strategic case for a fund to support beneficiation and competitiveness enhancements in South Africa's aluminium value chain
- Prospects for the beneficiation of South Africa's iron ore resources currently being exported
- The coal value chain in South Africa and assessment of coal ash utilisation routes
- Bus value chain analysis
- Fuel cell application potential in South Africa's mine vehicles value chain
- Analysis of the uranium value chain
- Analysis of the vanadium value chain with strategic assessment of redox flow battery technology
- Analysis of the automotive components value chain
- The potential to attract yellow metal OEMs
- The shipbuilding industry
- An analysis of the South African gas cylinder value chain
- The mining and construction machinery and equipment value chain
- The motor vehicles, parts and accessories value chain
- South Africa's chrome value chain – a strategic perspective
- Global solar photo-voltaic industry, focusing on South Africa
- Export potential of South Africa's capital goods industry

INDUSTRY SPECIFIC RISKS AND CHALLENGES

- Slow transformation due to significant entry barriers in some sectors, including economies of scale, technology, capital requirements and routes to market
- South Africa losing its position as a top mining investment destination
- Legacy of environmental problems
- Long regulatory approval lead-times
- SOE financial challenges that result in delays in the roll-out of infrastructure projects, which limit local equipment manufacture

INDUSTRY SPECIFIC STAKEHOLDERS AND STRATEGIC ENGAGEMENTS

- Economic Development Department
- Department of Mineral Resources
- Participation in Steel Industry Task Team
- Eskom, Transnet, PRASA and Rand Water (as purchasers of machinery and equipment)
- Department of Trade and Industry
- CSIR and other research institutions
- Automotive Original Equipment Manufacturers (OEMs)
- Industry bodies (e.g. SEIFSA, SAISI, NAACAM, VAMCOSA)
- Organised labour (e.g. NUM, NUMSA)

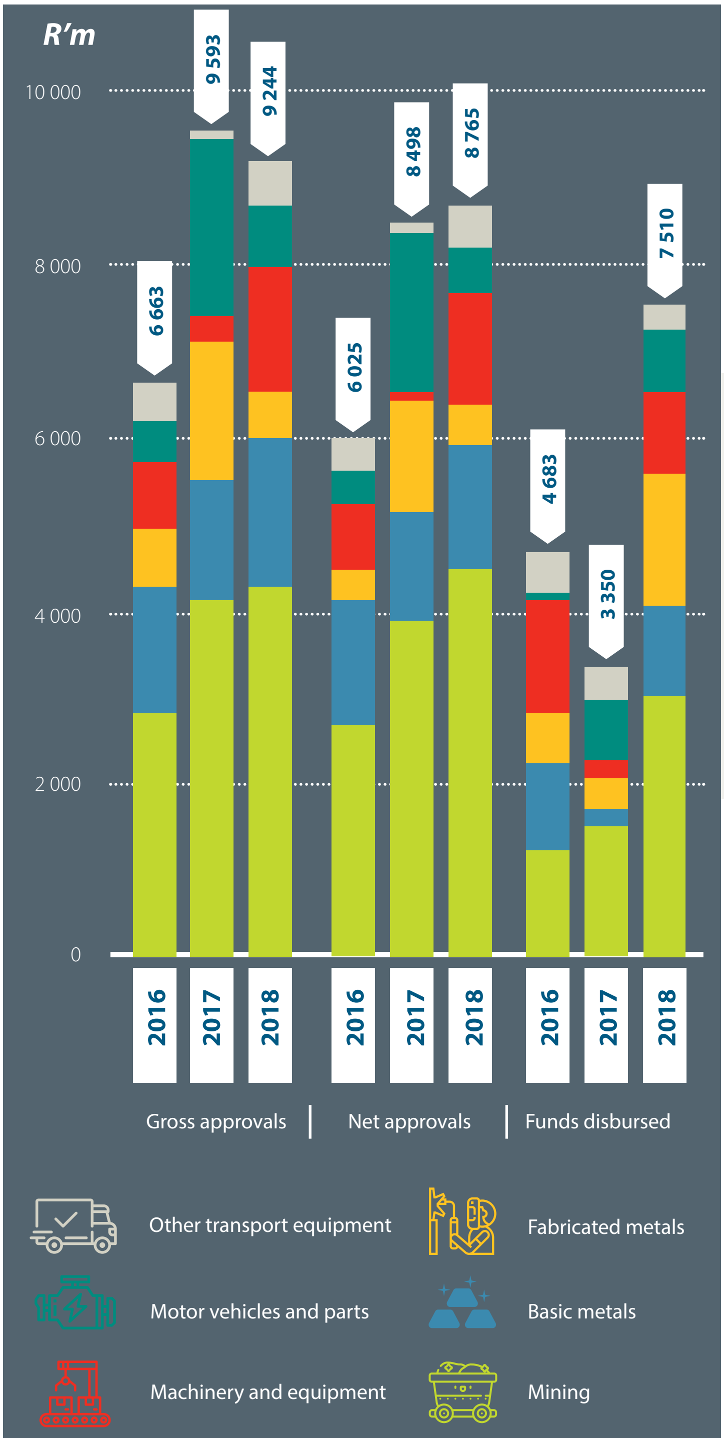
HUMAN CAPITAL

STAFF PROFILE OF UNITS SUPPORTING THE VALUE CHAIN

2018

		TOTAL
BLACK 34	WHITE 8	42
MALE 28	FEMALE 14	

FUNDING ACTIVITY



In addition to the above, R60.0 million was approved in 2018 (2017: R304.4 million) and R194.4 million disbursed (2017: R167.7 million), which do not form part of IDC funding but are from IDC-managed funds that consist predominantly of Manufacturing Competitiveness Enhancement Programme (MCEP) funds managed on behalf of the dti.

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created and saved in South Africa	13 432	9 250	7 881
Jobs created and saved per R'm approved in South Africa (before cancellations) – Created:	1.5	1.1	1.7
Saved:	1.8	1.8	1.2

	2018	2017	2016
Funding to black-empowered companies	R6.2 billion	R5.2 billion	R2.8 billion
Funding to Black Industrialists	R4.2 billion	R3.3 billion	R1.6 billion
Funding to women entrepreneurs	R0.8 billion	R2.2 billion	R0.3 billion
Funding to youth entrepreneurs	R91 million	R286 million	R191 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	11%	14%	16%
Size of the portfolio valued at cost	R40.0 BILLION	R32.8 BILLION	R31.7 BILLION

PROJECTS UNDER DEVELOPMENT

- Forged train wheels
- Recapitalisation of the fishing fleet
- Iron briquettes to replace scrap in mini-mills
- New technology to smelt platinum ore
- Steel mini-mills
- Chrome smelter
- Aluminium slug manufacturing
- Zinc smelter

METALS AND MINING VALUE CHAIN

This value chain includes mining and the manufacturing of basic metals, metal products, machinery, motor vehicles and components, as well as other transport equipment.

Mining production increased overall by 4% in calendar year 2017, compared to a 4% contraction in 2016. The rebound in output growth was largely underpinned by the strong performance of the iron ore mining sub-sector, which contributed 1.7 percentage points to the mining sector's overall growth rate, as well as the manganese mining sub-sector, which contributed one percentage point to sectoral growth. Despite the 4% increase in production, the employment in the sector showed a marginal decline of 0.1% from the fourth quarter of 2016 to the same period in 2017.

Production volumes for the basic ferrous and non-ferrous metals industries increased by 8% and 6%, respectively, in calendar year 2017, while both sectors recorded reduced employment. Production in the machinery and equipment sector also recovered with 5% higher volumes of production. Despite General Motors' divestment from the country, production in the motor vehicle industry – the largest contributor to South Africa's manufactured exports – remained relatively flat with growth at 1%. Production volumes in the electrical machinery and other transport equipment sectors declined by 8% and 6%, respectively.

OUR APPROACH

We aim to grow a globally competitive metals industry through direct intervention in downstream industries and developing basic metals industries that can supply price-competitive inputs to the downstream sectors.

The mining industry, as a key supplier of raw materials to the metals and other downstream industries throughout the economy, is an important consideration in our strategies for this value chain.

Mining remains a crucial employer in the economy and affects a multitude of downstream industries. As such, we also focus on the upstream segments of the value chain, particularly on thermal coal to facilitate energy supply security.

FUNDING ACTIVITY

The net value of funding approved for the value chain increased by 3% to R8.8 billion (2017: R8.5 billion). Funding increased for the mining, basic metals, machinery and other transport equipment industries, but declined for the fabricated metals and motor vehicle industries. The value of disbursed funding rose by 124% to R7.5 billion.

The increase in funding for the machinery and equipment industry was driven by approvals for several manufacturers of electricity transmission equipment. Most of the transactions supported Black Industrialists to enter the sector.

During the year, work continued on the introduction of strategic equity partners for three Scaw divisions. The approval for the relevant transactions were also obtained from the Competition Commission of South Africa. The company will split into separate entities that focus on wire-rod and rolled products, cast products and grinding media. The finalised transaction will include new majority shareholders with industry expertise in all the companies over a number of years to enhance operations.

We continued to support the motor vehicle industry with funding for an existing Black Industrialist to supply buses to the Ekurhuleni Metropolitan Municipality's Bus Rapid Transport system. We also supported the conversion of a semi-knocked-down taxi assembly business to one that assembles completely knocked-down kits to increase local value-add.

Following some delays, construction is progressing at the BAIC automobile plant. Funding for this project was approved in 2017 and production is expected to start in the latter part of 2018.

The largest portion of funding to the mining industry supported our strategy to develop energy minerals with several large coal mining projects aimed at securing coal supply to Eskom.

STAKEHOLDER ENGAGEMENT

A successful value chain depends on beneficial outcomes for all stakeholders in different industries. IDC engages continuously with government, organised labour and the private sector to achieve this. Topics included the Mining Charter, scrap metal policies, opportunities to increase localisation through procurement from SOEs and specific engagements with stakeholders affected by large projects, such as BAIC and others.

One such engagement resulted in the introduction of the Downstream Steel Industry Competitiveness Fund, launched during the reporting period with assistance from the Economic Development Department. The fund allows companies in downstream industries to upgrade equipment and introduce other measures to enhance competitiveness.

DEVELOPMENT OUTCOMES

Transactions approved during the year are expected to create 10 654 jobs (2017: 8 982) and save 2 778 jobs (2017: 268).

Black-empowered companies benefitted from R6.2 billion approved funding, 21% higher than the R5.2 billion approved in 2017. The amount included funding for Black Industrialists of R4.2 billion (2017: R3.3 billion). Although funding increased overall, approvals to companies with at least 25% women or youth ownership declined, compared to the previous year.

OUTLOOK

Increased confidence in the local economy bodes well for the value chain. We remain committed to supporting more labour-intensive value chain industries that will require lower amounts of capital, with R5.8 billion in investment allocated for 2019.

CASE STUDY

MASTER DRILLING

As industry adopts new technologies to enhance competitiveness, a South African leader in mining services is developing new expertise that will ensure that South Africa's mineral wealth can benefit future generations

DEVELOPMENT IMPACT

- ***Development of new technologies***
- ***Nine new direct jobs to be created – indirect jobs will be created through mining projects that become viable by using the new technology***

Master Drilling, established in 1986 and listed on the JSE in 2012, has grown into the world's largest raise drilling company with 128 rigs in 18 countries.

Raise drilling is used to create circular holes between two levels in a mine. These holes are used as ventilation shafts and shafts through which mined ore can be passed.

While mining resources in South Africa are abundant, economical mining in future will be at great depths. Another trend in the mining industry is the move to underground mine operations, from the initial open pit operations.

Master Drilling identified the need for a safer, cheaper and quicker way to conventional shaft sinking to open up and make deep reserves economically viable.

Their new technology also makes project/shaft sinking operations more environmentally friendly, with shorter lead-times to access the ore body.

IDC is assisting with the development cost of the new technology. The proposed machine will have a South Africa design and local content of ca 60%, providing export opportunities as other parts of the world adopt the machine.

The new machine will be able to access mineral bodies at a much greater depth and render viable mining projects that are currently on hold.

AGRO-PROCESSING AND AGRICULTURE VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

FIELD CROP PROCESSING

- Expanding small- to medium-scale grain processing activities, milling, etc.
- Expanding and creating new processing facilities for grains, oils and vegetables and integrating emerging farmers into the processing chain
- Industrial application of plant-based oils
- Pursuing local and regional opportunities to preserve and process vegetables (canning, bottling, etc.)
- Pursuing regional opportunities to grow grains and raw material for animal feeds

HORTICULTURAL PRODUCTS

- Adding value and formulating new products (e.g. fresh-cut fruit, de-shelled nuts, oil extraction)
- Backward integrated projects
- Replacing ageing orchards/vineyards
- New orchards and fruit products in global demand e.g. berry fruit, almond nuts, persimmons
- Advanced processing capacity, e.g. nuts, adapting facilities to pack for different markets
- Utilising under-utilised community land
- Extracting high-value additives, nutraceuticals
- Improving efficiencies, e.g. hydroponics
- Developing new and upgrading existing infrastructure
- New or improved preservation and packaging technologies

MEAT AND DAIRY PRODUCTS

- Integrating rural cattle into formal value chain
- Meat processing and packaging
- Enhancing competitiveness of red meat and poultry value chains by lowering costs, enhancing value-addition and encouraging transformation
- Adding value in dairy products industry (e.g. whey, cheese)
- Transformation through supporting Black Industrialists

FORESTRY

- Reducing dependency on imported timber products
- Reducing dependency on indigenous forests by establishing commercial plantations
- Supporting SA companies to establish presence in the rest of Africa
- Increasing transformation and inclusivity in the sector

FISH/SEAFOOD PRODUCTS

- Aquaculture:
  - Expanding exports, building on successful abalone export industry
  - Developing and establishing viable finfish aquaculture operations, replacing imports
  - Replacing harvesting from the wild with aquaculture production
  - Improving competitiveness by lowering feed costs and improving efficiencies
  - Increasing utilisation of existing fish processing facilities
  - Increasing transformation and inclusivity in the sector

INDUSTRY RESEARCH COMPLETED 2015-2018

- Chocolate confectionery in South Africa and investment opportunities
- An analysis of South Africa's citrus value chain
- The livestock value chain in South Africa
- The poultry value chain in South Africa

INDUSTRY-SPECIFIC RISKS AND CHALLENGES

- Continued adverse climate conditions in some parts of the country affecting agricultural output with additional climate risks in the long term
- Water rights, availability, quality and infrastructure
- Other infrastructure constraints
- Skills, including training and developing young farmers
- High entry barriers with high land and capital equipment costs
- Dominant position of large firms
- Reduced employment opportunities due to increasing mechanisation
- High import penetration due to unfair trading practices
- Increasing input costs, e.g. energy, animal feed
- Complex process to develop rural-based projects with various stakeholders, permits
- Uncertainties regarding land reform policy direction
- Outbreaks of avian flu and listeria reducing confidence in the sector and affecting SA's market opportunities
- Low levels of transformation

INDUSTRY SPECIFIC STAKEHOLDERS AND STRATEGIC ENGAGEMENTS

- Economic Development Department
- Department of Agriculture, Forestry and Fisheries
- Department of Rural Development and Land Reform
- the dti
- Participation in Poultry Industry Task Team
- Operation Phakisa – agriculture, land reform and rural development
- The Land Bank
- Emerging farmers
- Large agri-business
- Trade unions
- Industry bodies (e.g. Grain SA, Citrus Growers Association, SA Poultry Association, Aquaculture Association of SA, Forestry SA, SA Sugar Association, Subtrop, Hortgro, SA Table Grape Industry Association, Aquaculture Association of SA)
- Research institutions (e.g. CSIR; universities; Agricultural Research Council)
- Food retailers

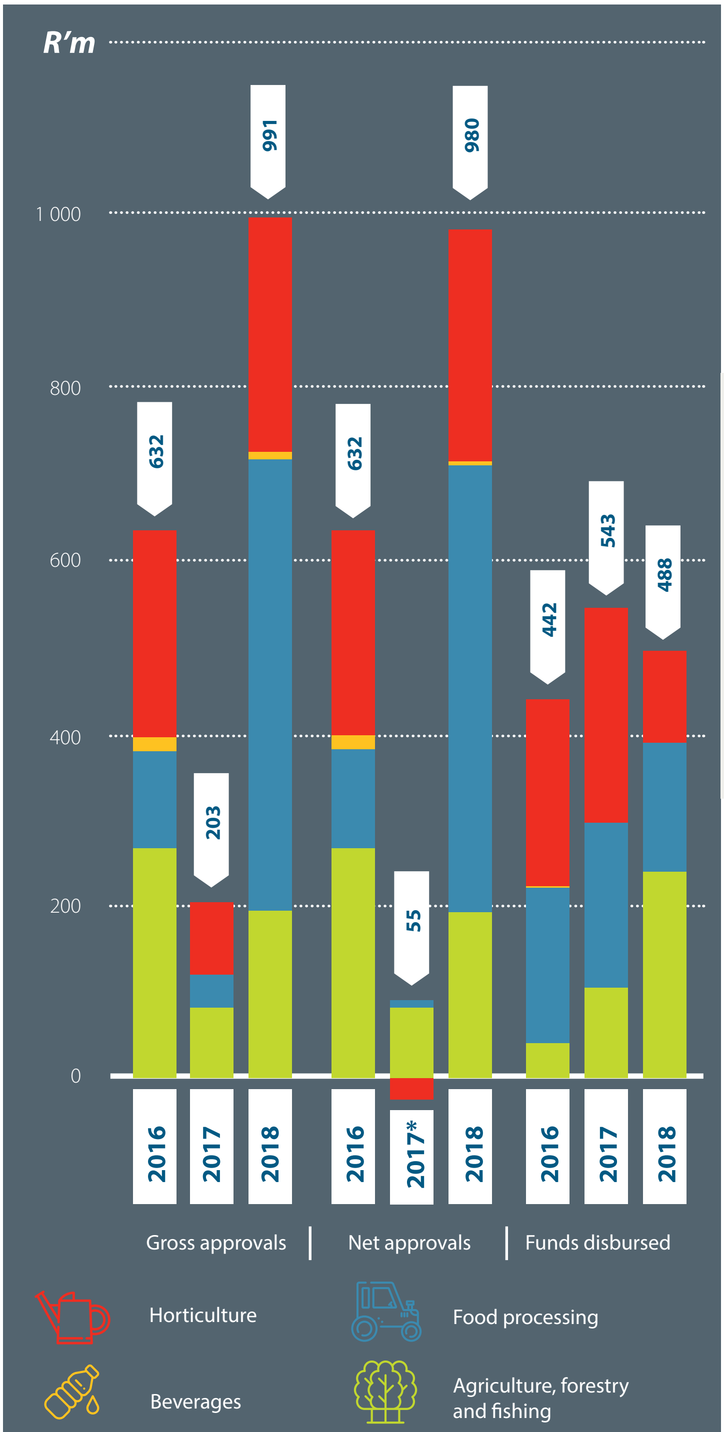
HUMAN CAPITAL

STAFF PROFILE OF UNIT SUPPORTING THE VALUE CHAIN

2018

		TOTAL
BLACK 15	WHITE 6	21
MALE 14	FEMALE 7	

FUNDING ACTIVITY



In addition to the above, R17 million was approved in 2018 (2017: R79.1 million) and R37.5 million disbursed (2017: R20.6 million), which do not form part of IDC funding but are from IDC-managed funds, predominantly APCF funds managed on behalf of the EDD.

* Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

2018	2017	2016

Jobs expected to be created and saved in South Africa

2018	2017	2016
2 942	1 023	1 898

Jobs created and saved per R'm approved in South Africa (before cancellations)

	2018	2017	2016
Created:	2.3	4.1	2.6
Saved:	5.1	66.3	5.9

Funding to black-empowered companies

2018	2017	2016
R252 million	R77 million	R138 million

Funding to Black Industrialists

2018	2017	2016
R109 million	R45 million	R54 million

Funding to women entrepreneurs

2018	2017	2016
R46 million	R36 million	R51 million

Funding to youth entrepreneurs

2018	2017	2016
R159 million	R79 million	R20 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	14%	15%	16%
Size of the portfolio valued at cost	R4.4 BILLION	R4.4 BILLION	R4.5 BILLION

PROJECTS UNDER DEVELOPMENT

- Dehydrated vegetables
- Catfish farming and processing
- Yellow kiwifruit
- Community forestry
- Development of agricultural projects that can feed into the local beverage industry such as barley, hops and malted products as well as fruit for carbonated fruit juices
- Rural cattle commercialisation project

AGRO-PROCESSING AND AGRICULTURE VALUE CHAIN

Primary industries such as agriculture, forestry and fishing, as well as the processing of agricultural products, predominantly for food, form part of this value chain.

Following the severe drought experienced throughout the country in 2016, improved weather conditions in the summer crop regions of South Africa during the 2017 calendar year, resulted in a significant turnaround in agricultural production volumes. This resulted in record maize crops, although persistent drought conditions in the southern parts of the country continued to affect crop production of, inter alia, wheat and oranges. Despite an increase in overall production, the agricultural sector reported almost 70 000 job losses, a 7.6% decline over the twelve-month period ending in the fourth quarter of 2017.

Processing industries also reported increasing levels of production, with volumes in the food processing and beverages industries growing at 2% year-on-year. Employment in both these industries declined compared to the 2016 calendar year.

OUR APPROACH

Our focus on developing downstream industries that add value to primary agricultural produce remains robust. We also support projects in the primary sector that address shortages of inputs into the processing industry, or where a new, high-value crop is being introduced in the country.

FUNDING ACTIVITY

The year under review saw the value of approved sector funding more than quadruple to R991 million compared to R203 million in 2017.

An additional R17 million was approved from funds managed on behalf of other organisations, such as the Agro-Processing Competitiveness Fund (2017: R79 million). The increase in the value of approvals did not translate into increased disbursements, which typically lag behind approvals, with R488 million disbursed (2017: R543 million).

Our funding for a significant expansion of mandarin orchards in Mpumalanga and Limpopo will increase export earnings for the horticulture industry. Funding for this project is largely aimed at expanding capacity in order to increase available supply for the Northern Hemisphere's summer season. Furthermore, some of the funding will be used to install hail netting to mitigate against climate risks.

During the year, we supported several Black Industrialists, most of whom operate medium-sized food processing or beverage businesses. The support included follow-up funding for pet food manufacturing, craft brewing, ice cream manufacturing and a small dairy that will produce pasteurised milk, yoghurt and maas, the latter being a fermented milk product.

The increase in funding levels was driven, to some extent, by project funding in the rest of the continent. We supported two sugar estates in Zambia and Tanzania. The Zambian project will refine sugar and produce golden syrup and castor sugar. In Mozambique, we are supporting the establishment of a 6 300 ha commercial eucalyptus plantation. The project is promoted by South Africans to secure the supply of logs for the African market.

STAKEHOLDER ENGAGEMENT

A key weakness in developing this industry is insufficient stakeholder collaboration. IDC made a concerted effort during the reporting period to partner with different government entities to drive projects and resolve bottlenecks. IDC, the dti, Land Bank, Jobs Fund and Department of Agriculture, Forestry and Fisheries, among others, attended a stakeholder workshop to discuss these issues. We will continue to maintain and build these close relations.

We are interacting with the Department of Rural Development and Land Reform (DRDLR) to determine how best to escalate land claims and other land-related issues that are delaying project development. Discussions with the DRDLR also focused on our participation in the Strengthening Relative Rights for People Working the Land (50/50) projects. Initial meetings have taken place and certain projects have been identified.

We continued with our participation in the Poultry Industry Task Team to identify opportunities to increase competitiveness in the industry.

DEVELOPMENT OUTCOMES

The employment impact of transactions concluded during the year improved significantly, with 1 668 direct jobs expected to be created (2017: 585 created) and 1 274 jobs saved (2017: 438 saved) in South Africa. Increased funding translated into support for Black Industrialists, as well as women-and youth-empowered businesses, with R109 million, R46 million and R159 million approved for these entrepreneurs, respectively (2017: R45 million, R36 million and R79 million, respectively).

OUTLOOK

We have made significant strides to increase our impact in this value chain over the past financial year. Given the potential of these industries to alleviate the high levels of unemployment in the country, we expect to further increase our levels of industry funding to between R1.5 billion and R1.7 billion in 2019.

CASE STUDY

SAUCY SECRETS

Based in the Eastern Cape, this company is an example of the success that young and entrepreneurial individuals can have in a well-established industry

DEVELOPMENT IMPACT

- ***24 new direct jobs***
- ***Growth in a business owned by Black Industrialists and youth***

Rashaad Musa and Ricardo Ferreira identified an opportunity to manufacture sauce products for the low- and middle-income market in 2008. They set up a plant in Uitenhage in the Eastern Cape and began production in the same year.

After initially producing only sauces, the company diversified their product range to include jams and fruit juice nectars under the brand names *Just Jam* and *Just Nectar*. Saucy Secrets supplies supermarkets and caterers in the Eastern Cape with products in a variety of pack sizes based on consumer preferences.

Although the company has experienced year-on-year sales growth, step-change growth has been hindered by a lack of the required food safety accreditations and process equipment to enter a wider market.

The company has identified opportunities to further diversify its product range to include squashes, soft drinks, cordials and bottled water.

IDC funding will enable the company to obtain the necessary accreditations, expand its product lines and print packaging in-house. With these improvements, Saucy Secrets expects to move beyond its Eastern Cape market to markets in the Western Cape, Gauteng, KwaZulu-Natal and the Free State.

CHEMICALS AND PHARMACEUTICALS VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

FERTILISERS

- Replacing imported products and increasing local value-add

ENERGY

- Increasing gas usage as an energy source
- Increasing liquid fuels energy security

BASIC AND SPECIALITY CHEMICALS

- Increasing the local production of green and other new chemicals
- Increasing local manufacturing of consumer goods inputs

PLASTICS

- Enhancing competitiveness through improving productive capacities, technologies and efficiencies
- Introducing new products, materials and processes
- Reducing import penetration
- Increasing recycling capacity and value chain improvements

CONSUMER GOODS

- Developing competitive contract manufacturing platforms to local and international brand-owners
- Localising branded consumer goods manufacturing
- Developing continental-wide brands that are manufactured locally

PHARMACEUTICALS AND MEDICAL PRODUCTS

- Developing the active pharmaceutical ingredient (API) manufacturing industry
- Producing radiopharmaceuticals for nuclear imaging
- Creating new capacity for targeted pharmaceuticals and medical devices/ equipment

INDUSTRY RESEARCH COMPLETED 2015-2018

- Analysis of the fertilisers value chain
- An analysis of South Africa's pharmaceutical value chain
- The chemicals-based consumer products value chain in South Africa
- The global natural gas industry landscape focusing on Africa and South Africa in particular
- An investigation of localisation opportunities in the South African crop protection chemicals industry
- An overview of the oil and gas industry in South Africa focusing on shale gas and suppliers of related inputs
- Development opportunities and challenges in South Africa's medical devices value chain

INDUSTRY-SPECIFIC RISKS AND CHALLENGES

- Need for greater clarity on gas role in energy mix and gas industrialisation as well as clarity on liquid fuels strategy
- Material dependency of the liquid fuels and petrochemicals industries on imported crude oil and gas
- Water scarcity
- Low levels of youth participation in the industry, especially in large projects
- Constrained cost competitiveness in the downstream chemicals industry due to high raw materials costs
- Regulatory registration for pharmaceutical products
- Lengthy process to obtain regulatory approval for pharmaceutical products
- Need to access international technologies
- Low levels of transformation
- Small domestic market for consumer products
- Large multinational institutions with established brands dominate market
- Highly technical nature of pharmaceuticals

INDUSTRY-SPECIFIC STAKEHOLDERS AND STRATEGIC ENGAGEMENTS

- Economic Development Department
- Department of Energy
- the dti
- Department of Health
- South African Nuclear Energy Corporation
- National Treasury
- Chemical and Allied Industries' Association
- Transnet National Ports Authority
- PetroSA
- Durban Chemicals Cluster
- Technology Innovation Agency
- Trade unions
- CSIR

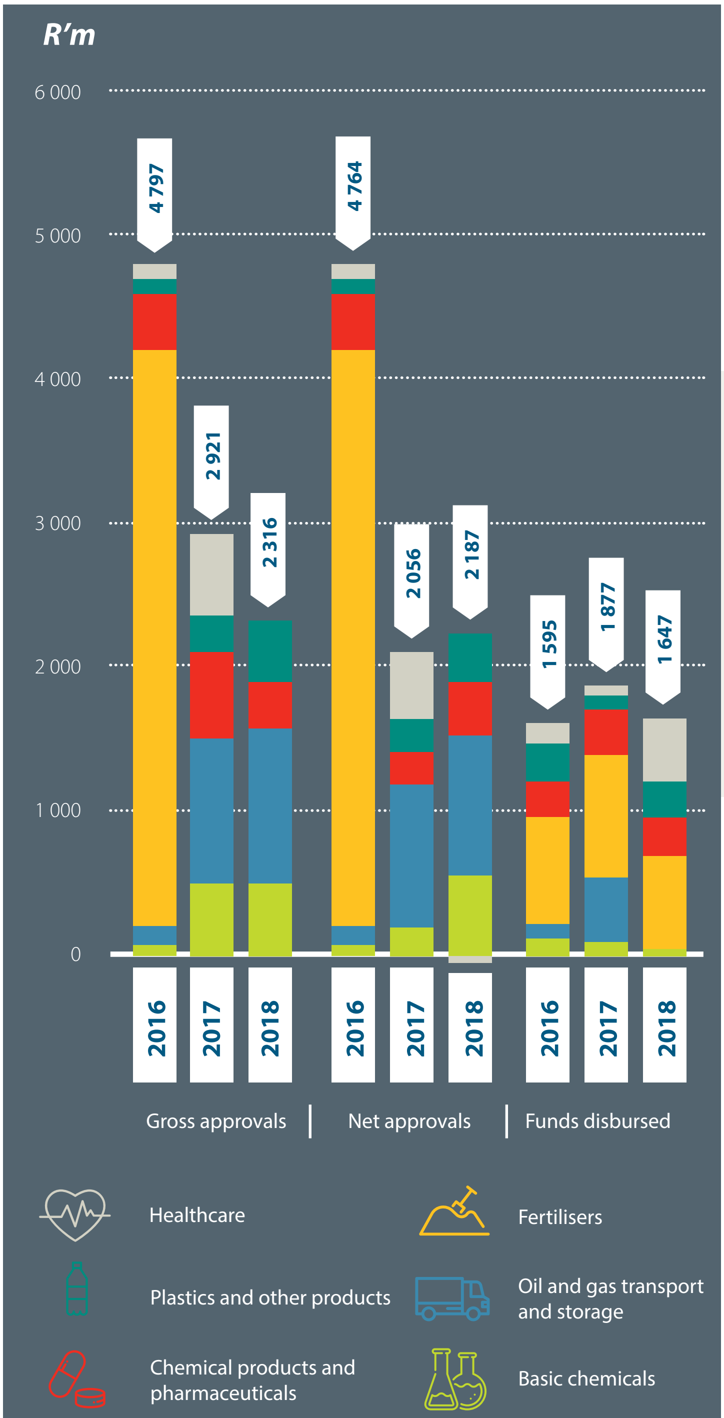
HUMAN CAPITAL

STAFF PROFILE OF UNITS SUPPORTING THE VALUE CHAIN

2018

		TOTAL
BLACK 25	WHITE 7	32
MALE 17	FEMALE 15	

FUNDING ACTIVITY



In addition to the above, R66.3 million was approved in 2018 (2017: R304.4 million) and R121.4 million disbursed (2017: R167.7 million), which do not form part of IDC funding but are from IDC-managed funds, predominantly from MCEP funds managed on behalf of the dti.

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created and saved in South Africa	1 434	1 169	1 307
Jobs created and saved per R'm approved in South Africa (before cancellations) – Created	0.6	0.7	0.3
Jobs created and saved per R'm approved in South Africa (before cancellations) – Saved	2.2	2.2	0.3
Funding to black-empowered companies	R1.1 billion	R1.1 billion	R0.2 billion
Funding to Black Industrialists	R1 102 million	R384 million	R218 million
Funding to women entrepreneurs	R199 million	R219 million	R107 million
Funding to youth entrepreneurs	R274 million	R110 million	R4 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	45%	24%	10%
Size of the portfolio valued at cost	R9.8 BILLION	R8.6 BILLION	R7.1 BILLION

PROJECTS UNDER DEVELOPMENT

- Further beneficiation of phosphate rock
- Building a manufacturing facility to produce purified phosphoric acid
- Establishing a high-purity sodium sulphate manufacturing facility
- Establishing a high-purity cobalt oxide and cobalt carbonate manufacturing facility
- Establishing a chemical complex to manufacture high-purity magnesium oxide and precipitated silica
- Establishing a pilot plant to manufacture active pharmaceutical ingredients
- Developing local natural gas resources

CHEMICALS AND PHARMACEUTICALS VALUE CHAIN

This value chain encompasses the manufacturing of oil products, basic chemicals, fertilisers, agro-chemicals, paints, pharmaceuticals and other medical products, soaps and detergents, plastic products and other related products. Oil and gas storage and distribution are also included in this value chain.

Production volumes for all sub-sectors in this value chain declined during calendar year 2017: 6% for petroleum products, 1% for basic chemicals, 3% for other chemical products and 1% for plastic products. Despite reduced levels of output all the sub-sectors, except the basic chemicals industry, recorded a marginal improvement in employment levels.

OUR APPROACH

Our funding of these industries aims to enhance the competitiveness of downstream industries, including petroleum and oil products, pharmaceuticals and other consumer products. Upstream industries in this value chain and industries that provide inputs into other sectors, such as basic chemicals and plastic packaging, are integral to downstream sector competitiveness and developing other sectors, such as the agriculture and metals industries. We also focus on ensuring security of supply for products such as pharmaceuticals and medical devices.

FUNDING ACTIVITY

Funding approvals for these industries in 2018 amounted to R2.3 billion (2017: R2.9 billion). Fewer project cancellations resulted in an increase of 6% in net approvals compared to 2017. Disbursements for the year amounted to R1.6 billion, compared to R1.9 billion in the previous year.

The storage and transportation of oil and gas again received a significant portion of funding, with R1.0 billion approved for the sector, similar to the amount in 2017. We support this sector to diversify South Africa's energy mix and improve competitiveness by increasing energy source options for businesses. Sector support in 2018 included funding for the second phase of a black-owned crude oil storage facility at Saldanha Bay to further develop the cluster of related projects in the area.

The funding approved for basic chemicals included a project, to be located in a rural area close to Piet Retief in Mpumalanga, that will produce high-purity sodium sulphate by using a by-product generated in a nearby pulp mill as a raw material.

In line with our strategy to increase competitiveness in the plastics industry, we approved several transactions for plastic converters, mostly for Black Industrialists. We also approved funding for the sizable expansion of a manufacturer and printer of flexible polymer packing products, operating in Edenvale in Gauteng.

In support of our medical products strategy, we approved funding for a Black Industrialist to set up a latex condom manufacturing plant in Gauteng.

Our funding for the establishment of a nickel sulphate purification facility, an essential input into lithium-ion batteries, will support South Africa's participation in the 4th Industrial Revolution.

Our subsidiary, Foskor, a manufacturer of fertilisers, continues to face tough trading conditions. The company has increased capex investment to improve efficiencies across its mining and phosphoric acid divisions to improve its competitive position. Foskor will also diversify and grow its market through new projects. The subsidiary's poor performance was the main driver of the significant impairment increase in this portfolio.

STAKEHOLDER ENGAGEMENT

We continue to engage with private and public sector players to improve the environment for industry development and identify growth opportunities.

Due to our engagements during the year with the Department of Health, National Treasury and the dti, a portion of the public sector's annual procurement of condoms will be allocated to South African manufacturers. This agreement has resulted in funding approval for the establishment of a factory in 2018 with the potential to fund an additional factory in the future.

DEVELOPMENT OUTCOMES

These outcomes increased significantly compared to the previous year. The number of jobs expected to be created through our funding approvals increased by 25% to 1 432 (2017: 1 148). Given the capital intensive nature of the industry, these direct jobs typically require a larger amount to be invested than in most other industries. The products in this value chain are used across various sectors and impact significantly on indirect employment and increasing competitiveness, although the job impact is not reflected in the numbers reported in this report.

Funding of Black Industrialists increased by 184% to R1.1 billion (2017: R0.4 billion). Funding for youth entrepreneurs increased by 149% to R274 million from R110 million in the previous year, while funding for women-empowered businesses declined by 9% to R199 million.

OUTLOOK

We do not foresee making significant changes to our strategies for the proactive development of this value chain. We are planning to increase funding levels to between R3.0 billion and R3.4 billion in the 2019 financial year.

CASE STUDY

THAKADU METALS BENEFICIATION/LONIX

The production of battery-grade nickel sulphate is beneficiating and incorporating South Africa's raw materials into global value chains for new technologies

DEVELOPMENT IMPACT

- ***165 new direct jobs***
- ***Support for new technologies***
- ***Establishment of a business owned by Black Industrialists and youth***

Thakadu Metals Beneficiation was founded in 2015 by Ruli Diseko, a young Black Industrialist. His experience in the mining and metals industry stems from his employment at Lonmin, the Department of Mineral Resources and as a commodities trader.

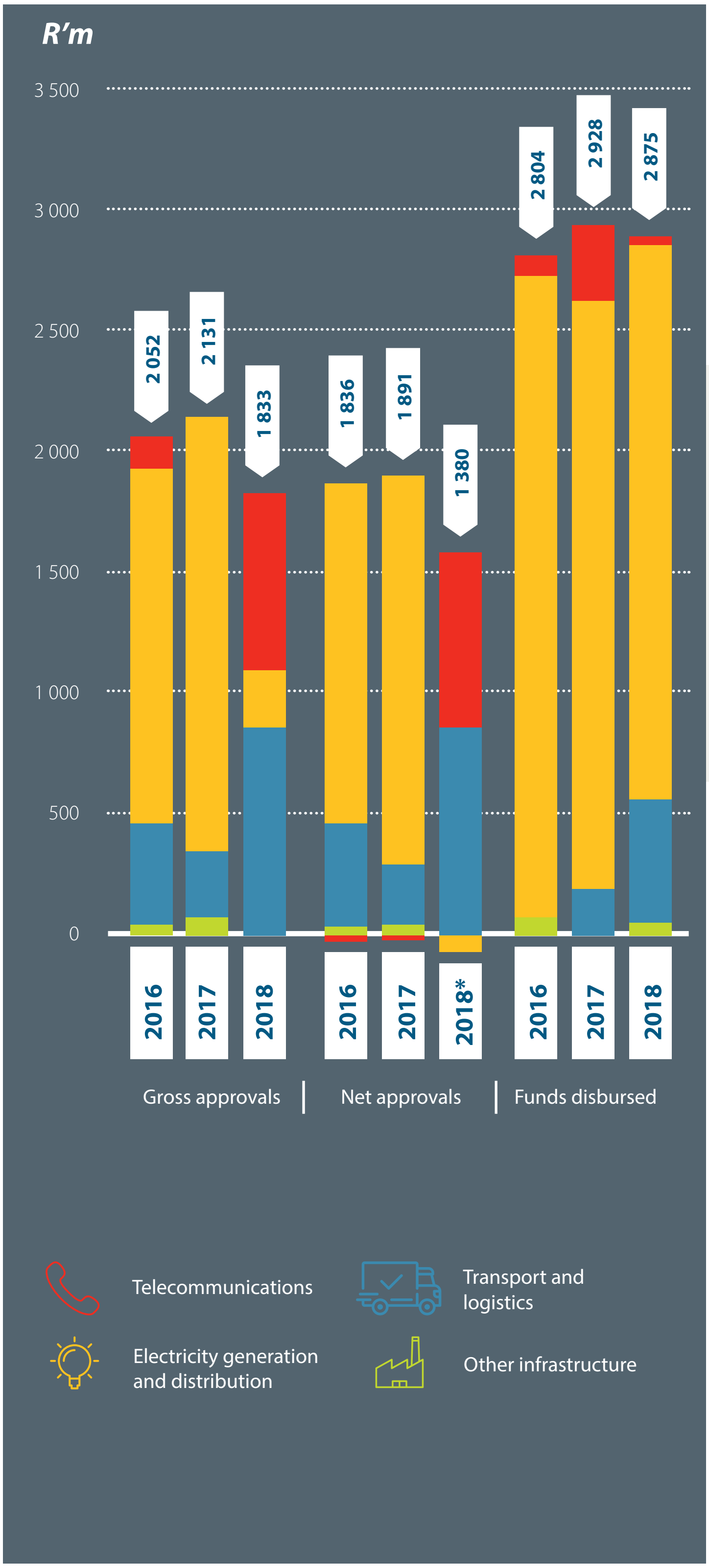
Having identified business opportunities in the mushrooming growth of raw materials used in the manufacture of batteries, the company conducted a feasibility study to establish a purification plant for the crude nickel sulphate by-product at Lonmin's platinum mining operations. The study confirmed the feasibility of such a venture and the IDC, having maintained a close partnership with the company, approved funding for the plant.

Once completed, the facility will take the crude nickel sulphate by-product and process it to 99.99% pure battery-grade material. Lithium-ion batteries used in electric vehicles and hybrid electric vehicles consist of 80% nickel. Nickel has additional applications in energy storage batteries, rechargeable battery devices and the more traditional nickel-plating market.

The project is also supported by the dti through a Black Industrialist grant.

INDUSTRIAL INFRASTRUCTURE

FUNDING ACTIVITY



* Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

2018	2017	2016

Jobs expected to be created and saved in South Africa

2018	2017	2016
786	2 864	1 594

Jobs created and saved per R'm approved in South Africa (before cancellations)

	2018	2017	2016
Created:	0.1	1.4	1.1
Saved:		1.1	1.5

Funding to black-empowered companies

2018	2017	2016
R297 million	R1 966 million	R986 million

Funding to Black Industrialists

2018	2017	2016
R1.0 billion	-R9* million	R404 million

Funding to women entrepreneurs

2018	2017	2016
R462 million	R297 million	R181 million

Funding to youth entrepreneurs

2018	2017	2016
R163 million	R948 million	R438 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	6%	6%	10%
Size of the portfolio valued at cost	R14.9 BILLION	R13.7 BILLION	R13.4 BILLION

HUMAN CAPITAL

STAFF PROFILE OF UNIT SUPPORTING THESE SECTORS

2018

		TOTAL
BLACK 12	WHITE 2	14
MALE 7	FEMALE 7	

INDUSTRIAL INFRASTRUCTURE

We support the development of electricity, water, telecoms and logistics infrastructure projects where these unlock industrial development potential.

FUNDING ACTIVITY

We approved R1.8 billion for infrastructure development in 2018 compared to R2.1 billion in 2017. The reduction came largely as a result of no significant new approvals being made for electricity generation during the year. Funds of R2.9 billion were disbursed, similar to the amount disbursed in 2017.

The largest portion of funding was for projects in the logistics sector.

Funding was approved for the development of several projects including an industrial park in Kathu, Northern Cape, in support of government's Infrastructure Plan, and in particular SIP 5, an intermodal terminal in Musina, Limpopo, and project development costs for a fresh produce market in Mbombela, Mpumalanga. In the water sector, we approved the development of a smart irrigation water project in the Northern Cape.

Continued delays with the signing of power purchase agreements associated with the REIPPPP until after the end of the financial year resulted in continued delays with the implementation of renewable energy projects.

The year also saw additional funding approved for the expansion of a telecommunications company to expand its broadband services in Nigeria, Uganda, Tanzania and the Democratic Republic of the Congo.

DEVELOPMENT OUTCOMES

Infrastructure projects typically only create large amounts of direct jobs during the construction phase, with the largest impact indirectly created through business activity that is unlocked. Direct jobs expected to be created associated with funding approved in 2018 are 786 compared to 2 846 in 2017.

R1.0 billion was approved for Black Industrialists in the sector. Funding to women-empowered businesses increased to R462 million compared to R297 million in the previous year, while fewer youth-empowered projects resulted in a decline in funding for this area.

OUTLOOK

We expect to provide between R2.2 billion and R3.0 billion in funding to projects in this sector in 2019.

CASE STUDY

MUSINA INTERMODAL TERMINAL

The project will increase the logistics efficiency in the Musina area and increase economic development

DEVELOPMENT IMPACT

- ***72 new direct jobs***
- ***Upgrading industrial infrastructure to improve competitiveness***
- ***Support for Black Industrialists***

Musina Intermodal Terminal is implementing an intermodal transport logistics terminal in Musina, Limpopo.

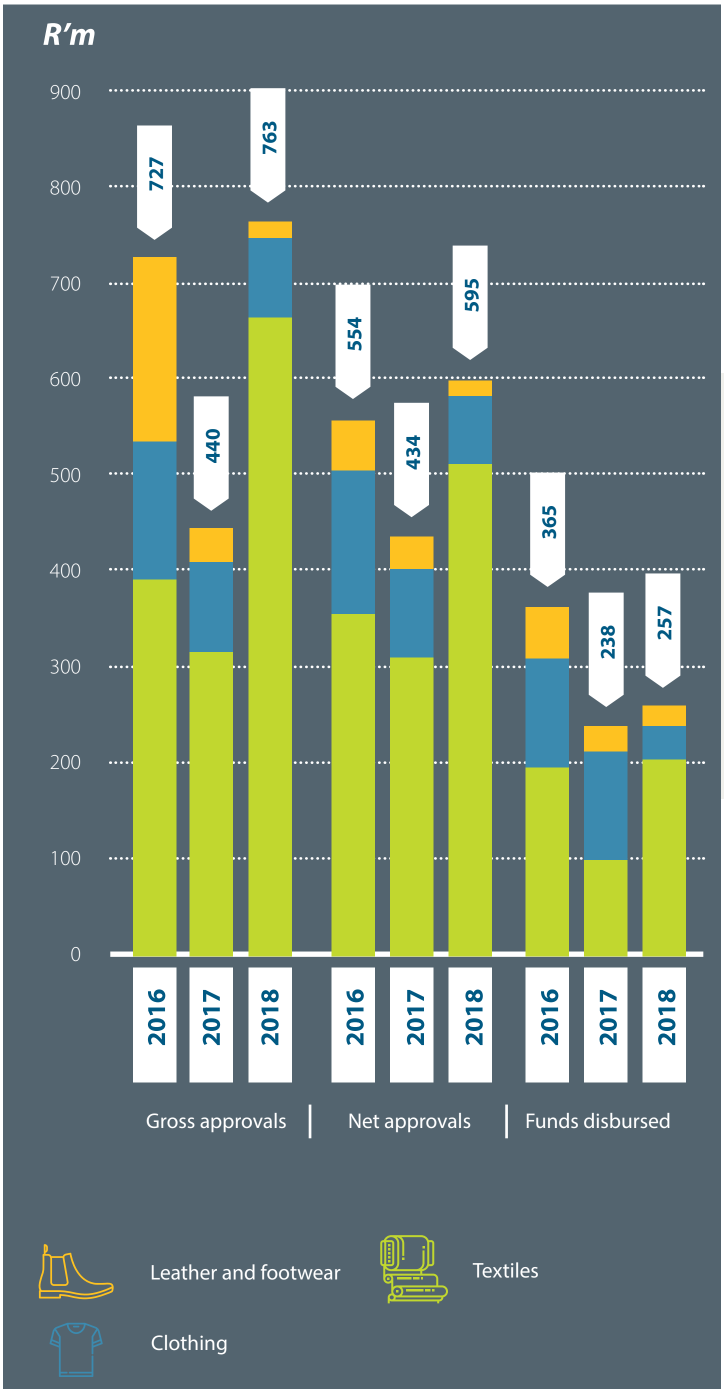
The terminal is strategically located within the Musina industrial area that contains existing road-rail link infrastructure and is suited for an inland logistics hub. The infrastructure requires upgrades and capacity expansion to handle the volumes of expected goods and to operate efficiently.

The first phase comprises the handling of bulk mining commodities, containerised cargo for citrus, grain and steel products, as well as a fuel depot. The terminal will also explore potential value-adding services such as cold storage, bulk materials crushing and screening as well as bagging and containerisation.

The IDC is supporting the company to upgrade the infrastructure and improve local economic growth and efficiency.

CLOTHING, TEXTILES, LEATHER AND FOOTWEAR

FUNDING ACTIVITY



In addition to the above, R965.0 million was approved in 2018 (2017: R1 113.0 million) and R1 104.0 million disbursed (2017: R1 003.0 million), which do not form part of IDC funding but are from IDC-managed funds, predominantly from CTCP funds managed on behalf of the dti.

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created and saved in South Africa	2 609	852	1 194

Jobs created and saved per R'm approved in South Africa (before cancellations)

	2018	2017	2016
Created:	2.7	1.9	1.8
Saved:	12.2		5.4

Funding to black-empowered companies

2018	2017	2016
R265 million	R271 million	R217 million

Funding to Black Industrialists

2018	2017	2016
R115 million	R120 million	R80 million

Funding to women entrepreneurs

2018	2017	2016
R34 million	R26 million	R110 million

Funding to youth entrepreneurs

2018	2017	2016
R54 million	R33 million	R23 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	26%	36%	43%
Size of the portfolio valued at cost	R1.7 BILLION	R1.7 BILLION	R1.8 BILLION

HUMAN CAPITAL

STAFF PROFILE OF UNIT SUPPORTING THESE SECTORS

2018

		TOTAL
BLACK 11	WHITE 1	12
MALE 5	FEMALE 7	

CLOTHING, TEXTILES, LEATHER AND FOOTWEAR

The clothing, textiles, leather and footwear industries remain key to creating and preserving jobs in the South African manufacturing sector. The sector has been improving its competitiveness and is increasingly focusing on fast fashion supply to the local retail industry. However, lower consumer consumption expenditure and the strengthening of the rand had a direct, negative impact, which resulted in a higher import penetration.

We provide financial support to the industry and play an important role in providing inputs to government policy aimed at improving competitiveness in these sectors.

FUNDING ACTIVITY

The value of funding approved for businesses operating in the clothing, textiles, leather and footwear industries increased by 74% to R763 million (2017: R440 million). The bulk of funding approvals in this industry is in the form of payment guarantees, as commercial funders are often cautious to fund the sector. This product allows companies to access funds from commercial funders on the back of IDC payment guarantees and is an efficient way for businesses to access working capital.

The largest portion of funding, 86%, was approved for companies involved in textile spinning and weaving as well in the manufacturing of textile products. The bulk of this funding continued to support existing clients, some of whom are experiencing difficult trading conditions.

Clothing manufacturers received R86.4 million (2017: R90.1 million). This included funding for a CMT operator in Isithebe in KwaZulu-Natal to expand operations and distress funding for a company in Phuthaditjhaba in the Free State.

DEVELOPMENT OUTCOMES

The funding approved for these industries during the reporting period is expected to create 1 294 jobs, significantly more than the 852 jobs in 2017. In addition, we expect to save 1 315 jobs (none were saved in 2017). The sector is labour-intensive and generates larger numbers of jobs for each rand that the IDC disburses. The IDC leverages further by utilising guarantees as a product to facilitate funding by banks. Funding to Black Industrialists decreased marginally by 4% to R115 million, while funding to women and youth entrepreneurs increased by 20% and 64%, respectively.

OUTLOOK

Our aim for 2019 is to maintain our levels of investment in the sector with expected approvals of between R585 million and R740 million.

CASE STUDY

YI LI DA SA MANUFACTURING

Supporting foreign direct investment to improve the competitiveness of local industry

DEVELOPMENT IMPACT

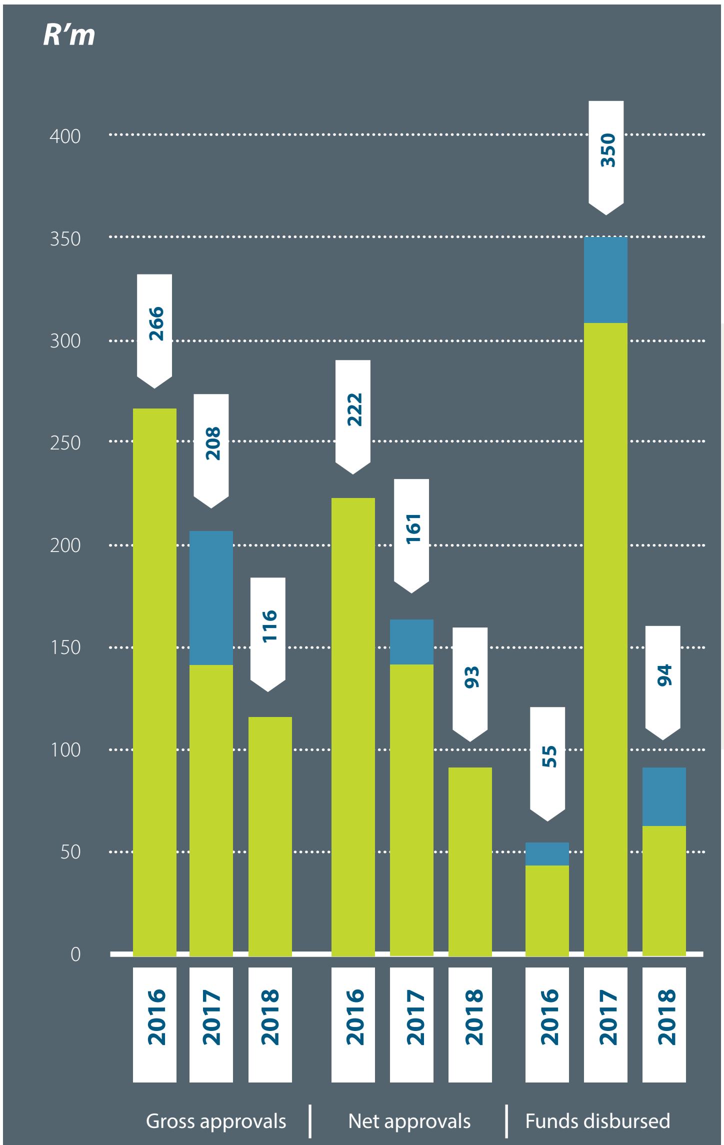
- ***230 new direct jobs***

Yi Li Da SA Manufacturing was established in 2015 and is the sole manufacturer of the popular polyester (mink) blanket products in South Africa. Yi Li Da SA was set up by their Chinese parent company to take advantage of the opportunity to replace imports.

The IDC is providing funding for the purchase of new machinery that will enable the business to improve their processes and reduce the cost of manufacturing. This will allow the company to continue to deliver world-class manufacturing quality to customers.

MEDIA AND MOTION PICTURES

FUNDING ACTIVITY



Television and radio broadcasting

Film and video production

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created in South Africa	19	126	546
Jobs created per R'm approved in South Africa (before cancellations)	Created: 0.4	Created: 1.2	Created: 2.2

	2018	2017	2016
Funding to black-empowered companies	R116 million	R80 million	R224 million
Funding to Black Industrialists	R116 million	R79 million	R224 million
Funding to women entrepreneurs	R34 million	R59 million	R32 million
Funding to youth entrepreneurs	R116 million	R62 million	R215 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	24%	21%	34%
Size of the portfolio valued at cost	R694 MILLION	R729 MILLION	R414 MILLION

HUMAN CAPITAL

STAFF PROFILE OF UNIT SUPPORTING THESE SECTORS

2018

				TOTAL
BLACK	7	WHITE	0	7
MALE	4	FEMALE	3	

MEDIA AND MOTION PICTURES

The IDC funds film production, studio infrastructure, as well as radio and television broadcasting. We also support other forms of media, such as print media, and are exploring alternative media platforms, such as game development.

FUNDING ACTIVITY

Funding for this industry decreased to R116 million in 2018 (2017: R208 million). All the funds approved were for film and video production. This was for the actual production of content as well as studio facilities. R94 million was disbursed in 2018 (2017: R350 million).

Most of our funding approved was for the production of new films. Black filmmakers will produce 10 new films that tell mostly South African stories with the funding made available during the year.

The IDC also approved additional funding to complete the construction of a television studio in Johannesburg.

DEVELOPMENT OUTCOMES

Although the film industry as a whole creates numerous opportunities for individuals, a single film creates opportunities for only a short time. After taking into account cancellations of transactions approved in previous years, the total full-time equivalent jobs expected to be created through our funding activities in 2018 is 19. This highlights the importance of ensuring the production of a steady stream of films to maintain a sustainable industry.

The R116 million approved for this industry went to young Black Industrialists (2017: R80 million to Black Industrialists, R62 million to young entrepreneurs), with women entrepreneurs receiving R34 million of the total amount approved (2017: R59 million).

OUTLOOK

We are expecting higher levels of activity in this industry in 2019 and anticipate approvals of between R303 million to R325 million.

CASE STUDY

SEW THE WINTER TO MY SKIN

Supporting local filmmakers to tell South African stories develops the industry and contributes to our cultural heritage

DEVELOPMENT IMPACT

- ***Supporting young, local Black filmmakers***
- ***10 direct full-time equivalent jobs created***

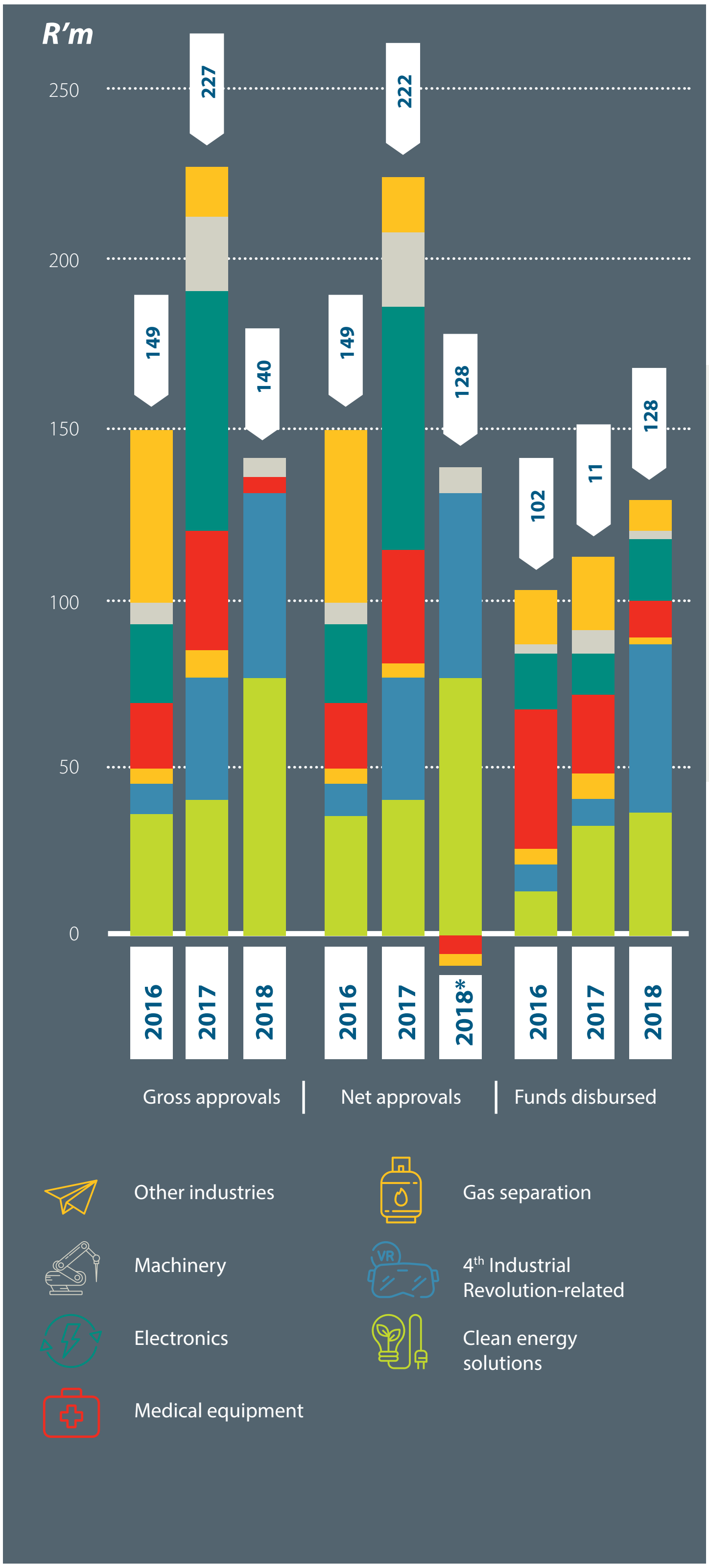
Sew The Winter To My Skin is a South African story that retells the life of John Kepe who was convicted and sentenced to death for murder in Cradock in 1952.

In the film, producer Layla Swart and writer and director Jahmil XT Qubeka tell the story of Kepe's exploits, arrest and trial against the backdrop of apartheid in the 1950s. The film has minimal dialogue with the script primarily in isiXhosa.

This will be Layla Swart's first solo production after working her way up in the film industry. Writer/director Jahmil XT Qubeka has won numerous awards, including a BAFTA in 2014 for *Of Good Report*, which was the first African film selected to compete at the London Film Festival.

NEW INDUSTRIES

FUNDING ACTIVITY



* Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created and saved in South Africa	41	482	39
Jobs created and saved per R'm approved in South Africa (before cancellations)	Created: 0.3 Saved: 0.5	Created: 2.2	Created: 0.3

	2018	2017	2016
Funding to black-empowered companies	R60 million	R31 million	-
Funding to Black Industrialists	R63 million	R31 million	-
Funding to women entrepreneurs	R15 million	-R3 million*	R6 million
Funding to youth entrepreneurs	R36 million	R108 million	-

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	52%	32%	38%
Size of the portfolio valued at cost	R979 MILLION	R876 MILLION	R811 MILLION

HUMAN CAPITAL

STAFF PROFILE OF UNITS SUPPORTING THESE SECTORS

2018

		TOTAL
BLACK 11	WHITE 5	16
MALE 11	FEMALE 5	

NEW INDUSTRIES

The New Industries unit promotes the proactive establishment of new or emerging industries in South Africa to ensure that the economy is ready to absorb work seekers in the future. We reviewed our strategy in the year under review and identified the following priorities:

- Clean energy solutions
- 4th Industrial Revolution-related technologies and business models
- Natural products
- Gas separation.

FUNDING ACTIVITY

During the year we approved R140 million in funding for new industries before cancellations. Given a greater focus on the targeted development of specific industries, the funding was lower than the R227 million approved in 2017.

Funding for companies that pursue clean energy solutions included approvals for businesses that manufacture lithium-ion battery packs for incorporation into underground mining vehicles and the development of vanadium flow battery technology.

Our support for industries related to the 4th Industrial Revolution includes funding a Black Industrialist to commercialise the technology to manufacture carbon nanotubes and continued funding for a company that developed and is commercialising a printed silicon nanotechnology.

DEVELOPMENT OUTCOMES

We support new start-ups typically still involved in the early commercialisation of a technology. As such, the number of jobs being created during this early stage of development is fairly low. Funding approved during the year will create 28 jobs (2017: 482), with an additional 13 jobs saved.

Funding to Black Industrialists more than doubled to R63 million from R31 million in 2017, while funding for women entrepreneurs also increased to R15 million.

OUTLOOK

We adopted a more focused approach during the year to increase our impact in these prioritised industries. New funding for 2019 is expected to exceed R320 million.

CASE STUDY

SABINANO

South Africa has the opportunity and potential to grow its participation in the global carbon nanotubes market, driven mainly by the need to develop new materials to sustain economic development and inclusion in the global economy

DEVELOPMENT IMPACT

- ***Commercialisation of a new technology by Black Industrialists***

Carbon nanotubes (CNTs) are cylindrical carbon molecules that have extraordinary thermal, mechanical, optical and electrical properties. Due to these unique properties, CNTs are used to manufacture innovative high-tech materials.

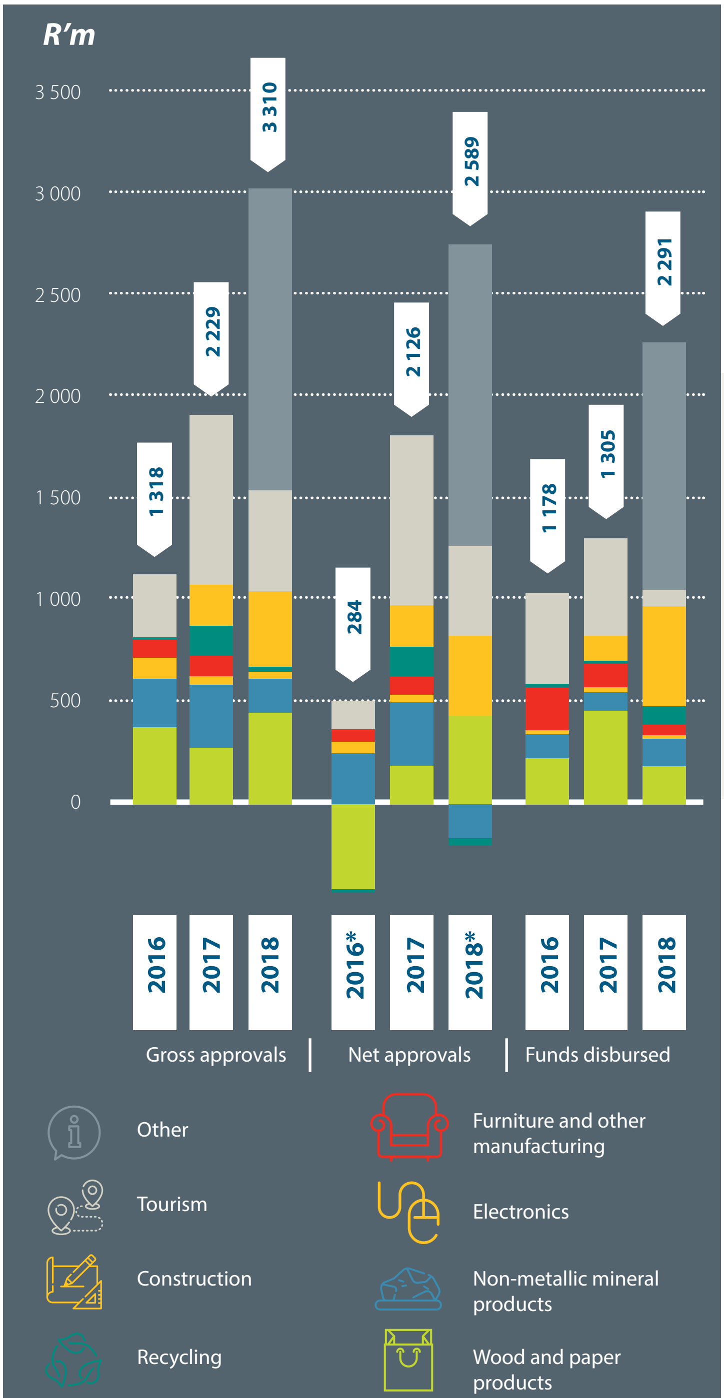
Sabinano was founded in 2008 by Professor Sabelo Mhlanga to manufacture CNTs based on a standard production method known as catalytic chemical vapour deposition. The core of the technology was developed as part of Professor Mhlanga's and Professor Edward Nxumalo's doctoral studies at the University of the Witwatersrand (Wits). The team improved production efficiencies through proprietary process enhancements. Professor Nxumalo joined the company as a shareholder in 2010 when it began manufacturing CNTs in a lab at Wits.

The partners are highly accomplished professors and thought-leaders in the South African nanotechnology fraternity. Professor Nxumalo is currently the President of the South African Nanotechnology Initiative and his goal is to involve South Africa in the emerging field of nanotechnology and nanoscience.

The IDC funding is allowing the shareholders to set up a manufacturing facility, scale-up their technology and market their product.

OTHER MANUFACTURING INDUSTRIES, TOURISM AND OTHER SERVICES

FUNDING ACTIVITY



In addition to the above, R106.8 million was approved in 2018 (2017: R250.8 million) and R168.1 million disbursed (2017: R158.3 million), which do not form part of IDC funding but are from IDC-managed funds, which consist predominantly of MCEP funds managed on behalf of **the dti**.

* Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

	2018	2017	2016
Jobs expected to be created and saved in South Africa	8 622	5 115	813
Jobs created and saved per R'm approved in South Africa (before cancellations) – Created	2.6	2.0	0.9
Jobs created and saved per R'm approved in South Africa (before cancellations) – Saved	3.9	4.9	2.4

	2018	2017	2016
Funding to black-empowered companies	R1.4 billion	R1.4 billion	R0.4 billion
Funding to Black Industrialists	R1.2 billion	R796 million	R316 million
Funding to women entrepreneurs	R561 million	R390 million	R344 million
Funding to youth entrepreneurs	R70 million	R717 million	R78 million

FINANCIAL OUTCOMES

	2018	2017	2016
Impairments as a percentage of portfolio at cost	13%	19%	13%
Size of the portfolio valued at cost	R9.7 BILLION	R5.9 BILLION	R8.0 BILLION

HUMAN CAPITAL

STAFF PROFILE OF UNIT SUPPORTING THE VALUE CHAIN

2018

		TOTAL
BLACK 18	WHITE 6	24
MALE 12	FEMALE 12	

OTHER MANUFACTURING INDUSTRIES, TOURISM AND OTHER SERVICES

In addition to the support for industries covered in previous sections, we also provide funding for other manufacturing industries, tourism, construction and ICT.

FUNDING ACTIVITY

The value of new funding approved during the year before cancellations increased by 48% to R3.3 billion (2017: R2.2 billion), while R2.3 billion was disbursed compared to R1.3 billion in 2017.

The tourism industry received a large portion of funding, with R505 million approved. This included funding for the expansion of a hotel in Kempton Park, Gauteng, and the upscaling of a hotel on the shores of Lake Malawi. The hotel development in Malawi will procure goods and services from South Africa, thus indirectly benefiting the domestic economy. Other services industries that were supported through funding include a Black Industrialist that was assisted to acquire an ICT services company and a large construction company that was facing distressed trading conditions due to the economic climate.

In the manufacturing sector, funding was approved for the establishment of a Black-owned manufacturer of insulated building panels. We also approved funding for a Black Industrialist to set up a plant to produce charcoal from invasive tree species in Wellington in the Western Cape. The wood products industry received additional support through the approval of a new particle board plant to be established in Lotair in Mpumalanga.

We are pursuing new channels to reach clients, especially smaller businesses in the rest of Africa. To enable this, we approved a R1.5 billion line of credit for a DFI to on-lend to its clients.

DEVELOPMENT OUTCOMES

Funding approved during the year is expected to create 7 467 jobs and save 1 155 (2017: 3 185 created and 1 930 saved). The largest number of jobs are as a result of funding for the construction industry.

Funding for Black Industrialists increased to R1.2 billion from R800 million. Funding for women entrepreneurs also increased, with R561 million approved compared to R390 million in the previous year, while the momentum gained in funding youth entrepreneurs in 2017 could not be sustained with R70 million approved.

OUTLOOK

We expect higher levels of funding to these industries in 2019, with a target for approvals of between R2.1 billion and R2.6 billion.

CASE STUDY

GOLDEN ERA PRINTERS AND STATIONERS

A world-class packaging industry increases competitiveness for other manufacturers of consumer goods

DEVELOPMENT IMPACT

- ***Support for Black Industrialists***
- ***31 new jobs to be created***

The Golden Era Group of Companies, established by Bhoola Chhita in 1955 as Golden Era Printers and Stationers, started operations with two paper bag manufacturing machines.

Currently, the Group is the largest family-owned printing and packaging business in South Africa that manufactures a wide range of printing, packaging and related products. The company operates 12 manufacturing plants throughout South Africa in the North West, KwaZulu-Natal, Western Cape and Gauteng.

Golden Era's main success factors are price competitiveness, customer satisfaction, consistent supply of quality material and strong B-BBEE credentials.

The IDC funding will enable the company to alleviate capacity constraints and provide its wide range of clients with world-class packaging.

TRANSFORMING MARGINALISED COMMUNITIES

BACKGROUND

In addition to funding projects and entrepreneurs which require a commercial and developmental return, the IDC remains actively involved in development activities that address specific social and regional objectives with an emphasis on maximising developmental returns. These activities, often supported by donor grants and strategic partnerships, seek to create and leverage resources proactively to support social change and improve livelihoods within marginalised and disadvantaged communities.

We engage with different government, social, private sector, and other role-players to achieve this and identify funding opportunities, either as stand-alone projects or linked to regular IDC projects, to enhance their developmental impact.

Typically, these interventions aim to increase the inclusion and participation of marginalised groups and communities in economic opportunities and, in particular, increase the impact of specific developmental outcomes. These include Black Industrialists; B-BBEE; youth empowerment; women empowerment; township economies; regional equity; community empowerment; and worker and employee empowerment/ownership.

Our Corporate Social Investment is aligned with the IDC's broader development goals.

OVERVIEW OF ACTIVITIES

Worker and employee empowerment and ownership

In pursuit of a transformational impact on workers and communities, some of the IDC's transactions include, where possible, workers and communities as shareholders. Where appropriate, we use trusts as legal entities for workers and communities to acquire equity in IDC-funded companies. Workers' trust beneficiaries are mostly permanently employed, lower-level black employees of the company who receive IDC funding. Community trust beneficiaries are communities that live in close proximity to IDC-funded projects.

Since starting with this approach, we have established 72 Workers' Trusts, 11 Community Trusts and 22 Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) Trusts

We take responsibility for facilitating the proper establishment of Workers' and Community Trusts by business partners, including the following: registration of trusts; alignment of IDC Trust deeds with IDC Trust policies and relevant government legislations; and facilitating processes for the election of boards of trustees, beneficiaries and management of the trusts. These activities help to ensure that the intended trust beneficiaries, who typically would be inexperienced about trusts and their administration, can have a meaningful influence over the trust and ensure that the intended benefits are realised.

During 2018, 10 trust transactions were approved. Eight of these were workers' trusts and two community trusts.

Experience has taught us that the formalisation and implementation of these trusts do not automatically lead to benefits. This is because benefits, such as dividends, are dependent on factors such as the underlying business performance. We are piloting an Early Realisation of Benefits Initiative to address this. The objective is to fast-track the realisation of benefits to the intended workers and community beneficiaries by providing funding to respective trusts to establish trust-owned companies that will deliver services to the investee company to realise profits and cash flows from the outset. We approved five of these Early Realisation projects in 2018, funded from the Special Intervention Programme.

We have also embarked on a study to research the status of all workers, and community trusts in our portfolio. The research is focused on investigating how the trusts are performing and the impact generated by the trusts. The research will guide our future investments in the formation of new trusts and interventions in existing trusts, as required.

Funding within the Social Economy

Development Agencies

Over a number of years, we have attempted to leverage and grow opportunities through the Development Agency concept and address economic growth through the promotion and implementation of local economic development strategies.

We have provided development agencies with resources to expand their work of developing and packaging catalytic local economic development projects, as well as continuing operations in mostly marginalised areas in South Africa.

Since the programme started in 2002, we have supported the establishment of 34 agencies and provided them with approximately R255 million in grant funding. Our funds have assisted them to leverage in excess of R2 billion to achieve their goals.

Social Enterprises

In 2012, we introduced the Social Enterprise Programme to support private sector enterprises that focus on social outcomes rather than maximising profit. Social enterprises are businesses with social missions and trade. They tackle social and environmental problems and improve the lives of people and communities, often the most vulnerable.

We have partnered with the Government of Flanders that provided funding of €7 million over five years to support this programme.

Since the inception of the programme in 2012, approved transactions of R161 million supported 23 299 beneficiaries.

During 2018, we approved funding of R24.1 million for seven social enterprises. These enterprises operate primarily in rural areas and townships and are benefitting 1 560 people.

Spatial Intervention Programme and Inclusive Business Practice
The Spatial Intervention Programme aims to address the socio-economic and developmental needs of targeted areas through public, private and community partnerships. This has resulted in many innovative and impactful initiatives in marginalised areas, including townships and rural areas.

Since the inception of this programme in 2012, funding of R174 million has been approved for 53 projects. These projects support 23 078 beneficiaries. During the financial year, 14 projects (inclusive of the five early realisation of benefit initiatives) to the value of R41 million were approved and are supporting 5 723 beneficiaries.

Linked to this programme is an initiative supporting inclusive business practice. The initiative aims to address poverty, inequality and unemployment by incorporating marginalised communities and individuals into normal business processes. We achieve this by supporting disadvantaged, poor and marginalised small and emerging suppliers to access, and be included in, business or sector value as consumers, producers, sellers or a combination of these as part of a sustainable business model.

Corporate Social Investment (CSI)

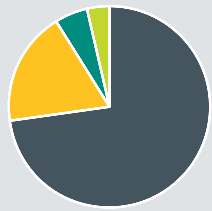
Our CSI programme supports initiatives focused on education and entrepreneurship to improve the socio-economic conditions of people in disadvantaged communities.

In 2018, R31.8 million was approved and disbursed to support 35 initiatives. The largest portion of this funding went to education and skills development, while entrepreneurship development received the second highest portion.

Our flagship CSI initiative is our participation in the Whole School Development programme. The objective of the project is to improve school facilities, learning and teaching at schools. We have invested R91.6 million to support 30 adopted schools to date. Since the implementation of the project, the performance and results at the schools have shown some improvement, particularly at matric level, with an increase in bachelor passes from 33% to 36%. At the end of the 2017 academic year, one of our adopted schools in Limpopo produced the overall top performing learner in mathematics and science, nationally.

Spending per CSI category

Details of CSI activities



- R23.2m Education and skills development
- R5.8m Entrepreneurship development
- R1.7m Employee volunteering and giving
- R1.1m Special projects and other

We have been supporting the development of Technical, Vocational, Educational and Training (TVET) colleges since 2013. The focus of our support is on equipment, workshop renovations, the improvement of curricula to make them relevant to industry requirements and improve the quality of training offered to increase the employment prospects of students. To date, we have invested R11.4 million in supporting 12 TVET colleges across the provinces.

In 2018, we approved grant funding to the value of R3.5 million in support of three TVET colleges. The grant will benefit 3 534 students.

More detailed information on these and other CSI initiatives are available online.

CASE STUDY

NALEDI INNOVATION HUB

Increasing ICT skills to drive entrepreneurship

DEVELOPMENT IMPACT

- ***50 jobs being created with 150 people benefitting***

Naledi Innovation Hub consists of the development of a Digital Innovation Hub with a focus on building technical ICT expertise among the youth in North West.

The intention of the Naledi Local Municipality with regards to the Hub is to enhance the employability of 50 learners by giving them experiential workplace exposure. The incubation of new and growing businesses, as well as shared services, facilities management and business support are components of the facility. The incubator assists prospective entrepreneurs to turn ideas into viable businesses.

The IDC is funding the initiative and assisting in the development of training programmes offered by the Hub.

OUR B-BBEE RATING

BACKGROUND

As a transformation and empowerment facilitator in the country, the IDC has undertaken to lead by example in the implementation of the Codes of Good Practice for Broad-based Black Economic Empowerment. We achieved a Level 4 contributor rating under the amended Codes that came into effect in 2015. Prior to this, we maintained a Level 2 contributor rating.

B-BBEE procurement is the one scorecard sub-element in respect of which the IDC does not score optimally. The reason for this is that the interest payable to certain domestic lenders and bondholders is regarded as discretionary procurement spend. The IDC aims to borrow at the lowest possible interest rates to on-lend cost effectively. Interest paid to domestic funders with low levels of black ownership is a substantial portion of our procurement spend, and negatively affects the IDC's B-BBEE rating. However, we are content that our lending to black businesses benefits B-BBEE overall.

As a public entity involved in the financial sector, we are required to comply with the Financial Services Sector Codes going forward. We are currently evaluating the impact of these Codes on the IDC and will develop an appropriate strategy to ensure we contribute to the aspirations of the Codes.

In addition to our own rating, we encourage our business partners to also embrace the aims of all pillars of the Codes and applicable sector charters and transform their businesses accordingly.

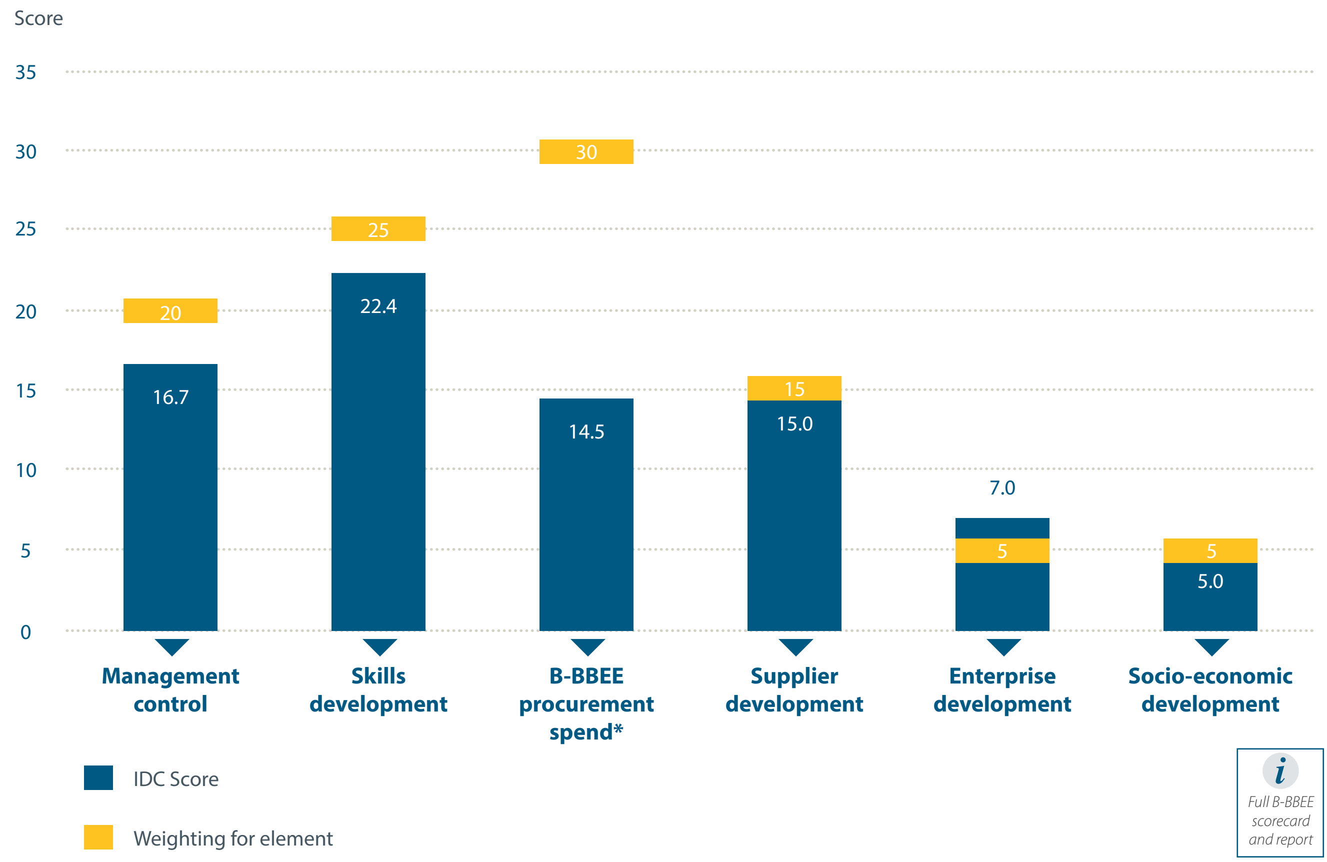
We expect all clients to achieve at least a Level 4 contributor rating to expedite transformation. Where clients do not meet this level when applying for funds, we provide advice and support and expect clients to achieve the required rating within two years of approved funding.

In 2016, the IDC was granted B-BBEE Facilitator Status for use under specific circumstances. This status allows companies in which we have a shareholding to regard the IDC's ownership portion as Black instead of excluding this from calculations as would normally be the case with organs of state. This applies to the following types of businesses only:

- Early-stage projects
- Venture capital investments
- Distressed businesses.

Clients that fall under these categories need to apply and each client's application is considered individually and approved in conjunction with the dti. No clients are currently benefiting from this provision although a number of clients are under consideration.

Score by element of the B-BBEE Codes



* See note in text

Full B-BBEE scorecard and report

COMMITTED TO GOOD GOVERNANCE

ETHICAL GOVERNANCE

We believe that good corporate governance is integral to a sustainable business. We have always endeavoured to implement practices based on sound governance principles. This is also a requirement for approving funding applications.

The IDC's corporate governance structures are designed to ensure that the Board and Executive Management can exercise their fiduciary duties effectively and efficiently in a fair and transparent manner.

KEY GOVERNANCE ENHANCEMENTS

We placed particular emphasis on the governance structures of our subsidiaries and investee companies during the reporting period. The key enhancements achieved during the past financial year are summarised in the table below.

Key governance enhancements for 2018

Minimum governance requirements for clients	A set of minimum governance standards for IDC clients, which differentiates between SMEs, family-owned businesses and large companies, was developed and incorporated into our Corporate Governance Framework.
Improved communication with nominee directors	The Director Nominations Policy, first adopted by the Board in 2014, was revised to simplify and make it more accessible to nominee directors. We anticipate that the policy will improve communication between IDC and the boards of its subsidiaries and investee companies.
Data and Information Management Policy	The Executive Committee approved a Data and Information Management Policy that replaces earlier policies that became obsolete due to advancements in technology and the enactment of legislation, such as the Protection of Personal Information Act, 4 of 2013.

CORPORATE GOVERNANCE FRAMEWORK

Legislation, Codes of Best Practice and Policies

The IDC's Corporate Governance Framework consists of:

- The Industrial Development Corporation Act, 22 of 1940 (IDC Act)
- Public Finance Management Act, 1 of 1999 (PFMA)
- Treasury Regulations
- Companies Act, 71 of 2008
- King Report on Corporate Governance (King IV)
- Board Charter
- Policies and internal systems and procedures.

BOARD OF DIRECTORS

i Significant directorships in other companies

Responsibilities

The Board of directors provides effective, ethical leadership. The Board determines the strategic direction of the Corporation, approves policies and planning and monitors the implementation of these by Executive Management.

An annual work plan which ensures that all business of the Board is attended to in a structured and orderly manner throughout the year, is in place.

Composition

The Board is constituted to ensure the appropriate balance of knowledge, skills, experience, diversity and independence required to objectively and effectively discharge its governance role in meeting the Corporation's strategic objectives.

The size of the Board is determined by the IDC Act, which permits a minimum of five and a maximum of 15 directors appointed by the shareholder. A unitary board structure is applied, with the majority being non-executive members.

As at 31 March 2018, the Board comprised of one executive and 11 non-executive members, with a gender composition of seven female and five male directors. The positions of Chairperson and Chief Executive Officer are separately held to ensure a clear separation of responsibilities.

Members of the Board assume collective responsibility for steering and setting the direction of the Corporation. The Board is responsible to the shareholder for setting strategic objectives and key policies, major plans of action, a risk policy, annual budgets and business plans. Performance monitoring systems and reporting are used to achieve the performance objectives set by the shareholder.

Directors have complete access, at any time, to senior management through the Chairperson, CEO or Company Secretary. Senior management provide regular presentations at Board meetings and directors may seek briefings from senior management on specific matters.

Induction as a continuous process

All new directors participate in a formal induction process coordinated by the Company Secretary. The induction process includes briefings on financials, strategic, operational and risk management policies and processes, the Corporate Governance Framework, culture and values and key IDC developments, as well as in the sectors and environments in which the IDC is active. In this way, new directors are provided with sufficient knowledge of the Corporation from the outset.

We regard the directors' initial induction as the first step in a continuous process of keeping our Board members equipped for their task. Additional meetings, training and information sessions are held to ensure that the Board can deal with all the important issues facing the Corporation timeously and efficiently. Examples include macroeconomic reports presented regularly to the Board and the additional Board and Board Committee meetings (of the Board Investment Committee and Board Risk and Sustainability Committee) arranged during the reporting period to keep directors apprised of developments at our loss-making subsidiary, Foskor. Directors who requested more information about specific matters received the information as a matter of priority. Care is taken to ensure that directors have sufficient knowledge to exercise their duties with care, skill and diligence.

Board meetings and attendance

The Board meets at least six times a year and holds a strategy session at least once a year. Special Board meetings are convened when necessary. During the reporting period the Board met a total of nine times. In addition, a Board strategy session was held over two days during September 2017.

Changes to the Board

As is our normal practice, all non-executive directors retired and made themselves available for re-appointment at the Corporation's Annual General Meeting (AGM), which was held on 31 July 2017. All board members were re-elected at the AGM.

Terms in office

Our non-executive directors have been in office for the periods indicated below:

- Ms Mabuza: 6.5 years
- Ms Bethlehem: 9.5 years
- Mr Dames: 6.5 years
- Mr Godsell: 6.5 years
- Mr Kriel: 2 years
- Dr Magwentshu-Rensburg: 6.5 years
- Ms Mnxasana: 3.5 years
- Ms More: 2 years
- Ms Mthethwa: 6.5 years
- Adv Orleyn: 3.5 years
- Mr Zalk: 6.5 years

Board Charter

A Board Charter is in place which sets out the Board's responsibilities. These include the adoption of strategic plans, development of a clear definition of materiality, operational performance monitoring and management, determination of policy processes to ensure the integrity of the Corporation's risk management and internal controls, communication policy and director selection, orientation and evaluation. The Board Charter was reviewed during the previous financial year.

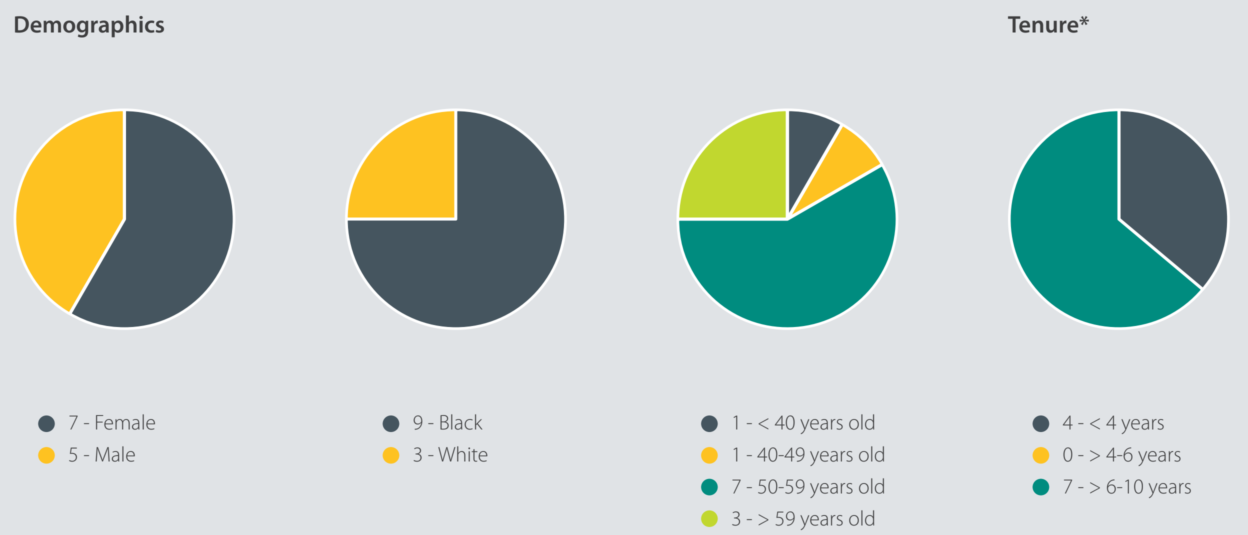
The Board Charter provides for Board and Board Committee members to obtain independent professional advice if considered necessary to carry out their duties. Such services are for the expense of the Corporation. Such advisors are invited to attend meetings of the Board, or the Committee in question, if required.

Detailed provisions are included in the Board Charter that relate to the process to follow when Board or Board Committee meeting documents contain price sensitive information or may lead to potential conflicts of interest.

Board structure and meeting attendance

The Board Charter requires Board members to attend Board meetings and prepare thoroughly beforehand. The IDC Board structure and a summary of members' meeting attendance during the reporting period are provided in the diagram on page 53.

Board demographics and tenure



* Non-executive directors

Board structure and composition

IDC Board	Board Investment Committee	Board Human Capital and Nominations Committee	Board Audit Committee	Board Risk and Sustainability Committee	Social and Ethics Committee
Responsible for the performance of the corporation while retaining full and effective control	Considers transactions mandated to it by the Board and reviews related party transactions. Particulars of approval thresholds are provided on page 56	Develops compensation policies, resourcing plans and performance goals	Monitors the adequacy of financial controls and reporting	Governs risk and ensures responsible stewardship of the Corporation's assets and sustainability	Promotes the ideals of corporate fairness and transparency, social and economic development and good corporate citizenship, and manages the Corporation's exposure to reputational risk

Committee membership and number of meetings attended						
Number of meetings	9	11	5	6	6	5
Non-executive directors						
BA Mabuza	9*	10	5			
LI Bethlehem	6				6*	
BA Dames	9		5*		6	
RM Godsell	9		4	6		
AT Kriel	8		4		5	5
SM Magwentshu-Rensburg	8	10*		6		
NP Mnxasana	9	8		6*	6	
M More	7			4		3
PM Mthethwa	8	10			4	
ND Orleyn	8	6	3			5*
NE Zalk	7	8				5
Executive directors						
MG Qhena	9					

* Chairperson of the respective committee

Board Committees

The Board has established five standing committees to assist it in exercising its authority. Authority has been delegated to the Board Committees to promote independent judgement and assist with the balance of power and effective discharge of the Board's duties. This is done through Board-approved Terms of Reference, which are regularly updated to stay abreast of developments in corporate law and governance best practice.

The Chairperson of each Board Committee is a non-executive director. The members of each Board Committee are appointed by the Board of Directors with the exception of the Board Audit Committee, whose members are appointed by the shareholder at the AGM. The Board receives reports on the deliberations, conclusions and recommendations of each Board Committee at a Board meeting following the Board Committee meetings. The reports of the Chairpersons of the various Board Committees appear from page 66 of this report.

The five Board Committees are:

- **Board Audit Committee**

  The Board Audit Committee provides independent oversight of the effectiveness of the Corporation's assurance functions and services and the integrity of its annual financial statements.

  The Committee is constituted in terms of section 94 of the Companies Act, 71 of 2008, and currently has five members. All members of the Board Audit Committee are non-executive directors of the Corporation. The CEO, Chief Financial Officer and external auditors are permanent invitees to the meetings of the Committee.

  The Committee held six meetings during the reporting period. A summary of the key focus areas of the Committee during the reporting period is contained in the report of the Chairperson of the Board Audit Committee, which appears from page 68 of this report.

- **Board Human Capital and Nominations Committee**
  The Human Capital and Nominations Committee was constituted by the Board to assist it with the development of remuneration policies, plans and performance goals, and remuneration levels. The Committee manages the Board's annual evaluation of the performance of the CEO and assists the Board in fulfilling its oversight responsibilities relating to succession planning and human resource policies for all employees.

  The Committee currently has five members. All members of the Board Human Capital and Nominations Committee are non-executive directors of the Corporation. The Chairperson of the Board is a member of the Committee. The CEO and the Divisional Executive: Human Capital are permanent invitees to the meetings of the Committee.

  The Committee held five meetings during the reporting period. A summary of the key focus areas of the Committee during the reporting period is contained in the report of the Chairperson of the Board Human Capital and Nominations Committee, which appears on page 67 of this report.

- **Board Investment Committee**
  The Board Investment Committee is a credit granting committee that was constituted by the Board to consider transactions as mandated to it by the Board. Particulars of the Committee's approval thresholds are provided in the summary of the Corporation's Delegation of Credit Approval Authority, which appears on page 56.

  The Committee currently has six members. All members of the Board Investment Committee are non-executive directors of the Corporation and the Chairperson of the Board is a member of the Committee. Permanent invitees to the meetings of the Committee consist of the CEO, Operations Divisional Executives and the Executive for Corporate Strategy, while any Board member who wishes to may attend.

  The Committee held 11 meetings during the reporting period. A summary of the key focus areas of the Committee during the reporting period is contained in the report of the Chairperson of the Board Investment Committee, which appears on page 66 of this report.

- **Board Risk and Sustainability Committee**
  The Board Risk and Sustainability Committee was constituted by the Board to assist with the oversight of risk governance.

  The Committee currently has five members all of whom are non-executive directors of the Corporation, while the Chairperson of the Board Audit Committee is also a member of the Board Risk and Sustainability Committee. The CEO and the Chief Risk Officer are permanent invitees to the meetings of the Committee.

  The Committee held six meetings during the reporting period. A summary of the key focus areas of the Committee during the reporting period is contained in the report of the Chairperson of the Board Risk and Sustainability Committee, which appears on page 70 of this report.

- **Social and Ethics Committee**
  The Social and Ethics Committee assists the Board in discharging its duties relating to the oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

  The Committee is a statutory committee, constituted in terms of Regulation 43 of the Companies Regulations. The current six members consist of four non-executive directors and two executive managers, namely the Corporation's General Counsel and the Divisional Executive: Corporate Affairs. The CEO is a permanent invitee to the meetings of the Committee and other executives may be invited to join meetings when matters within their respective areas of responsibility form part of the agenda.

  The Committee held five meetings during the reporting period. A summary of the key focus areas of the Committee during the reporting period is contained in the report of the Chairperson of the Social and Ethics Committee, which appears on page 71 of this report.

Managing Directors' Conflicts of Interest
At every meeting attended by Board members, subsidiary directors and Executive Management, members are required to disclose any potential conflicts and if required, to withdraw from the proceedings. Declarations of conflict are also made to the Company Secretary as and when necessary. This is done in compliance with section 50(3) of the PFMA, section 75(4) of the Companies Act, the IDC Guidelines on Conflict of Interest and Conflict of Interest Policy. The declarations are made at each Board meeting, at meetings of the Board Committees and in particular, meetings of the Board Investment Committee and all other committees responsible for considering transactions.

High ethical standards and a sound business sense are set as qualification criteria for Board membership. The Board Charter makes it clear that members are required to act in the best interests of the Corporation at all times. The Board's Code of Conduct requires members of the Board and Board Committees to always act in an ethical manner in carrying out their fiduciary duties, thereby ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Corporation's own governing documents and codes of conduct.

Board evaluation
The effectiveness and performance of the Board of the IDC as a whole and the individual Board Committees was evaluated in 2017 by an independent service provider. The overall feedback of the Board effectiveness review was positive with respect to the work of the Board and its Committees. In general, the review found that the IDC Board is well functioning and professional. Matters that were identified as requiring attention by the review were as follows:
- Succession planning: the adequacy of succession planning in place at Board level in respect of the CEO, senior management

and other key staff

- Selection and appointment process: whether the existing selection and appointment process for Board members takes into account the views of management and existing Board members on skills and experience needed on the Board
- Ongoing training: the introduction of continuing professional development programmes in place for directors; the preparation and dissemination of regular briefings on changes in risks, laws and the environment; and the development of inexperienced Board members through mentorship programmes.

Directors' remuneration

The Board Human Capital and Nominations Committee plays an advisory role on the remuneration of Board members. Non-executive directors are remunerated for the meetings they attend at rates approved by the shareholder. No performance-based remuneration or retainer fees are paid to directors.

Directors' remuneration

Name of director	2018[3] R'000	2017 R'000
BA Mabuza[4]	930	1 057
LI Bethlehem[1 4]	262	364
BA Dames[4]	427	416
RM Godsell[5]	384	206
AT Kriel[1 5]	422	208
SM Magwentshu-Rensburg[4]	498	414
NP Mnxasana[4]	541	546
M More[1 4]	282	271
PM Mthethwa[5]	378	365
ND Orleyn[4]	421	400
NE Zalk[2]	-	-

1 These directors do not derive direct financial benefit from services rendered to the IDC. Their fees are paid directly to their employers.

2 Mr NE Zalk is employed by the dti and does not earn directors' fees for services rendered to the IDC, nor are fees paid to his employer.

3 Remuneration paid to members of the Board for the 2018 financial year includes the following:
- an increase of 2% for the 2017 financial year approved retrospectively by the shareholder in January 2018 and effective from 01 April 2016 to 31 March 2017,
- a further increase of 5% for the 2018 financial year approved retrospectively by the shareholder in January 2018 and effective from 1 April 2017 to 31 March 2018

Prior to this, adjustments to directors' fees were effected in the 2013 financial year.

4 These directors are treated as independent contractors as contemplated in proviso (iii)(bb) to the definition of "enterprise" in section 1(1) of the VAT Act, in respect of the non-executive directors' activities.

5 These directors chose not to be registered for VAT and as such are still paid via the payroll.

Company Secretary

The Company Secretary provides the Board with professional and independent guidance on corporate governance and its legal duties. In addition to coordinating the functioning of the Board and its Committees, the Company Secretary acts as a central source of information and advice to the Board on matters of ethics, adherence to good corporate governance principles and compliance with procedures and applicable statutes and regulations.

The Company Secretary is not a director of the Corporation and acts independently from the Board. In accordance with good governance practice, the appointment and removal of the Company Secretary is a matter for the Board.

The Company Secretary, Mr P Makwane, fulfils a dual role in that he is also the General Counsel of the Corporation.

The Chief Executive Officer (CEO)

The CEO's contract stipulates a notice period of three months, and his contract is due to expire in 2020. A succession plan is in place for the CEO's position.

Delegated level of authority

While the Board has the authority to delegate powers to Board Committees and Executive Management, it remains accountable to the shareholder. A Board-approved Delegation of Authority framework is in place, which is reviewed and updated regularly. The last comprehensive revision of the framework was done in December 2016 and minor amendments were effected as recently as April 2018.

The Board has delegated the management of day-to-day operations to the CEO, who is assisted by the Executive Management Committee and its sub-committees. Each committee has a clearly-defined mandate set out in written Terms of Reference.

As depicted in the diagram on page 56, specific powers and authority have been delegated to the Board and Executive Committees responsible for credit approvals. Approval thresholds are in place for each credit granting committee.

AN ETHICAL CULTURE

Governing and managing ethics

The Board is responsible for ensuring ethical behaviour within the Corporation. The establishment of an ethical culture starts with the example set by the Board and Executive Management. Ethical leadership manifests itself in the policies, systems and processes of an organisation and the way in which they are applied.

The IDC has a well-developed system of processes and controls aimed at implementing policies that deal with ethics-related risks. Our Ethics Policy Framework consists of the following:

- IDC Code of Ethics and Business Conduct, which sets standards of ethical behaviour within the Corporation and in our dealings with customers, suppliers and service providers
- Fraud Policy, which communicates a zero tolerance to fraud, theft or corruption to all stakeholders
- Procurement Policy, which maintains ethical standards through an equitable and transparent procurement system
- Gifts Policy, which regulates the receipt of gifts by employees from clients and suppliers
- Whistleblowers' Policy, which outlines the procedures employees must follow to disclose information about unlawful or irregular conduct as referred to in the Protected Disclosures Act, 26 of 2000.

Credit granting authority

Board	• Considers transactions where the transaction is R1.5 billion or more or counterparty exposure is R7 billion or above • The investment is of a strategic nature • Transactions where there might be a conflict of interest through an IDC director's involvement in a transaction (after taking advice from the Social and Ethics Committee, Board Investment Committee (BIC) and/or Special Credit Committee) • Deviation from any policy relating to a finance transaction (where Board approval is required) • Counterparty limits of above R7 billion per counterparty at cumulative market value (including undrawn commitments)
Board Investment Committee	• Considers transactions where IDC's transaction exposure (new money plus old if within a rolling 12 month period) is R250 million or more but less than R1.5 billion and the counterparty exposure is from R1 billion up to R7 billion • Also reviews transactions where the transaction / counterparty limits are breached, but recommends to the Board for approval • Decides on whether a finance transaction is of strategic nature, in which case the transaction will be reviewed by the BIC , but recommended to the Board for approval • A sector and/or regional limit is breached
Special Credit Committee	• Considers transactions where IDC's transaction exposure (new money plus old if within a rolling 12 month period) is R25 million or more but less than R250 million and the counterparty exposure is below R1 billion • Considers additions/changes to the Delinquent Register
Credit Committee	• Considers transactions where the IDC's transaction exposure (new money plus old if within a rolling 12 month period) is less than R25 million and the counterparty exposure is below R250 million

An anonymous tip-off hotline, which is administered by an external service provider, is available to employees, customers and other stakeholders to report unethical behaviour. Stakeholders are encouraged, through various awareness campaigns, to report any fraudulent, unethical or corrupt activities. During the reporting period, 22 incidents were reported through the tip-offs hotline. We are dealing with these incidents by subjecting them to a preliminary assessment to determine the veracity of the allegations, followed by a full investigation, if required. The matters reported relate to the misapplication of funds by IDC clients.

Key focus areas

In light of the ever-increasing focus on accountability, we conducted an ethics survey throughout the Corporation to gauge attitudes towards ethics at the IDC. We learned that our employees want to work for an organisation where ethics and organisational culture are aligned with their own, that suppliers depend on fair and transparent procurement practices and that clients insist on business practices that are fair, ethical and transparent when applying for IDC funding.

Monitoring of ethics

Our internal review also revealed a clear employee commitment to ethics, which is largely reliant on rules. Conflicts of interest, the temptation to accept gifts above the prescribed limit and fraudulent behaviour on the part of employees, suppliers and business partners remain ever-present threats and may not be sufficiently manageable through policies and rules.

Future focus areas

In the final evaluation, we have come to the conclusion that the IDC's policy framework is satisfactory as a basis for ethics compliance. The challenge is to move away from a compliance-based approach to ethics, in favour of an aspirational approach. Embedding a culture of ethics within the Corporation will continue to be a focus area for the foreseeable future.

Ethics in procurement

As an entity in the financial services industry, the IDC's procurement budget is small when compared to those of some other state-owned entities. Procurement is, however, a vital component in the process of establishing and maintaining an ethical culture.

The IDC's Procurement Policy promotes a procurement system which is fair, equitable, transparent, competitive, cost-effective and in line with section 217 of the Constitution of the Republic of South Africa. Through our established Procurement Committee, we strive to uphold the highest ethical standards in all our procurement transactions. Members of the Procurement Committee and all other persons involved in the procurement process are required to sign a Declaration of Interests Register at every meeting of the committee, when bid evaluation and adjudication proceedings are conducted.

Procurement and the Code of Ethics and Business Conduct

Our Code of Ethics and Business Conduct governs business conduct and deals in particular with matters such as conflicts of interest, gifts and relationships with service providers and customers. Based on the Code, it is standard practice to conduct risk assessments for all entities recommended for IDC procurement contracts. Background checks are conducted on all bidding entities and their shareholders, which include reference to suppliers listed on the National Treasury List of Restricted Suppliers and consideration of court cases, criminal records, politically exposed persons, credit checks, media reports and potential business or reputational risk for the IDC.

Procurement compliance

During the reporting period, we implemented rigorous compliance controls to strengthen due diligence processes with a strong focus on validating supplier information received through the procurement process. Compliance controls are aimed at discouraging supplier fronting practices and the misrepresentation of information. The Procurement Policy conforms to the directives of the B-BBEE Act, 53 of 2003 and its Codes of Good Practice in that the IDC reserves its right to cancel the contract and claim damages where fronting and any related offences are detected. Suspected fronting practices are reported to the Department of Trade and Industry through the office of the BEE Commissioner.

INVESTING IN HUMAN CAPITAL

Background

The IDC's strategy and focus emphasises people and organisational culture as key enablers in driving excellence and performance.

We strive to provide a work environment that promotes a high-performance culture and our Human Capital division supports the business in terms of its people needs. We seek to create the right environment for our employees, which includes investing in talent development, recognition and retention. Our Human Capital strategy is focused on the following overarching goals:

- To attract, build and retain talent at all levels
- To develop robust people management and leadership development practices
- To enhance and implement our Employee Value Proposition to ensure an engaged workforce
- To enable and drive a high-performance culture conducive to productivity
- To build our knowledge management capability
- To facilitate an environment that enables a diversified workforce at all levels.

Creating an enabling culture and environment for our people

The focus of the Corporation is to create a culture of high performance to drive and embed Project Evolve in the business. The approach is to transform the culture and reduce entropy, enhance employee engagement and offer a positive Employee Value Proposition to our people.

In keeping with our focus to create an environment where our people can thrive and perform we are implementing a consistent and paced culture transformation plan to achieve the following objectives:

- Enabling a culture of accountability, collaboration, responsiveness and service delivery
- Creating an environment that is change-agile and applied consistently across the business
- Managing levels of employee engagement and commitment
- Driving a compelling employer brand and value proposition.

During the current reporting period, the focus was on implementing the culture transformation plan. The current financial year has commenced with remeasuring our culture entropy score and levels of employee engagement. Prioritised culture action plans will be implemented based on the feedback from this process.

Managing and supporting our employees

Our objective is to capacitate and grow our business by creating a skilled and talented workforce to deliver on our mandate.

The Corporation had a diversified workforce of 849 employees as at end March 2018 (March 2017: 839), indicating a 1.2% increase in our talent pool year-on-year. A breakdown of staffing numbers overall, by race, gender and division, is detailed in the online section of this report. Of our staff complement, 68% are directly involved in delivering IDC's operational objective (client-facing and support). This is an increase of 1% compared to the previous financial year. We have increased the capacity in our regional and satellite offices by 27% year-on-year to support our regional footprint.

A further focus area is establishing a robust succession and business continuity plan for identified critical roles and ensuring that sufficient bench-strength exists for the Corporation. During the reporting period, the voluntary turnover of individuals in critical roles from 6.7% to 8.0%. In ensuring the Corporation is continuously capacitated, a comprehensive talent review process will be undertaken in the current financial year to identify potential successors for critical roles. LA

As a Corporation, we have determined the coverage ratio (i.e. percentage of potential successors identified at different readiness levels for all critical roles). Our current overall coverage ratio for all critical roles, excluding executives, across all readiness levels is 73%. In the immediate readiness level, coverage ratio is 64%, in the 1-3 year readiness level it is 86% and in the 3+ years readiness level, 69% of roles are covered with identified potential successors. Going forward, we will develop a plan to fast-track talent development and review the talent management strategy to inform key talent metrics. LA

Investing in employee development

When investing in employee development, we aim to:

- Build leadership capability for the Corporation in the short-, medium- and long-term
- Support the achievement of the Corporation's strategic objectives by developing the required operational, technical, functional and behavioural competencies
- Build knowledge management capability that supports the retention, transfer and protection of the IDC's intellectual property.

All of the IDC's leaders were assessed against defined leadership requirements during the reporting period. The key leadership strengths and development areas have been identified to build future leadership capability. The focus for this financial year will be to capacitate leaders through a structured leadership development academy. Further leadership development has seen over 50% of leaders engaged in individual coaching. The majority of leaders also participated in crucial conversations training.

Particulars of training provided to employees during the reporting period are depicted in the graphs on page 58.

We have a pipeline of 15 trainees in our operational training programme to continuously build operational capacity. In addition, a customised project development programme was implemented with a strong mentorship focus that will continue in this financial year.

The total staff cost during the year under review was R1 031.6 million. The training expenditure, expressed as a percentage of staff costs, at 1% (2017: R998 million, 2%). A comparative summary of investment in staff training is available online.

The learning and development strategy is transitioning from traditional classroom-based training to a more diverse and inclusive strategy. This will see a shift from purely classroom-based training to 70% on-the-job training, while 20% will be social and online-based learning and 10% classroom-based facilitator-led training.

In addition to formal classroom training, we also focused on providing various on-line training interventions that supported 280 employees. Team-based coaching also supported teams in a drive to enable our culture of collaboration.

Due to the nature of the IDC's professional environment, tertiary education and studies remain a key priority to equip our staff with formal qualifications. During the year reported on, 133 employees undertook tertiary studies, an investment of approximately R8 million.

The significant decrease in formal classroom-based training and reported numbers is as a result of the roll-out of corporate-wide initiatives during the previous two years, specifically customer service and culture and change management.

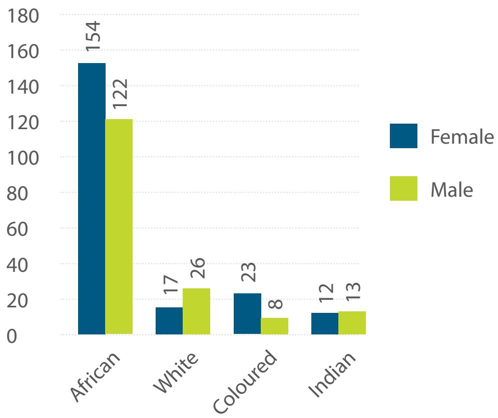
Youth development

During the reporting period the Corporation prioritised providing practical work experience for newly-qualified graduates through our Chartered Accountant Learnership and Graduate Internship Programme. A total of 11 people enrolled in the Chartered Accountant Learnership. Over the last three years, an additional 11 trainees successfully completed the learnership programme to qualify as chartered accountants. Twenty interns were appointed to the Graduate Internship Programme for this financial year. All interns in our 2017 programme successfully secured permanent employment.

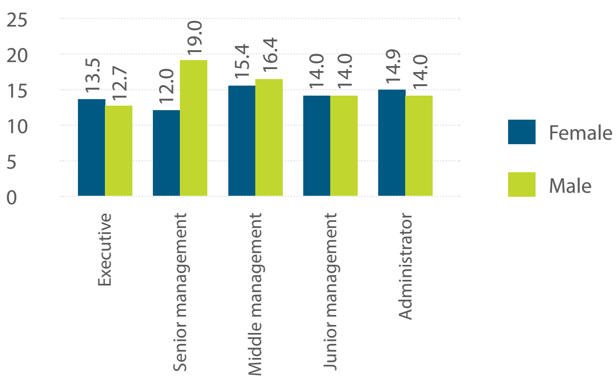
Our external bursary programme supports talented students from previously disadvantaged backgrounds who cannot afford tertiary fees. In the 2017 academic year, we supported 244 students. Further information on this support is provided in the online section.

Training investment

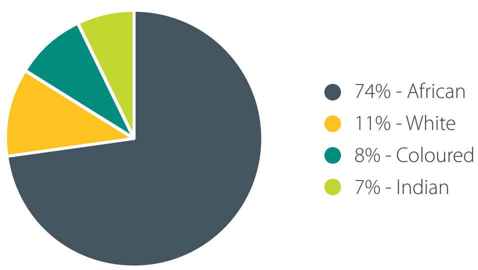
Number of employees trained by race and gender



Average training hours by band and gender



Percentage of employees trained, by race



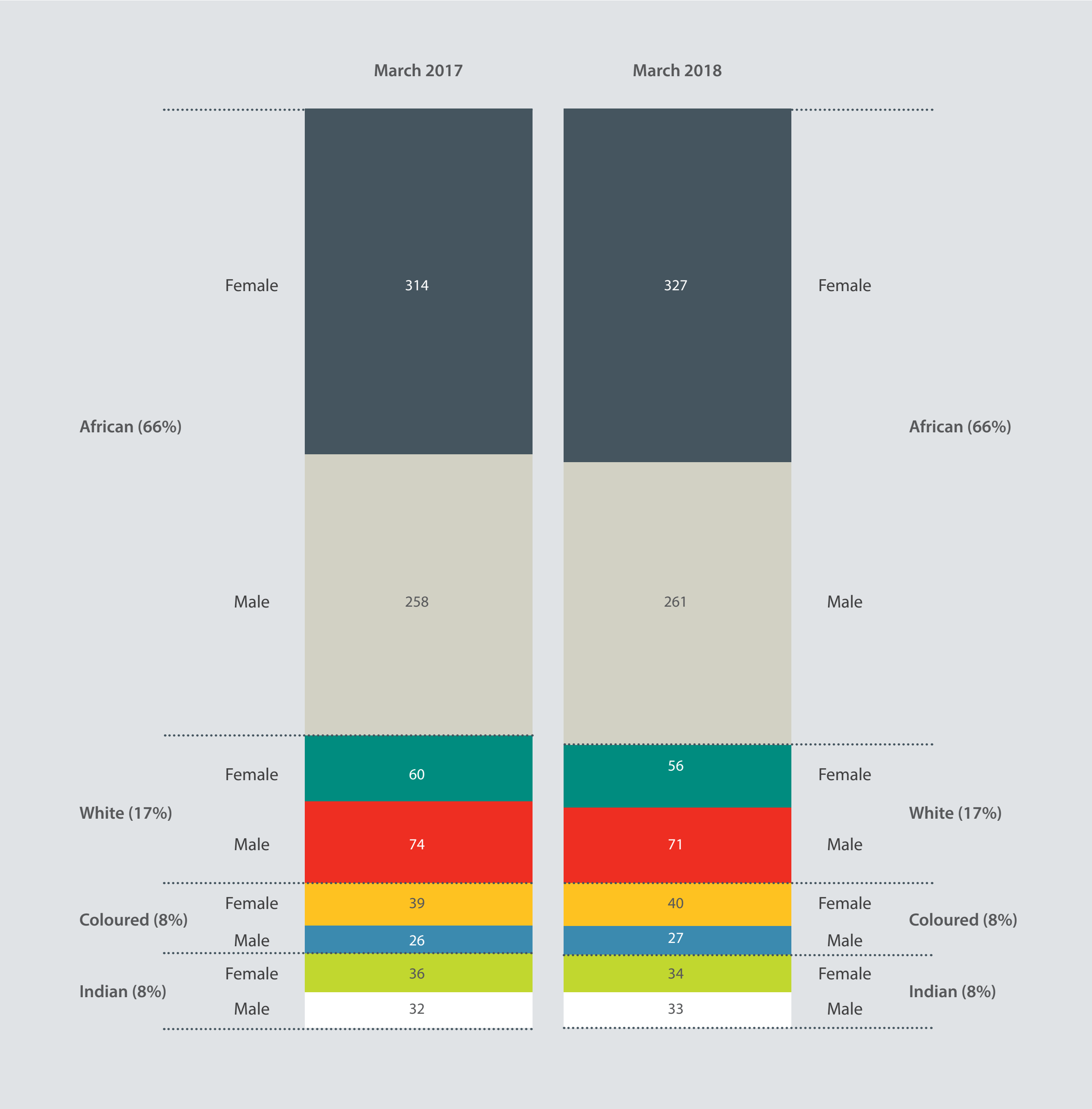
Summary of training indicators LA

Indicator	2018	2017
Total number of employees trained	375	708
Total number of days training: female	799	597
Total number of days training: male	629	493
Average number of hours training: female	15	12
Average number of hours training: male	15	13

* For the purpose of this report, training has been defined as interventions that:
- Cover internal permanent staff and CA Trainees
- Have a duration of 1 day or more
- Were offered by external providers (including conferences and short courses)
- Included internal IDC Operations Training
- Included customised programmes delivered in-house

Excluded from these statistics are:
- On-boarding
- Online training

Staff composition



Talent recognition and retention

Our Remuneration and Benefits Philosophy is designed to attract and retain high-performing employees. Total remuneration consists of:

- A guaranteed package based on cost-to-company and consisting of a cash portion and compulsory benefits, such as retirement funding and medical aid
- Short-term incentives that consist of two components and are awarded on the achievement of predetermined performance objectives and targets. These are a non-pensionable allowance payable at a performance score of '3' and a performance bonus at a performance score of '3.5' and above. All permanent employees, irrespective of job level, are eligible to participate
- Our long-term, three-year incentive scheme supports employee retention in critical leadership, management and professional roles. Administrative and support bands are not included in the long-term incentive scheme.

During the reporting period the focus was on extensive benchmarking and staff engagement to identify aspects for our Employee Value Proposition. A second medical aid option was introduced to provide a flexible and needs-based offering. Our future focus is to implement a suitable retention strategy and review and quantify all benefits to establish a positive Employee Value Proposition for our diverse staff profile. In continuing to recognise employee performance, we will review and introduce a comprehensive recognition programme.

Remuneration Policy

Our Remuneration Philosophy and Policy sets out remuneration practices and programmes, which aim to facilitate a positive employee value proposition. The Philosophy outlines the main remuneration structure of the Corporation, which includes Annual Guaranteed Pay, Variable Incentive Pay and benefits payable at the various levels. The policy sets out how total remuneration must be managed and the alignment of remuneration to performance management.

Policy objectives

The main objectives of the Remuneration Policy are to:

- Provide a transparent strategy which supports alignment of rewards and performance
- Promote and position the Corporation as an employer of choice
- Facilitate and inculcate a culture of high performance through fair and equitable remuneration and reward principles
- Ensure internal equity and consistency in the remuneration practices
- Provide for recognition and reward in line with individual performance and contribution

The Reward Mix

Our reward mix consists of guaranteed and non-guaranteed incentive programmes based on achievement of defined Corporate performance targets that are approved by the Board on an annual basis.

Other Remuneration Considerations

The Corporation manages a Provident Fund on behalf of all employees. The total market value of the fund as at 31 March 2018 was R973.4 million. In addition, there is a post-retirement medical aid benefit for employees who were appointed before 1 March 1997. The number of beneficiaries and the liability has reduced as a result of voluntary buy out programmes. To date, there are 155 beneficiaries and the total liability to the Corporation is at R187.8 million.

To support the transition and implementation of the new Remuneration Philosophy that was implemented in 2016, the Board approved the payment of the previous long-term incentive scheme. The approved incentive amount was to be paid to participating employees over a period of three years that is, in 2016, 2017 and 2018. A total amount of R23.1 million is payable to participating employees in 2018.

Diversity, transformation and inclusion

Diversity is a critical enabler for the IDC. As a proudly South African state-owned entity, we continuously strive to ensure that our employee profile is representative of the broader society. Our overall equity representation of designated groups increased by 1.9% to 91.2%.

The IDC regards gender diversity as an imperative and, as such, 54% of all employees are female and 46% are male, while the percentage/ratio of people with disabilities remained constant at 1.5%. In the financial year ahead, we will focus on implementing a transformation strategy and programme to enhance the Corporation's diversity and inclusivity focus. In addition, we will pursue a targeted strategy to increase the number of people with disabilities in our staff complement.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

Overview

We subscribe to environmental, social and governance (ESG) practices, which are aligned with our commitment to sustainable and responsible development. The Social and Ethics Committee oversees the Corporation's ESG activities with an emphasis on good corporate citizenship through the promotion of ethical business practices and a commitment to socio-economic development.

Environmental and Social Policy

We apply an Environmental and Social Policy to achieve the IDC's strategy. We strive to:

- Conform to local statutory requirements and international best practice standards as the basis for responsible environmental, health and safety management
- Assist our business partners to improve their environmental, health and safety performance
- Utilise resources in an environmentally and socially responsible manner
- Manage carbon liabilities and exposures while promoting bankable green projects that foster social responsibilities
- Promote trade and activities that do not breach ethical considerations and have minimal adverse environmental and social impacts
- Monitor the IDC's impact on the environmental and set targets to improve environmental, health and safety performance for investments and our activities within the Corporation.

Environmental and social due diligence framework LA

Each of the IDC's due diligence assessments include an environmental and social review framework with an internationally-accepted system that classifies projects according to type, impact and scale. The types of impact of each category are based on case histories and the likelihood of the impact occurring for certain industries, as well as the project scale and activity period.

Once projects have been classified, a sliding scale (from 1 to 4) is used to measure environmental and social performance. The performance of clients and business partners is assessed in terms of local legislative requirements. Ratings considered acceptable for funding range from 1 to 3, whilst those with scores of 4 are deemed unacceptable due to an absence of the necessary environmental and social systems and/or legal non-compliance.

Environmental and social risk monitoring LA

More than 70% of the business partners reviewed during the reporting period received a risk category rating of 'good' or 'excellent'. This positive result is attributed to stricter controls to validate environmental and social reports and our insistence on completing assessments before considering funding requests. The overall effect has been a decrease in the number of 'at-risk' business partners compared to previous years.

Only one client of those assessed received an environmental and social risk rating of 4, which compares favourably to the previous reporting period, when five such cases were reported.

Carbon footprint

The IDC includes the Scope 1 and 2 emissions of major subsidiaries in its greenhouse gas inventory. The bulk of emissions is generated by subsidiaries' operations. Foskor and Scaw are the most significant contributors. The volume of carbon emitted during this past year increased by 8% to 1 445 653 tCO_2e.

More information online

Scope 1 and 2 emissions (tCO_2e)	2018	2017	2016
IDC offices	6 503	5 638	6 667
Major subsidiaries total*	1 439 150	1 220 663	1 425 685
Total IDC and subsidiaries	1 445 653	1 226 301	1 432 352

* Major subsidiaries include Prilla, Colibri, Sheraton Textiles, Foskor, sefa and Scaw.

Occupational Health and Safety LA

The IDC is committed to reducing the number of work-related injuries and illnesses. We enhanced our occupational health and safety programmes based on the lessons learned from a benchmarking exercise carried out among similar institutions. The Occupational Health and Safety Committee focusses on internal health and safety inspections to identify hazards related to unsafe conditions and employee behaviour. No 'Lost Time Incidents' were recorded in 2018.

We pay close attention to communicable and pandemic disease outbreaks and create awareness about these diseases so that employees and their families remain safe and secure. A company-wide safety awareness campaign was introduced during the risk awareness and 'Wellness Day' campaigns.

Engaging subsidiaries on environmental and social matters

We held dedicated company compliance engagements at the following subsidiaries during the reporting period:

- **Scaw**: We assisted Scaw South Africa to implement corrective action relating to non-compliance issues identified through monitoring programmes (including non-compliance notices and directives issued by authorities) to ensure compliance with relevant statutory and regulatory requirements. Application for the splitting of authorisations, permits and licences into three different companies was successful. However, environmental authorisations for the cap and closure of the Dimbiza landfill site remains outstanding.
- **African Chrome:** The IDC spent a further R1.1 million on care and maintenance activities on this legacy remediation project during the past year.
- **Columbus JV:** We contribute, with Samancor, toward the effective management of the Columbus landfill site in Middelburg. During the past year, an amount of R8.3 million was spent on this project.

Corporate Social Investment

Our CSI programmes, corporate sponsorships and charitable giving are vehicles through which the IDC contributes towards socio-economic development and the improvement of quality of life in disadvantaged communities.

CSI priority areas include improving the level and quality of education and supporting income-generating projects aimed at poverty alleviation through job-creation. The IDC's CSI strategy and Sponsorships Policy are aligned with the IDC's overall strategy.

More information about our CSI initiatives are provided on page 49 of this report.

Development Impact Support (DIS)

The DIS Department supports our operational and dealmaking units to increase the sustainable impact of specific developmental outcomes for Black Industrialists, B-BBEE, youth empowerment, women entrepreneurship, regional equity, localisation, community empowerment and environmental impact.

More information about our DIS activities are provided on page 48 of this report.

Workplace

Our relationship with our employees is discussed in the Human Capital section, on page 57 of this report.

Fraud prevention

Prevention, detection and response to fraud and corruption is integral to being a responsible corporate citizen. The ways in which we deal with these matters are discussed in the Combined Assurance section, on page 63 of this report.

RESPONSIBLE INVESTMENT

The IDC as an institutional investor

We believe that businesses must take responsibility for the impact of their activities on people and the environment. Ethical investment combines the ethical, social and environmental

Environmental and social risk categories and risk ratings

E&S Risk Category – industry risk perspective	E&S Risk Rating (ESRR) – performance perspective
Category A – high risk industry	ESRR 1 – excellent performance
Category B – medium risk industry	ESRR 2 – good performance
Category C – low risk industry	ESSR 3 – poor performance
	ESRR 4 – unacceptable performance

1 The IDC's Executive Committee approved the ESRR4 Rule as part of the Corporation's Environmental and Social Policy during the 2017 financial year. In terms of this rule, companies rated ESRR4 cannot be funded.

considerations of investors with their financial objectives. As an institutional investor, we follow an ethical investment approach in using monetary power to bring about positive social and environmental change, while enabling businesses to enjoy competitive returns.

Responsible Investment Policy

Our Board has approved a Responsible Investment Policy as part of the global movement towards incorporating sustainable financing into conventional business agendas. The policy reflects the IDC values and identifies activities, listed in an exclusions list, for which the IDC will not provide funding due to ethical considerations. Matters listed in the exclusions list include the production or trade in arms, gambling, tobacco and transactions with incomplete environmental impact assessments or unavailable geological reports.

Implementation of the policy contributes to the prevention of long-term financial, social and reputational risks to the Corporation.

Subsidiaries and investee companies

We regard the governance of subsidiaries and investee companies as a critical element of the value creation process. We accordingly seek to promote good governance practices in all the entities in which we invest.

The extent of our influence on subsidiaries and other companies, in which we have an ownership share, is determined by the size of our shareholding in each entity. We have a large measure of influence over wholly-owned subsidiaries and less influence over companies where our investment is limited to a minority shareholding. Our influence in companies where our support is in the form of a loan is minimal. We endeavour to ensure that all our clients have effective and fit-for-purpose governance structures in place.

Corporate Governance Frameworks

The Board has approved a corporate governance framework for the IDC's subsidiaries and investee companies to establish a uniform governance structure that enables effective IDC governance oversight and, where applicable, ownership control.

The framework is a tool with which to exercise adequate oversight over our subsidiaries and investee companies. It enables the IDC, as an institutional investor, to be aware of the material risks and issues that have an impact on our investee companies and the industries in which they operate.

The Board also approved an additional framework for our financing subsidiaries. Currently, the IDC has one financing subsidiary, the Small Enterprise Finance Agency SOC Limited (sefa). This framework provides guidance on governance in the context of credit approvals by entities which are subject to the PFMA.

Shared services

We support subsidiaries, where possible. For example, during the past year our Internal Audit Department continued to support Foskor in respect of some of its key operational and Information Technology audits. Fraud awareness training was also extended to sefa. IT support services were extended to subsidiaries in the following areas:

- Strengthening IT governance controls through the use of Control Objectives for Information and Related Technologies (COBIT) or ISO/IEC 38500 IT governance frameworks, including standards, policy and procedure formulations
- Technology and business alignment to realise value from IT investments
- Implementation of IT security controls to protect client, employee and business information against unauthorised access.

Future focus areas

We are exploring the possibility of implementing a group audit function to oversee the IDC's and key subsidiary audit activities. The main objective of the proposal is to consolidate processes, ensure that consistent methodologies are applied, promote efficient management and resources sharing and ensure effective risk management at group level. We have agreed with some of our key subsidiaries to establish a forum during the current year, to agree on or formulate an ideal Group Internal Audit Model.

TECHNOLOGY AND INFORMATION GOVERNANCE

Technology and information management

Our Board discharges its responsibility for the governance of technology and information within the Corporation by ensuring an enterprise-wide strategic IT approach. The aim is to:

- Integrate and leverage our IT strategy with overall business processes to improve company performance and sustainability
- Delegate the execution of the IT Governance Framework to management
- Comply with IT laws, rules, codes and standards and manage our information assets effectively.

The Board Risk and Sustainability Committee assists the Board by ensuring and obtaining assurance that IT risks are adequately addressed and the Board Audit Committee has been tasked to consider IT risks as they relate to financial reporting and going concern status and ensure that technology is used to improve audit coverage and efficiency.

Key focus areas

During the past year, the Corporation's technology based strategic approach and compliance to COBIT framework for IT governance continued to yield positive business outcomes in the areas of stringent budget controls, technology project implementation, effective monitoring of cyber security controls and improved IT operations.

We achieved key technology and information management strategic initiatives during the reporting period, including:

- Business process automation, regional server and storage infrastructure and IP telephony upgrades to improve client experience, organisational efficiencies, high service availability, scalability and cost containment
- Automation of IT system controls for continuous alignment with best IT governance and security practices and processes in ensuring confidentiality and integrity of information.

Risk management: Three lines of defence

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Involves operational management processes that include the development of systems and procedures, management review, ownership of risk and, in some instances, risk and control self-assessments. Although this line of defence generally lacks independence and objectivity, its value comes from those who are close to the business and the day-to-day operations (i.e. line management).	Responsible for the oversight of management activities. Separate from those responsible for delivery but not independent of the organisation's management chain, e.g. the risk management and compliance function.	Relates to independent and more objective assurance on the adequate design and effectiveness of IDC's systems and controls, governance and risk management processes. Focuses on the role of the Internal Audit function and other external assurance providers (such as regulatory and supervisory bodies).

Future focus areas

During the next few years, the Board will oversee the IDC's efforts to exploit 4th Industrial Revolution (4IR) technologies and strengthen cyber security and governance controls, high service availability and continuous business process improvements, as well as re-engineer the implementation of the Corporation's business strategy to gain competitive advantage.

The Board and Board Committees promote a common approach to governance and risk management, based on an Integrated Risk Management Framework to support the IDC's strategy.

The Integrated Risk Management Framework sets the standards to manage strategic risks. A Combined Assurance Model, based on the framework, has been adopted to provide assurance about managing the Corporation's key strategic risks. The model is based on the notion of three lines of defence, as depicted in the diagram below. The principles upon which the three lines of defence are based are summarised in the above table.

Governance oversight

The primary objective of the Board Committees tasked with oversight of assurance-related matters (the Board Audit and Board Risk and Sustainability Committees) is to evaluate the effectiveness of the Corporation's Combined Assurance Model and activities, against the identified key risks. The Committees also review the combined assurance results to satisfy themselves that appropriate assurance activities are conducted as far as controls operating over key risks are concerned.

RISK MANAGEMENT

Governing and managing risk

The Risk Management Department plays a critical role in ensuring that the key risks facing the Corporation are identified, managed and reported to the relevant oversight governance structures. The department also monitors Key Risk Indicators against identified risks and reports on exceptions to Executive Management and the Board Risk and Sustainability Committee as well as the Board.

Enterprise Risk Management (ERM)

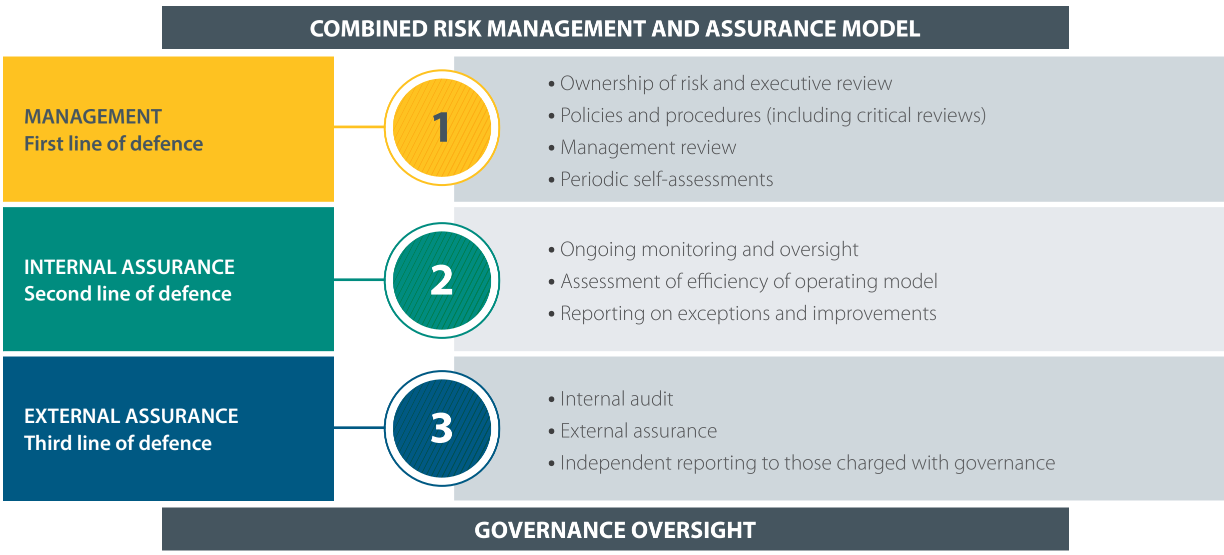
The diagram on page 64 illustrates the components of the IDC's risk assessment process.

Annual risk assessment

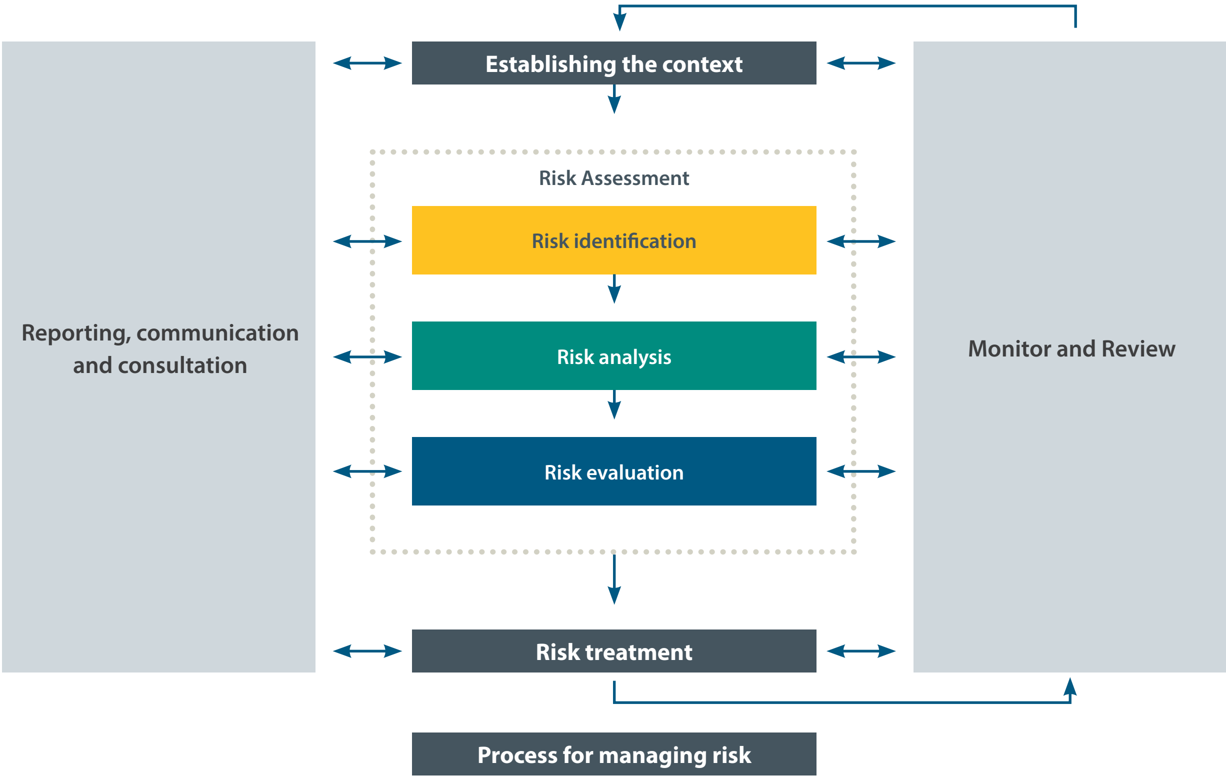
An assessment of risks faced by the Corporation is undertaken annually, during the strategic planning process. Through this process key risks are identified, measured and mitigating strategies or action plans are formulated.

COMBINED ASSURANCE

Our Combined Assurance Model



Enterprise risk management process



Establishing the risks assessment context
This aspect provides perspective and assists with understanding the nature of the impact on the business. The different contexts include credit and investment, development impact and compliance, reputational and operational risks.

Risk assessment
The risk assessment process enables management to understand the probability of a risk that may materialise and its potential impact on the IDC. The risk assessment methodology provides management with a risk profile. The assessment process consists of risk identification and risk analysis.

Risk treatment
The objective of risk treatment is to determine how we respond to events and associated risks. Our risk response strategies focus on terminate, transfer, treat and tolerate.

Risk reporting and escalation
The Board, the Board Risk and Sustainability and the Board Audit Committees are kept abreast of key risks and risk management activities according to a process that ensures that risk management information is reported consistently and timeously to Executive Management and the Board.

Monitoring and review
Monitoring ensures that the ERM framework, policies and procedures are applied consistently and effectively across the Corporation and identifies weaknesses that demand corrective action.

Communication and consultation
Effective communication and consultation increase employee awareness about risk management through awareness campaigns, training and education sessions and newsletters.

Major risks
Several major risks that could have a material impact on achieving the IDC's objectives have been identified and are shown on page 10.

Operational risk and business continuity management assessments
Given the changing risk landscape, we review the Risk and Control Self-Assessments (RCSAs) of all IDC departments and business units annually. RCSAs are a key component of the Operational Risk Management framework and enables a dynamic and iterative process for identifying and assessing key operational risks and controls. Mitigating actions were put in place to proactively address control-identified deficiencies.

Focus areas
We embarked on a risk awareness campaign to raise employee awareness about the risks that they are exposed to, encourage them to own the risks in their respective areas and embed a sound risk culture. The business continuity functionality was also tested to determine employee responsiveness.

We conducted a high-level maturity assessment of our ERM and operational risk function, assisted by an external service provider, to determine the current level of maturity and interventions required to improve the effectiveness of these functions. The risk maturity assessment is a benchmarking tool that measures the extent to which an organisation has implemented ERM in accordance with prevailing best practice and guidelines. IDC obtained an overall score of 76%, which indicates that the IDC's risk maturity is at a mature level and that the current risk management practices are effective.

Credit Risk Management

Credit risk processes

Our credit and investment risk management process is well-entrenched and considered robust. The process involves various internal business units and other stakeholders and comprises of:

- A multi-disciplinary due diligence team
- An independent credit and investment risk assessment process by the Risk Management Department
- Credit approval committees that include the Executive Management team, external members and independent directors
- Our Post Investment Management Department, which is responsible for managing the portfolio from after first disbursement until final settlement
- A Workout and Restructuring team, which manages the accounts of clients under restructuring and supervision.

The risk team, under the leadership of the Chief Risk Officer, reports to the Executive Committee and Board Risk and Sustainability Committee on a quarterly basis on the overall performance of IDC's portfolio. This includes key risk metrics such as concentration risk, breaches of prudential risk limits, impairments, non-performing loans and arrears. The key drivers of the movements are highlighted and remedial action proposed where appropriate. The credit risk metrics are monitored as part of the key risk indicators in the strategic risk register.

Impairments

The 2018 financial year was a challenging period for many of our clients, who were negatively impacted by macroeconomic conditions. These conditions included the weakening of the rand during a large part of the year, weak consumer demand and the protracted drought in parts of the country. Our performance was also impacted, with an increase in some key risk metrics to above the Corporation's risk appetite level.

The level of impairments increased to R14.2 billion in 2018, raising the impairment ratio from 16.7% to 17.4%. The impairment charge to the income statement increased to R4.9 billion in 2018 (2017: R2.1 billion).

Foskor

The increased impairment can be attributed largely to our subsidiary Foskor. An impairment of R1.8 billion had to be raised. We are actively involved in the monitoring of Foskor and regular reports are provided to the Board and in particular, the Board Risk and Sustainability Committee, to assist the Board in its oversight role in respect of Foskor.

Non-performing loans

The non-performing loans (NPL) ratio increased from 18% in 2017 to 24% in 2018, with a similar trend noted in the level of total arrears. Non-performing loans are loans with repayments of more than 90 days in arrears. The level of NPLs is a concern and we are attending to it to curb the rising trend.

High-risk exposures

Our high-risk exposures are managed through a watch list process that includes our material investments. The renewed focus on collections is expected to have a positive impact on arrears and impairment levels.

Future focus areas

In the light of our risk appetite and mandate, as well as the Shareholder's expectation of the Corporation to create a stimulus for economic growth and development, we will continue to act as a catalyst for economic development.

We introduced well defined, Basel aligned risk rating models in 2016 to ensure risk transparency and adequate returns. Given our unique role in the economy, we have an obligation to ensure that the pricing policy supports the Corporation's development drive. Appropriate risk pricing for the unique characteristics of our risk profile, where the right balance between risk, return and development is achieved is a major focus area.

COMPLIANCE

Governing and managing compliance

The Board Charter requires of the Board to ensure ethical behaviour and compliance with all relevant laws and regulations, audit and accounting principles and the Corporation's governing documents and codes of conduct. While the implementation of compliance management within the Corporation has been delegated to management, the Board monitors and reviews compliance processes with key regulatory and legal requirements through regular reports to the Social and Ethics, Board Audit and Board Risk and Sustainability Committees.

The Compliance and Regulatory Affairs Department performs the day-to-day compliance tasks and assists the Board in providing an enabling environment for establishing an ethics-based compliance culture.

The Risk Management Department assists the business units to identify and assess the regulatory risks applicable to the various operations and develop compliance risk management plans to mitigate and control risks. Regulatory risks are continually monitored and reported to the relevant stakeholders.

Key focus areas

During the year under review, the Board has overseen the implementation of processes and controls to meet the requirements of the newly promulgated Financial Intelligence Centre Amendment Act, 1 of 2017. This is in accordance with the primary objective of the Act to establish a stronger anti-money laundering and combating of terrorist financing regulatory framework by enhancing the customer due diligence requirements of accountable institutions.

IDC adopted a risk-based approach to customer due diligence in accordance with the requirement that accountable institutions should identify, assess and understand their anti-money laundering and combating of terrorist financing risks to create a more efficient client classification in terms of high-, medium- and low-risk.

Other initiatives undertaken during the year include PFMA and Promotion of Access to Information Act, 2 of 2000 (PAIA) awareness sessions among IDC employees and theme-based regulatory compliance reviews, which were conducted to enhance the internal control environment.

Monitoring of compliance management

The Internal Audit Department conducts annual reviews to monitor the effectiveness of compliance management and reviewed the anti-money laundering and sanctions framework during the reporting period. The Compliance Department is currently implementing the Internal Audit Department's recommendations in this regard.

Future focus areas

The implementation of the anti-money laundering control and sanctions programme is a particular current and future focus area. This has prompted a consideration to partially automate the client on-boarding process.

INTERNAL AUDIT

Governing and managing Internal Audit

The Internal Audit Department provides independent, objective assurance to the Board that the governance processes, management of risk and systems of internal control are adequate and effective in mitigating the most significant risks that threaten the achievement of IDC objectives.

Internal audit forms part of the Corporation's Enterprise Risk Management Framework, as a third line of defence. The purpose, authority and responsibilities of our Internal Audit Department are formally set out in a charter approved by the Board Audit Committee.

Key focus areas

During the year under review, the Internal Audit Department provided fraud awareness training and education to 20 IDC business units and departments and at six regional offices. In
LA total, 300 employees received training. Approximately 60% of our employees were trained on the Prevention and Combating of Corrupt Activities Act, 12 of 2004 and a number of financial crime awareness initiatives were undertaken internally and extended to clients.

Despite of our extensive crime awareness campaigns, we have seen an increase in the number of cases reported during the reporting period compared to the previous year. A total of 30 cases were reported for investigation, of which seven were internal matters and 23 related to business partners.

The status of previously-raised issues is reported to the Board Audit Committee on a quarterly basis. As at the date of the Board Audit Committee meeting in February 2018, 99 audit findings had been resolved and 22 remained open, of which nine were overdue. A concerted effort is being made to ensure the timeous resolution of all previously-reported audit findings

Key operational areas are investigated for corruption risks. Eight LA
out of 16 (50%) high risk areas were assessed during the year. High risk areas include all operational units (12 SBUs), and the Financial Management, Procurement, Human Capital and Post-Investment Management departments.

Disclosures

The Board of directors is responsible for ensuring that internal audit arrangements provide objective and relevant assurance that contributes to the effectiveness of the relevant governance and risk management processes. The Board has delegated oversight of internal audit to the Board Audit Committee. The Board Audit Committee's disclosures concerning internal audit arrangements and the internal control environment are contained in the report of the Chairperson of the Board Audit Committee on page 68 of this report.

BOARD COMMITTEE REPORTS

BOARD INVESTMENT COMMITTEE (BIC)

The Board Investment Committee is a credit granting committee which considers transactions which would, prior to the establishment of the Committee, have vested with the Board. As set out in the IDC's Delegation of Credit Approval Authority, the BIC considers transactions where the IDC's transaction exposure (taking into account new approvals plus all approvals granted in a particular transaction during a rolling 12 month period) is R250 million or more, but less than R1.5 billion, and the counterparty exposure is from R1 billion to R7 billion. Transactions exceeding these limits are submitted to the Board for approval.

The Committee also reviews transactions where the transaction or counterparty limits are breached, and considers transactions which are regarded as strategic in nature, for recommendation to the Board. Transactions where sector or regional limits are breached are also referred to the Committee.

Activity

During the past year we challenged management to ensure that transactions under consideration are both transformative and contribute towards deepening economic inclusion. This requires meaningful participation by local small, medium and micro-sized enterprises as the catalyst to achieving economic growth and development, increasing localisation opportunities that support South African jobs, and support to Black Industrialists, youth and women entrepreneurs.

The Committee made a significant contribution to the Corporations' overall funding approvals during the period under review, with total funding of more than R9 billion approved by the Committee in 12 transactions. These transactions are expected to create 3 255 jobs, with another 135 saved. The committee is heartened that it is seeing an increase in the number of transactions that involve Black Industrialists. Unfortunately, the same trend is not apparent for companies with a large ownership by women.

I would like to thank management and employees for their continued commitment and hard work in making these larger transactions a reality in a tough economic climate.

Conclusion

As a Committee we are satisfied that we have fulfilled our responsibilities in accordance with the Terms of Reference of the Board Investment Committee for the reporting period.

Dr SM Magwentshu-Rensburg
Chairperson of the Board Investment Committee
27 June 2018

HUMAN CAPITAL AND NOMINATIONS COMMITTEE (HCNC)

The HCNC assists the Board in the development of the Corporation's compensation policies, plans, performance goals, and specific compensation levels. The Committee annually manages the Board's evaluation of the performance of the Chief Executive Officer and assists the Board in fulfilling its oversight responsibilities relating to leadership bench strength, leadership succession planning, as well as overall compensation and human resource policies for all IDC employees.

Terms of Reference

The Committee is guided by its Terms of Reference, which are reviewed regularly. The most important responsibilities of the Committee are the following:

- Recommending the key performance indicators, and evaluating and recommending the Corporation's performance to the Board
- Recommending the appointment of Non-Executive directors, including independent Non-Executive directors to the Board for consideration by the shareholder
- Recommending the appointment of directors to the boards of key subsidiaries and investee companies for consideration by the Board
- Recommending the appointment of the Chief Executive Officer to the Board and set the criteria necessary to evaluate the performance of the Chief Executive Officer
- Assisting the Chief Executive Officer in setting the criteria necessary to evaluate the performance of the individual Executive members in the discharge of their functions and responsibilities, and evaluating performance in relation to the corporate goals
- Reviewing the performance of the CEO and determining his salary based on the evaluation of his performance taking into account market related imperatives
- Overseeing the setting and administering of remuneration at all levels of the Corporation
- Overseeing the establishment of remuneration strategies and policies that will promote the achievement of strategic objectives of the Corporation and encourage individual performance
- Reviewing the outcomes of the implementation of the remuneration policy to ensure that the set objectives are being achieved
- Ensuring that the mix of fixed and variable pay, in cash and other elements, meet the Corporation's strategic objectives.
- Overseeing the succession planning for the Chief Executive Officer and for all Executive roles
- Support the Board to ensure leadership bench strength in the Corporation
- Support the Board and the Chief Executive Officer to monitor human resources policies and programmes such as organisational culture transformation and diversity.

Activity

During the year under review the Committee supported the Board in reviewing and approving the corporate short-term and long-term performance targets. This process was strengthened through the appointment of an Independent Assurance Committee consisting of internal members and an external member, tasked with the responsibility to provide assurance on targets and performance. We also ensured that the performance objectives of the Corporation, the CEO and Executive are aligned to achieve the required strategic outcomes.

The Committee provided continued oversight over implementation of the Corporation's Remuneration Philosophy and Policy, particulars of which are provided in the Human Capital section of this report.

We also considered reports on the IDC's Employment Equity, Skills Development and Leadership Assessment. The focus was also on driving culture transformation and alignment in the business.

The assessment of leaders against the approved leadership competencies was concluded for Executives and for heads of units. This has allowed the Corporation to have a comprehensive view on the leadership bench-strength to drive the strategic intent of the business both now and into the future. A needs driven leadership development academy will develop our leaders with the requisite capabilities to enhance effectiveness.

Transformation remains a critical focus area for the Corporation and the IDC overall black representation is at 84.9% of the staffing population (an increase of almost 3% compared to the previous financial year). Our overall female representation is at 54%, having increased by 0.5% since March 2017. The priority will be to focus on both continuing to enhance female representation at management levels and people with disabilities.

Future focus

Our efforts to enable a high performance culture and to facilitate and entrench leadership capacitation and development is an ongoing priority, and as a Committee, we remain ever mindful of the need to retain our talent through the enhancement of the employee value proposition.

With the line of sight on leadership capabilities and current bench strength, we will intensify our effort towards talent reviews and succession planning for leadership and critical positions.

Conclusion

As a Committee we are satisfied that we have fulfilled our responsibilities in accordance with the Terms of Reference of the Board Human Capital and Nominations Committee.

Mr BA Dames
Chairperson of the Board Human Capital and Nominations Committee
27 June 2018

BOARD AUDIT COMMITTEE (BAC)

Report of the Board Audit Committee in terms of Regulations 27(1)(10)(b) and (c) of the Public Finance Management Act of 1999 (as amended) and requirements of King IV Code of Governance

Background

The Board Audit Committee (BAC) oversees the Corporation's financial reporting process on behalf of the Board of Directors, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls, risk management and financial reporting processes. In addition, the BAC assesses the effectiveness of the Internal Auditors and the independence and effectiveness of the External Auditors.

The Corporation's management has the primary responsibility for the financial statements, maintaining effective internal control over financial reporting and assessing the effectiveness of internal control over financial reporting.

Responsibilities, composition and functions of the Committee

The Committee's role and responsibilities include its statutory duties as per the Public Finance Management Act, 1 of 1999 (as amended), the requirements of the King IV Code of Governance, Companies Act, 71 of 2008 (as amended) and the responsibilities assigned to it by the Board.

As a Committee, we therefore report that we have adopted appropriate formal terms of reference as approved by the Board and are satisfied that we have discharged our responsibilities as per the Companies Act, King IV and PFMA.

The Committee has carried out its functions through the attendance at Audit Committee meetings and discussions with Executive Management, Internal Audit, External Auditors and external advisers where appropriate.

We meet at least four times per annum, with authority to convene additional meetings as circumstances require.

To execute the key functions and discharge the Committee's responsibilities as outlined in its Terms of Reference during the period under review, we:

- Assisted the Board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the Corporation in the day-to-day management of its business
- Facilitated and promoted communication between the Board, management, the external auditors and Internal Audit Department on matters that are the responsibility of the Committee
- Introduced measures that, in the opinion of the Committee, may enhance the credibility and objectivity of the financial statements and reports prepared with reference to the affairs of the Corporation (and IDC Group)
- Nominated and recommended for appointment as the Corporation's external auditors the firms of registered auditors, SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc., who, in the opinion of the Committee, are independent of IDC
- Determined the fees to be paid to the external auditors and the auditors' terms of engagement
- Ensured that the appointment of the external auditors comply with the Companies Act and any other legislation relating to the appointment of auditors.

Internal Control

We monitored the effectiveness of IDC's internal controls and compliance with the Enterprise-Wide Risk Management Framework (ERMF). The emphasis on risk governance is based on three lines of defence and the BAC uses the regular reports received from the three lines of defence (process owners/department heads; Risk and Compliance Department management; and Internal Audit Department) to evaluate the effectiveness of the internal controls. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all IDC's key external stakeholders.

No findings have come to the attention of the Committee to indicate that any material breakdown in internal controls has occurred during the financial year under review. The Committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the consolidated Annual Financial Statements, that accountability for assets and liabilities is maintained and that this is based on sound accounting policies, supported by reasonable and prudent judgements and estimates. The BAC is further of the opinion that the internal controls of the Corporation have been effective in all material aspects throughout the year under review.

This opinion is based on the information and explanations given by management regarding various processes and initiatives aimed at improving the internal control environment and the integrity of information, discussions with Internal Audit, as well as the independent external auditors on the results of their audits.

To formulate its opinion, the Committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls
- Monitored the adequacy and reliability of management information and efficiency of management information systems
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information
- Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards, as well as any changes
- Discussed and resolved any significant or unusual accounting issues
- Reviewed reports supplied by management regarding the effectiveness and efficiency of the credit monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily
- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels
- Reported to the Board on the effectiveness of the Corporation's internal reporting controls.

External auditors

As a Committee, we recognise the importance of maintaining the independence of the Corporation's Independent Auditor, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Corporation's Independent Auditor and determines whether to re-engage the current Independent Auditor. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities and the auditors' technical expertise and knowledge of the Corporation's operations and industry. Based on this evaluation, the Audit Committee has retained both SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc. as the auditors.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and audit fees for the financial year ended 31 March 2018.

The Committee:

- Approved the external auditors' annual plan and related scope of work
- Monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance
- Considered whether the extent of reliance placed on internal audit by the external auditors was appropriate and whether there were any significant gaps between the internal and external audits
- The BAC has also approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit related services.

Financial Statements

We have reviewed the financial statements of the Corporation and IDC Group and are satisfied that they comply in all material respects with IFRS and the requirements of the Companies Act and PFMA. During the period under review the Committee:

- Reviewed and discussed the audited Annual Financial Statements included in this Integrated Report with the external auditors, the Chief Executive and the Chief Financial Officer
- Reviewed the external auditors' report and management's response
- Reviewed any significant adjustments resulting from external audit queries and accepted unadjusted audit differences
- Reviewed areas of significant judgements and estimates in the Annual Financial Statements
- Received and considered reports from the Internal Auditors.

Expertise and experience of Finance Function

We have considered and have satisfied ourselves of the overall appropriateness of the expertise and adequacy of resources of IDC's finance function and experience of the senior members of management responsible for the financial function.

Duties assigned by the Board

Integrated and Sustainability Reporting

The BAC fulfils an oversight role regarding the Corporation's Integrated Report and the reporting process and considers the level of assurance coverage obtained from management, and internal and external assurance providers in making its recommendation to the Board.

We considered the Corporation's information as disclosed in the Integrated Report and have assessed its consistency with operational and other information known to Committee members and for consistency with the Annual Financial Statements. We have discussed the information with management and have considered the conclusions of the external assurance provider.

The Committee is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results. Nothing has come to the attention of the Committee to indicate any material deficiencies in this regard.

Combined assurance

The Committee is responsible for monitoring the combined assurance model detailing significant processes, line management monitoring, Internal Audit and external assurances. This model is used to assess the appropriateness of assurance over risks/controls provided to the Board.

Engagement regarding the extent to which the various assurance providers rely on each other's work takes place continuously and we are of the view that a better coordination between External and Internal Audit has been achieved.

A Combined Assurance Plan integrating Internal Audit, Compliance and Risk Management Plans have been drafted for use in the next financial year to monitor the activities that relate to the Combined Assurance Process.

Going concern
The Committee concurs that the adoption of the going concern assumption in the preparation of the consolidated Annual Financial Statements is appropriate and sound. This is after the Committee reviewed a documented assessment by management of the going concern premise of the Corporation and IDC Group.

Governance of risk
The Board has assigned oversight of the Corporation's risk management function to a separate Board Risk and Sustainability Committee. The Chairperson of the BAC attends the Board Risk Committee meetings as an ex-officio member to ensure that information relevant to these committees is shared regularly.

The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk and information technology risks as they relate to financial reporting. We are satisfied that the appropriate and effective risk management processes are in place.

Internal Audit
Internal audit forms part of the third line of defence as set out in the ERMF and engages with the first and second lines of defence to facilitate the escalation of key control breakdowns.
The Internal Audit Department has a functional reporting line to the Committee Chairperson and an operational reporting line to the CEO. The BAC, with respect to its evaluation of the adequacy and effectiveness of the internal controls, receives reports from Internal Audit on a quarterly basis, assesses the effectiveness of internal audit function and reviews and approves the Internal Audit plan.

The Audit Committee is responsible for ensuring that the Corporation's internal audit function is independent and has the necessary resources, standing and authority within the Corporation to discharge its duties. We approved the internal audit function's annual audit plan, and as a Committee, we monitored and challenged, where appropriate, action taken by management with regard to adverse internal audit findings.

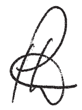
The Committee has overseen a process by which internal audit has performed audits according to a risk-based audit plan where the effectiveness of risk management and internal controls were evaluated. These evaluations were the main inputs considered by the Board in reporting on the effectiveness of internal controls. The Committee is satisfied with the independence and effectiveness of the internal audit function.

Conclusion
Having considered, analysed, reviewed and debated information provided by management, Internal Audit and External Audit, the Committee confirmed that:
- The internal controls of the group were effective in all material aspects throughout the year under review
- These controls ensured that the Group's assets had been safeguarded
- Proper accounting records had been maintained
- Resources had been utilised efficiently
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable.

Following our review of the financial statements for the year ended 31 March 2018, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS and that they fairly present the results of the operations, cash flow and financial position of the Corporation.

We have complied with all the King IV principles, with the inclusion of integrated reporting, evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2018. The Committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

This Integrated Report was recommended by the BAC to the Board for approval.



Ms NP Mnxasana
Chairperson of the Board Audit Committee
27 June 2018

BOARD RISK AND SUSTAINABILITY COMMITTEE (BR&SC)
The Board Risk and Sustainability Committee assists the Board in carrying out its responsibilities relating to the management and governance of risks. The Committee ensures that the Corporation has an appropriate risk management strategy and that it is implemented by the Corporation. The Committee, through Executive Management, has a responsibility to ensure that the Risk Management Department is adequately resourced as to be effective.

Below is a summary of the key matters that were deliberated by the Committee during the reporting period.

Annual risk assessment
The Committee reviewed the Corporation's entire risk assessment process. The annual review assists the Corporation to identify, quantify and prioritise material risks, which tend to have a significant impact on the achievement of IDC objectives. Opportunities and risk mitigating factors are also identified during this process.

Credit and Investment Risk Profile of the IDC's portfolio
With credit and investment risk being the main risks that the Corporation undertakes, the Committee is at all times seized with ensuring that the risk profile of the portfolio is maintained within the Board approved risk appetite range.

The impairment ratio was impacted negatively as a result of adverse macroeconomic factors, increasing from 16.7% at 31 March 2017, to 17.4% in March 2018. The impairment charge for the year was R4.9 billion, and it was higher than expected due to some of our exposures that were negatively affected by poor commodity prices. The Committee monitors plans to ensure that the impairment expense is reduced through active management of the key exposure and subsidiaries.

The implementation of IFRS 9 may trigger a breach of the impairment limit of 20%. A review of the limit will be undertaken in parallel with the IFRS 9 review, during the ensuing financial year.

The non-performing loans increased from R5.7 billion in the previous financial year, to R7.5 billion as at the end of 2018. The main reason for the significant increase is one investment outside of South Africa, where IDC is currently involved in litigation to recover the amounts due. The Corporation has the necessary collateral in place to mitigate its losses in this case.

The IDC continues to play a counter-cyclical role to stimulate the economy. As a consequence, the rates of potential default and increased impairments are heightened, however, the Corporation has forums and monitoring committees in place to manage the associated risks.

We have established a dedicated department to monitor the performance of material investments and attend, as required, to IDC subsidiaries and material investments. An experienced and diversely skilled team will be responsible for the implementation of the necessary enhanced monitoring process.
In addition, the Committee periodically conducts "risk dives" on some of the material investments and exposures. During these risk dives, detailed analyses of each investment or exposures are conducted and management plans interrogated extensively so as to ensure that identified weaknesses are remedied.

Review of Risk Rating and Pricing Models
The SME/Middle Market and Project Finance rating and pricing models implemented by the Corporation have provided us with an accurate and transparent client-specific view of the risk profile of our business partners. The models have set a good base for the implementation of IFRS 9, for which a process is currently underway. The models are monitored on a continuous basis and refined as necessary. Independent validation of the models has been planned for the current financial year.

Risk Models Validation
During the year under review, a models validation process was established by the Corporation within the Risk Management Department. Through this process, an inventory of key models utilised by the Corporation has been established. The process of validating these models has commenced. Through this process, it will be ensured that all models that are utilised for risk management are robust, adequately documented and back-tested.

Ongoing oversight of technology and information management
The Committee carried out its responsibilities in relation to the management of Information Technology risk by reviewing the IT Policy, and ensuring that IT risk management and information governance practices is aligned to King IV principles. The Committee also ensures that the IT function is adequately capacitated by continuously reviewing its capital budgets and human resources.

Conclusion
The BR&SC is closely monitoring the interventions introduced to manage the risk profile of the Corporation. As a Committee we are satisfied that we have fulfilled our responsibilities in accordance with the Terms of Reference of the Board Risk and Sustainability Committee.

Ms LI Bethlehem
Chairperson of the Board Risk and Sustainability Committee
27 June 2018

SOCIAL AND ETHICS COMMITTEE (SEC)

The Social and Ethics Committee assists the Board in discharging its duties relating to oversight of social and ethical matters in the Corporation and in setting strategies to integrate sustainability into the daily business activities of the IDC. It plays an important role in managing the Corporation's exposure to reputational risk and promotes the ideals of corporate fairness and transparency, social and economic development and good corporate citizenship.

Ethical Leadership
As a committee, we aim to champion and foster a culture of good governance and ensure that the Corporation's Code of Ethics and Business Conduct is applied at all levels of the organisation.

We monitor IDC activities, having regard for all relevant legal requirements in matters relating to social and economic development, good corporate citizenship, stakeholder relationships and the impact of the Corporation's activities on the environment, health and public safety.

Potential Conflicts of Interest
During the past year, we considered reports relating to two matters in which IDC directors had potential conflicts of interest, as summarised below.

In the Goapele Property transaction, we considered the relationship between the promoter of the business, Ms N Magwentshu, and two IDC directors, Dr S Magwentshu-Rensburg and Ms M More, who are both sisters-in-law of Ms Magwentshu. Ms Magwentshu is also a Politically Exposed Person (PEP) by virtue of being a cousin to Major General B Holomisa and Mr P Holomisa and having held positions at various State-Owned Entities.

In another transaction, the Committee considered Adv Orleyn's interest as an indirect shareholder in Le-Sel through Peotona, of which she is an executive director. Peotona is a 0.75% investor in the Trinitas Private Equity Fund. At the time, Trinitas held an indirect interest of 0.21% in Le-Sel, which is an IDC subsidiary. Adv Orleyn recused herself and left the meeting when this matter was considered by the Committee.

In both of the abovementioned cases, it was found that the IDC teams had assessed the applications purely on merit and that there had been no special treatment afforded or undue influence exercised during the approval process.

Subsidiaries and Investee Companies

We considered and approved a number of frameworks and policies aimed at improving corporate governance of IDC subsidiaries and investee companies. Most notably, the Committee recommended a Corporate Governance Framework for Subsidiaries and Investee Companies to the Board for approval, which sets certain minimum governance requirements for all such entities, taking into account the size and nature of each business.

A revised IDC Director Nominations Policy, which seeks to promote ongoing dialogue between IDC and the boards of subsidiaries and investee companies, was also recommended to the Board for approval. Our approach is that IDC experts are engaged by the boards of subsidiaries and investee companies on a regular basis, not only at Annual General Meetings.

The IDC Board adopted both the framework and policy. The SEC will oversee their implementation during the next year.

Reputational Risk

The Committee oversees the administration of IDC's Politically Exposed Persons Policy and reviews the list of transactions involving PEPs. These continue to be published on IDC's website. During the past year, we considered reports on IDC's compliance with international recommendations by the Financial Action Task Force (FATF), and legislative requirements in terms of the Prevention of Organised Crime Act, 121 of 1998 (POCA), Financial Intelligence Centre Act, 38 of 2001 (FICA), and Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 33 of 2004 (POCDATARA).

We also commented on the IDC's Enhanced Due Diligence and Politically Exposed Persons Guidelines, which form the basis of an enhanced due diligence process followed in all transactions involving persons classified as high risk, mainly PEPs and their close family members and associates. The Committee is satisfied that the initiatives undertaken by IDC's Compliance and Regulatory Affairs Department are adequate and compliant with the changes to due diligence and other processes brought about by the Financial Intelligence Centre Amendment Act, 1 of 2017.

The Board has delegated the task of overseeing collections and other legal processes instituted by IDC against Oakbay Resources, to the SEC. The media has reported extensively on this matter and it is a standing item on the agenda of every meeting of the Committee. Our goal is to ensure that IDC's reputation is maintained and protected and we do our utmost to ensure that the matter is pursued to its fullest extent, as provided for in law.

Social Development

We received reports on sponsorships and IDC's Corporate Social Investment (CSI) activities, approved a CSI strategy for the Corporation and commented on a draft Sponsorship policy. As a Committee, we discussed the work of IDC's Development Impact Support Department, which provides funds, inter alia, for community projects. We requested the team to engage with institutions of higher learning in order to explore the possibility of developing targeted training programmes for Black Industrialists.

Compliance

No material non-compliance with legislation and regulations, or non-adherence to codes of best practice, relevant to the areas within the committee's mandate, was brought to the SEC's attention.

Conclusion

As a Committee we are satisfied that we have fulfilled our responsibilities in accordance with the Terms of Reference of the Social and Ethics Committee for the reporting period.

Adv ND Orleyn
Chairperson of the Social and Ethics Committee
27 June 2018

ENSURING FINANCIAL SUSTAINABILITY

The IDC is a going concern. Due to the current state of the economy we expect profitability to be under pressure in the short- to medium-term. Our efforts to ensure the sustainable development of the South African economy require that the Corporation remains financially sustainable.

We have sufficient liquidity to meet our current obligations and are confident that, for the foreseeable future, we can raise enough funding through a combination of new debt and internally generated funds (profits, repayments on existing facilities or equity divestments) to make new advances into the economy.

Managing impairments is key to ensuring our financial sustainability. We have and will continue to implement initiatives to ensure that impairments remain within acceptable levels.

REVIEW OF FINANCIAL PERFORMANCE

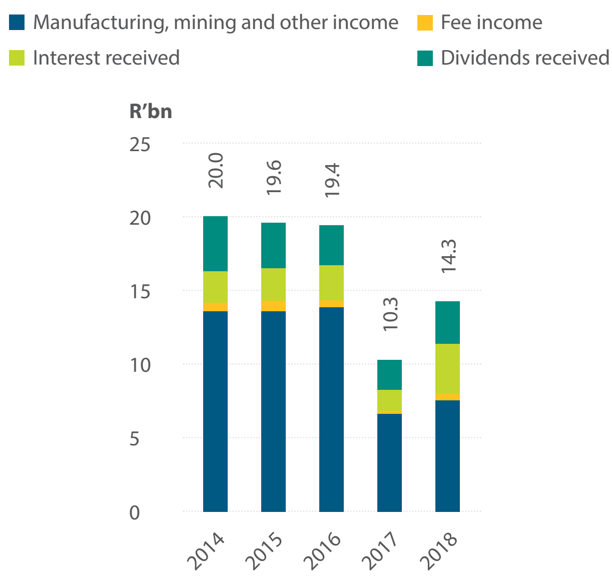
The 2018 financial year was a challenging one for the South African economy and the IDC Group. Most of our subsidiaries and certain associated companies felt the strain of the unfavourable economic environment. The Group made a consolidated profit of R3 224 million compared to a profit of R2 200 million in 2017.

Group revenue

Group revenue for the year decreased by 18% to R14 223 million from R17 372 million in 2017. Interest income for the Group of R3 374 million was 22% below the previous year. In 2017 interest income included R1 billion for Kalagadi Manganese. The interest rate environment was slightly higher than in 2017.

Dividends received were 65% higher compared to the previous financial year. In 2018, the IDC received a dividend from Kumba of R1.3 billion. Kumba did not declare a dividend in the 2017 year. Sasol and Mozal paid R682 million and R492 million respectively.

Group revenue



Scaw's performance improved slightly during the year. Full year revenue, including that of the Discontinued Operations, amounting to R6 355 million, was 17% higher than in the previous financial year (R5 463 million). Since being acquired, Scaw has incurred significant losses of more than R3.3 billion. To ensure sustainable growth of Scaw, IDC decided to introduce Strategic Equity Partners (SEPs) who will provide necessary financial and focused technical support and assist in turning around their financial performance. The result anticipated is that IDC will not retain control in the three Scaw businesses, namely Grinding Media, Cast and Remainco.

Magotteaux International S.A. and Amsted Rail Company Inc. are the SEPs in Grinding Media and Cast Products respectively.

Five-year overview extract from the Company's annual financial statements

Figures in Rand million	2018	2017	2016	2015	2014
Statement of financial position					
Cash and cash equivalents	5 726	6 660	6 183	7 714	7 250
Loans and advances	28 564	25 802	23 451	21 760	20 298
Investments	105 959	100 175	91 430	94 198	108 943
Property, plant and equipment	54	54	166	129	120
Other assets	1 671	1 236	1 195	1 348	994
Total assets	141 974	133 927	122 425	125 149	137 605
Capital and reserves	87 785	83 814	78 000	84 860	99 869
Other financial liabilities	46 723	42 553	38 987	33 566	29 017
Other liabilities	7 466	7 560	5 438	6 723	8 719
Total equity and liabilities	141 974	133 927	122 425	125 149	137 605
Statement of comprehensive income					
Operating profit/(loss)	1 892	1 601	152	1 718	1 953
Income from equity-accounted investments	-	-	–	3	2
Profit before taxation	1 892	1 601	152	1 721	1 955
Taxation	201	194	25	(54)	(551)
Profit/(loss) for the year	2 093	1 795	177	1 667	1 404

Five-year overview extract from the Group's annual financial statements

Figures in Rand million	2018	2017	2016	2015	2014
Statement of financial position					
Cash and cash equivalents	6 156	7 699	6 865	8 257	7 877
Loans and advances	30 660	26 673	23 928	22 412	20 818
Investments	81 488	77 996	71 586	73 114	92 337
Property, plant and equipment	7 683	9 613	10 816	9 921	9 012
Other assets	10 971	7 855	8 153	8 585	8 549
Total assets	136 958	129 836	121 348	122 289	138 593
Capital and reserves	92 023	88 097	84 717	89 797	106 769
Non-controlling interest	84	193	102	125	215
Other financial liabilities	33 217	30 367	27 984	24 005	21 350
Other liabilities	11 634	11 179	8 545	8 362	10 259
Total equity and liabilities	136 958	129 836	121 348	122 289	138 593
Statement of comprehensive income					
Operating profit/(loss)	2 424	616	(494)	1 011	2 513
Income from equity-accounted investments	419	963	557	656	(310)
Profit before taxation	2 843	1 579	63	1 667	2 203
Taxation	381	621	160	(14)	(560)
Profit/(loss) for the year	3 224	2 200	223	1 653	1 643

The remaining operations (Remainco) will constitute Rolled, Wire Rod Products and the main property assets of Scaw. The Barnes Southern Palace Consortium, led by a local steel company Barnes Group, is the SEP in Remainco. The Barnes Consortium transaction was approved by the Competition Tribunal on 16 February 2018. The Barnes Consortium took over the operations of Remainco on the 1 May 2018 with the transaction fully implemented by 30 May 2018. The Grinding Media transaction was approved by the Competition Commission on 20 February 2018, with Magotteaux taking over management of Grinding Media on 1 June 2018. The Cast Products transaction was approved on 29 March 2018 and Amstead took over management of Cast Products on 1 June 2018.

Revenue from Foskor was up 5% from the previous year to R5 892 million, having been impacted by a weaker market, a strong exchange rate, high cost of production and plant inefficiencies. The lower commodity price and the stronger than expected Rand continue to have a significant impact on the revenue of Foskor. The company will continue to implement cost savings and production enhancing interventions.

Group operating profit

The operating profit for the year was R 2 424 million (2017: R616 million), mainly due to increased dividends received, as well as a day-one-gain on the unwinding of Main Street 333 (Exxaro).

Impairments for the Group increased by a significant R1 635 million, from R954 million to R2 653 million, mainly driven by the difficult trading conditions persisting in the South African economy. In response to the higher risk to the IDC book, the Corporation has embarked on various initiatives to contain further increases in impairments. The Corporation is confident that these interventions will be effective in curbing growth in impairments, whilst continuing to play its counter-cyclical role in the economy. The impairments in the current financial year (R2 653 million) were attributed to the adverse macroeconomic environment and protracted commodity prices. The impact of currency volatility and the drought also had a negative impact on some exposures.

Financing costs for the Group decreased to R2 433 million (2017: R2 607 million), mainly due to lower exchange rate losses during the year.

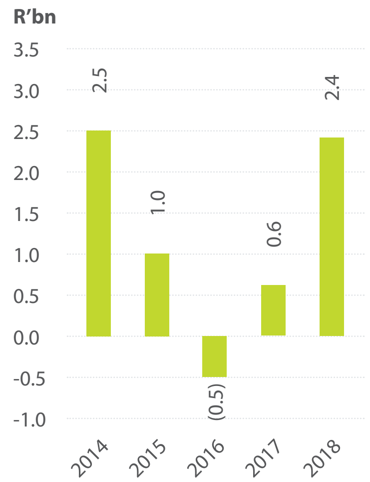
The Group made a capital profit of R2 383 billion from the disposal of certain listed and unlisted investments during the year, compared to R1 688 million in the previous year. Partial divestment from the IDC's shareholding in BHP Billiton was the main contributor to the capital gain.

During the 2018 financial year, we received R223 million from the South African Government to fund sefa (2017: R213 million).

Income from equity-accounted investments

The equity-accounted investments recorded a decrease in performance during the reporting period, with their contribution

Group operating profit/(loss)



to the Group profits at R419 million compared to a profit of R963 million in 2017. The impact is being monitored, given the protracted pressure on commodity prices.

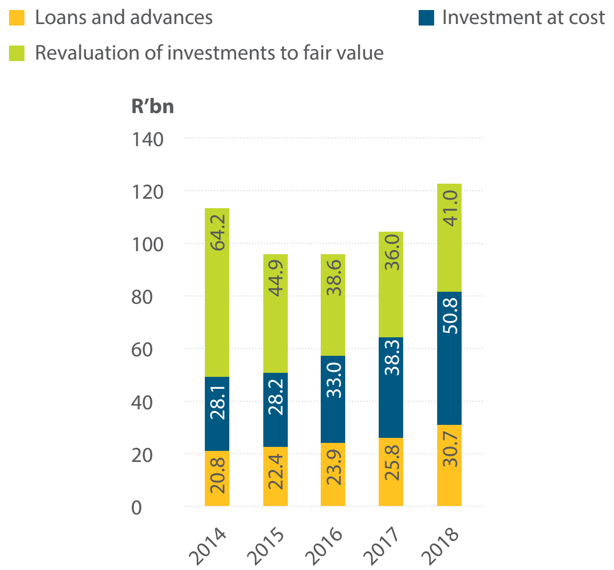
Loans, advances and investments

The IDC advanced R15.4 billion in new loans, advances and investments during the year, up from R11 billion in 2017. This resulted in loans and advances growing to R30.7 billion (net of repayments), from R26.7 billion, and investments increasing from R38.3 billion to R50.8 billion (net of disposals and preference share redemptions).

The revaluation of investments to fair value increased from R40 billion to R41 billion, mainly due to the increase in the value of listed equities following some improvement in the oil, platinum, manganese, steel and iron ore prices.

The IDC is committed to diversifying its portfolio over the medium term in order to minimise the concentration risk towards commodities by investing in a diverse portfolio with more stable growth prospects.

Group loans, advances and investments



Group borrowings

The growth in our borrowings portfolio was aligned with our strategy to fund growth in the loans and advances book, predominantly from borrowings. Borrowings for the year grew to R33.2 billion from R30.4 billion in 2017.

Borrowing activity during the year amounted to R8.8 billion, with repayments of R4.4 billion. A large portion of the borrowing was raised from local lenders, while foreign commercial banks showed great appetite for IDC credit by providing more funding support. These were offered in both short and long tenure through bilateral arrangements. We continued to utilise the IDC Domestic Medium-Term Note (DMTN) programme to issue public bonds.

The demand and pricing of the bond issuances reflected investors' confidence in the IDC's creditworthiness and financial standing.

We will continue our bond issuance programme as part of our funding sources diversification strategy. This strategy will also be informed by local and international market conditions, pricing and available liquidity in financial markets. Traditional sources, namely commercial banks (both local and international) and development financial institutions (DFIs) will remain sources of funding. The DFIs that we have bilateral agreements with are Kreditanstalt für Wiederaufbau (KfW), African Development Bank (ADB), Agence Française de Développement (AfD)/Proparco, European Investment Bank (EIB), China Development Bank (CDB) and China Construction Bank (CCB).

The Public Investment Corporation (PIC), acting on behalf of the Government Employee Pension Fund, supported the green efficiency strategy by providing a longer tenor private placement bond.

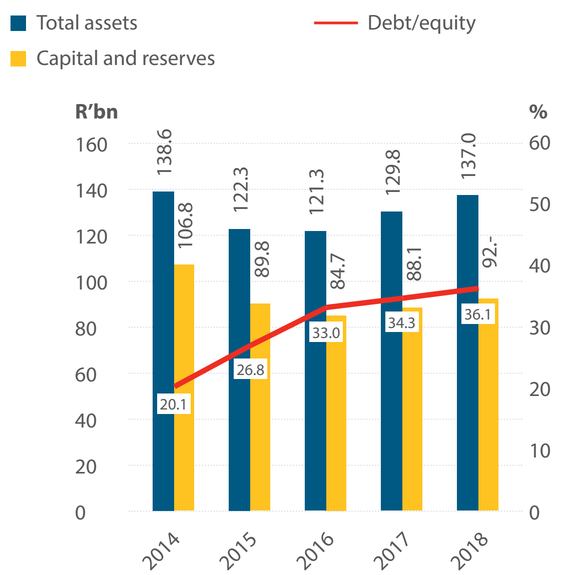
The Unemployment Insurance Fund (UIF), in their quest to reduce unemployment, partnered with the IDC to provide funding to assist companies which would save and create new jobs. This was facilitated by the PIC.

This diversified pool of funding provides the IDC flexibility to raise borrowings as and when required, depending on market volatility at the time. IDC continues to meet its financial obligations emanating from these funding sources whilst maintaining excellent relationships with our lenders and investors.

Total assets, capital and reserves and debt/equity

Total assets increased from R129.8 billion in 2017 to R136.9 billion during the review period mainly as a result of the increase in the fair value of BHP Billiton and Kumba Iron Ore Limited (mainly due to higher iron ore prices). Our borrowings grew in line with the growth in loans and advances, resulting in the debt/equity ratio remaining at an average of 36.1%.

Group assets, capital and reserves and the debt/equity ratio

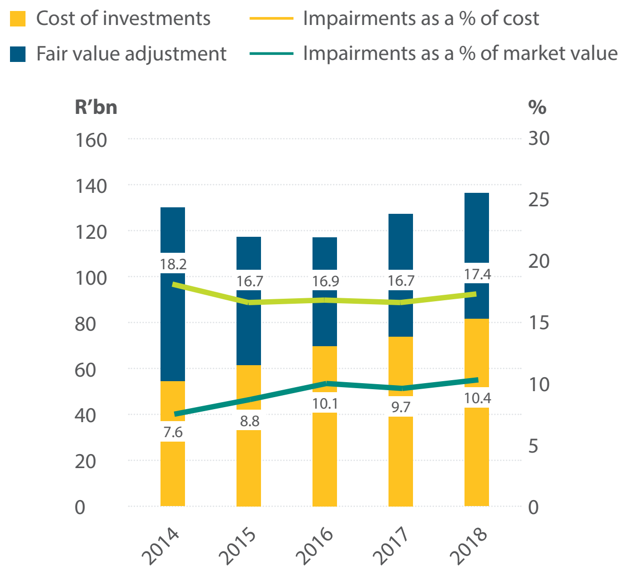


Impairments (IDC Company)
Impairments levels increased steadily over the past five years in value terms, from R9.8 billion in 2014 to R14.2 billion in 2018. A 15% increase occurred in cumulative impairments between the 2017 and 2018 financial years. As a ratio of the total outstanding financing book at cost, impairment levels increased from 16.7% 2017 to 17.4% during the period under review. The impairment level remains within the threshold of 20% as set by the Board.

The current impairment levels are aligned with our risk appetite and role in supporting high-risk sectors and businesses that are largely unattractive to commercial financiers. The trend also reflects our focus on funding early-stage projects and start-up operations. The impairment charge to the income statement of R4 930 million for the year ended 31 March 2018 was 136% higher than the charge reported at financial year-end in 2017.

The IDC Executive Management and Board Risk and Sustainability Committee receive quarterly reports on impairments and credit risk measures.

Impairments

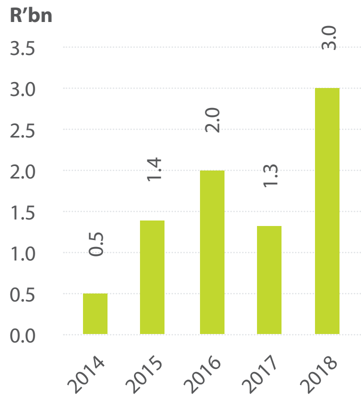


Write-offs (IDC Company)
The IDC writes off non-performing investments only after, inter alia, viable turnaround and restructuring options have been exhausted fully and the exposure is regarded as unrecoverable.

During the year under review, R3.1 billion was written off (2017: R1.3 billion), an increase of 131% compared to the previous year.

The Basic Metals and Mining SBU accounted for 69% of the write-offs. The reasons related mainly to poor market conditions that affected our subsidiary Scaw South Africa. Written-off businesses have a low probability of recovery, while in some instances we recoup amounts that had already been written off. The trend in write-offs over the past five years is illustrated in the accompanying chart.

Write-offs



ASSET AND LIABILITY MANAGEMENT

Liquidity risk
Liquidity risk refers to an inability by the Group to meet its obligations promptly for all maturing liabilities, for increases in financing activity, including commitments and any other financial obligations (funding liquidity risk), or to do so at materially disadvantageous terms (market liquidity risk).

Liquidity risk is governed by the Asset and Liability Management Policy. The Asset and Liability Committee (ALCO) provides oversight and makes delegated decisions related to liquidity risk exposures.

Sources of liquidity risk include:
- Unpredicted accelerated draw-downs on approved financing or call-ups of guarantee obligations
- Inability to roll and/or access new funding
- Unforeseen inability to collect what is contractually due to the Group
- Liquidity stress at subsidiaries and/or other SOEs
- A recall without due notice of on-balance sheet funds managed by the Group on behalf of third-parties
- A breach of covenants, resulting in the forced maturity of borrowings
- Inability to liquidate assets in a timely manner with minimal risk of capital losses.

The Corporate Treasury manages liquidity on a day-to-day basis within Board-approved treasury limits to ensure that:
- Sufficient, readily-available liquidity to meet probable operational cash flow requirements for a rolling three-month period is available at all times
- Excess liquidity is minimised to limit the consequential drag on profitability.

Liquidity coverage ratios aim to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected, yet plausible, liquidity stress events. Two separate liquidity stresses are considered: firstly, an acute three-month liquidity stress that impacts strongly on both funding and market liquidity; and, secondly, a protracted twelve-month liquidity stress with a moderate effect on both funding and market liquidity.

Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Group's listed equity investments after applying forced-sale discounts.

Structural liquidity mismatch ratios aim to ensure adequate medium- to long-term liquidity mismatch capacity by maintaining a stable funding profile. This is done by restricting, within reasonable levels, potential future borrowing requirements as a percentage of total funding-related liabilities. A robust funding structure reduces the likelihood of deterioration in the Group's liquidity position should sources of funding be disrupted. The structural liquidity mismatch is based on conservative cash flow profiling with the added assumption that liquidity, in the form of high-quality liquid assets, are treated as readily available.

Market risk

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. In respect of market risk, the Group is exposed to interest rate risk, exchange rate risk and equity price risk. Market risk is governed by the Asset and Liability Management Policy and ALCO provides the objective oversight and makes delegated decisions related to market risk exposures.

Interest rate risk

Interest rate risk is the risk that adverse changes in market interest rates may cause a reduction in the IDC's future net interest income and/or in the economic value of its shareholders' equity. The IDC's interest rate risk is a function of its interest-bearing assets and liabilities.

The primary sources of interest rate risk include:

- Repricing risk: as a result of interest-bearing assets and liabilities that reprice within different periods. This includes the endowment effect due to an overall quantum difference between interest-bearing assets and liabilities
- Basis risk: as a result of the imperfect correlation between interest rate changes (spread volatility) on interest-bearing assets and liabilities that reprice within the same period
- Yield curve risk: as a result of unanticipated yield curve shifts (i.e. twists and pivots)
- Optionality: as a result of embedded options in assets (i.e. prepayment) and liabilities (i.e. early settlement), which may be exercised based on interest rate considerations.

The sensitivity to interest rate shocks and/or changes in interest-bearing balances is measured by means of earnings and economic value approaches. The former quantifies the impact on net interest income over the next twelve months and the latter gauges the impact on the fair market value of assets, liabilities and equity.

Exchange rate risk

Exchange rate risk is the risk that adverse changes in exchange rates may cause a reduction in the IDC's future earnings and/or its shareholders' equity.

In the normal course of business, the IDC is exposed to exchange rate risk through its trade finance book and exposure to investments in and outside Africa. The risk is divided into:

- Translation risk, which refers to the exchange rate risk associated with the consolidation of offshore assets and liabilities or the financial statements of foreign subsidiaries for financial reporting purposes
- Transaction risk, which arises where the IDC has cash flows/transactions (i.e. a monetary asset or liability, off-balance sheet commitment or forecasted exposure) denominated in foreign currencies whose values are subject to unanticipated changes in exchange rates.

Any open (unhedged) position in a particular currency gives rise to exchange rate risk. Open positions can be short (we need to buy foreign currency to close the position) or long (we need to sell foreign currency to close the position) with the net open foreign

Value added statement (IDC Company)

Figures in Rand million	2018	2017
Value created		
Net interest income	935	2 143
Impairment losses on loans, advances and investments	(4 930)	(2 086)
Other income from lending activities	1 784	578
Other investment income	5 215	2 960
Operating expenditure and project feasibility expenses	(334)	(480)
	2 688	3 115
Value allocated		
Benefits to employees	1 032	998
Social spending in communities	121	124
To government as taxation and dividends	(529)	214
Taxation (including deferred tax)	(579)	194
Dividends to shareholders	50	20
Value reinvested in operations	2 064	1 779
Transfer to/(from) reserves (retained earnings)	2 043	1 765
Depreciation and amortisation	21	14
	2 688	3 115

currency position referring to the sum of all open positions (spot and forward) in a particular currency. For purposes of hedging, net open foreign currency positions are segmented into the following components:

- All exposures related to foreign currency denominated lending and borrowing.
- All foreign currency denominated payables in the form of operating and capital expenditure, as well as foreign currency denominated receivables in the form of dividends and fees.

Equity price risk

Equity price risk is the risk that adverse movements in equity prices may cause a reduction in the value of the Group's investments in listed and/or unlisted equity investments and therefore includes future earnings and/or value of shareholders' equity.

Sources of equity price risk include:

- Systematic risk or volatility in relation to the market as a whole
- Unsystematic risk or company-specific risk factors.

The investment portfolio's beta is used as an indication of systematic, non-diversifiable risk. Due to the long-term nature of the Group's investments, unsystematic risk is managed through diversification.

Sensitivity analyses were performed on the Group's equity portfolio to determine the possible effect on the fair value should a range of variables change, such as cash flow, earnings and net asset values. These assumptions were built into the applicable valuation models.

FUTURE PERFORMANCE

We expect 2019 to be another challenging year as a result of a difficult set of conditions in the South African economy and modest growth globally.

Profitability could be impacted significantly in the year ahead mainly due to lower dividend income forecasts. Our balance sheet remains strong and we intend growing it further during the next five years, with advances of between R96 billion and R123 billion in total over that period. This will be funded from borrowings of between R58 billion and R62 billion, with the balance funded through internally generated funds. Gearing levels are expected to increase over the next few years, in line with the strategy to utilise more debt funding.

ABOUT THIS REPORT

This Integrated Report covers our performance and strategies for the period 1 April 2017 to 31 March 2018.

There have been no significant changes to the scope, boundary or measurement methods applied in this report and there have been no restatements unless otherwise indicated in the relevant section.

In this report, we have focused on our means of adding value and we have been guided by the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). The report is aligned with selected principles and Standard Disclosures from the Global Reporting Initiative (GRI) G4 Reporting Guidelines, which are referenced in the GRI G4 Content Index and can be found online at www.idc.co.za. The principles of the International Federation of Accountants (IFAC) have also been taken into account.

The report is further informed by the following legislation and standards:

- The Public Finance Management Act, 1 of 1999 (PFMA)
- The King IV Report on Governance for South Africa (King IV)
- The Companies Act, 71 of 2008, as amended
- The International Financial Reporting Standards (IFRS)
- The Industrial Development Corporation Act, 22 of 1940, as amended
- The internally developed guidelines and policies.

MATERIALITY

We define the materiality of matters for reporting purposes as those that support our strategic goals as a state-owned development finance institution and those that have the potential to substantially affect our ability to create and sustain value in the short-, medium- and long-term. We have used issues arising from our stakeholder engagement processes to determine materiality (for more information on the process followed and our material issues, refer to page 16).

SCOPE AND BOUNDARY

The IDC Integrated Report is compiled and produced annually. This report includes IDC performance and activities across all the geographies in which we operate and contains our outlook, targets and objectives for the short-, medium- and long-term. When referring to "IDC", "we" or "our", we mean the Industrial Development Corporation and our subsidiaries Findevco, Impofin and Konoil. When referring to the Group, we mean IDC and all of its subsidiaries. The Group structure is shown in the online section of the report.

The boundary of the report includes financial reporting, determined in accordance with the IFRS and our non-financial performance, opportunities, risks and outcomes that have a significant influence on our ability to create value. It excludes detailed information on subsidiaries.

The report focuses on matters which are material to IDC within the boundary discussed above. Internal and external factors which substantially influence our business have been considered and where material, their real and potential impacts are covered.

Details of our investments in subsidiaries, joint ventures, jointly controlled assets and associates appear in our annual financial statements. Detailed information on our separately listed and managed interests in associates and listed investments, which account for the bulk of our other property assets, is provided in their annual reports, which are available on their websites.

REPORTING PRINCIPLES, ASSURANCE AND APPROVAL

Our combined assurance framework brings together all assurance activities, identifies internal and external assurance providers and ensures that actual assurance takes place and is reported within our governance structures.

A combined assurance team from SizweNtsalubaGobodo Inc. and Ngubane & Company (JHB) Inc., supported by our internal audit team, assured the financial section of the report. The IDC Board Audit Committee verified the independence of the external assurance providers. The IDC Board approved the report as recommended by the Board Audit Committee. Selected performance information was assured at a limited assurance level according to the International Standards for Assurance Engagements (ISAE 3000), assurance engagements other than audits and reviews of historical information.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements about the performance and position of IDC. In line with the requirements of the PFMA, our annual Corporate Plan contains outlooks for a three-year period. These projections are based on the views of the directors and assumptions about economic, political and global conditions. As such, these forward-looking statements are subject to risk and uncertainty and have not been reviewed or audited by our external auditors.

We appreciate your feedback. Kindly submit queries and comments to service@idc.co.za.

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

TO THE DIRECTORS OF INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the 2018 Integrated Report of the Industrial Development Corporation (IDC) for the year ended 31 March 2018 (the Report). This engagement was conducted by a multidisciplinary team including specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We are required to provide limited assurance on the following selected KPIs. The selected KPIs described below have been prepared in accordance with IDC's reporting criteria that accompanies the performance information on the relevant pages of the Report (the accompanying IDC reporting criteria) and the reporting boundary is IDC's operations only.

Material Issue	Key Performance Indicators	Unit of Measurement	Guideline/Criteria	Boundary	Reference page number
Industrial development	• Value of funding approved	Rand Value (ZAR)	IDC Internal Criteria	IDC only	1
Socio-economic development	• Expected direct jobs created/saved (approved)	Number (#)	IDC Internal Criteria	IDC only	1
	• Value of funding to Black Industrialists (approved)	Rand Value (ZAR)	IDC Internal Criteria	IDC only	1
Human Capital	• Retention - % turnover of employees occupying critical roles	Percentage (%)	IDC Internal Criteria	IDC only	57
	• Succession - % critical roles that have identified potential successors for immediate and/or 1-3 years	Percentage (%)	IDC Internal Criteria	IDC only	57
	• Average number of hours training	Number (#)	GRI G4	IDC only	58
Governance, Regulation and Risk Management	• Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number (#) and Percentage (%)	GRI G4	IDC only	66
	• Communication and training on anti-corruption policies and procedures	Text claim	GRI G4	IDC only	66
	• Monitoring portfolio-high risk	Text claim	IDC Internal Criteria	IDC only	61
Partners	• Stakeholder engagement strategy and process	Text claim	IDC Internal Criteria	IDC only	16

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the accompanying IDC's reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

INHERENT LIMITATIONS

We draw your attention to inherent limitations that should be recognised in considering the potential effectiveness of any such system. Such limitations include the following:

- The requirement that the cost of an internal control does not exceed the expected benefits to be derived;
- Most internal controls tend to be directed at routine events rather than non-routine events. The potential for human error due to carelessness, distraction, mistakes of judgment and the misunderstanding of instructions;
- The possibility of circumvention of internal controls through the collusion of a member of management or an employee with parties inside or outside the entity;
- The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control; and
- The possibility that procedures may become inadequate due to changes in conditions, and compliance with procedures may deteriorate.

Our assurance of the KPIs in the Report for the year ended 31 March 2018 would not necessarily disclose all weaknesses in the system because it is based on selective tests of records. However, the attached report summarises certain observations and recommendations which resulted from our assurance process.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SizweNtsalubaGobodo Inc. and Ngubane and Company (JHB) Inc apply the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International

Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of IDC's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at IDC.

The procedures performed in a limited assurance engagement vary in nature and form, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether IDC's selected KPIs have been prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained [and subject to the inherent limitations outlined elsewhere in this report], nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph for the year ended 31 March 2018 are not prepared, in all material respects, in accordance with the accompanying IDC reporting criteria.

OTHER MATTERS

The maintenance and integrity of the IDC's Website (www.idc.co.za) is the responsibility of IDC management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on IDC website.
Restriction of Liability

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS continued

TO THE DIRECTORS OF INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of IDC in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than IDC, for our work, for this report, or for the conclusion we have reached.

SizweNtsalubaGobodo Inc.

Registered Auditor

Per Fikile Zwane
Director
Chartered Accountant (SA)
Registered Auditor

31 July 2018

SizweNtsalubaGobodo Inc.
20 Morris Street East
Woodmead
2191

Ngubane and Company (JHB) Inc.

Registered Auditor

Per Nqabisa Ravele
Director
Chartered Accountant (SA)
Registered Auditor

31 July 2018

Ngubane and Company (JHB) Inc.
1 Superior Close, Off 16th Road
Midrand
1685

GLOSSARY

4IR	4th Industrial Revolution
ADB	African Development Bank
AfCFTA	Africa Continental Free Trade Area
AfD	Agence Française de Développement
AGM	Annual General Meeting
AGP	Annual Guaranteed Package
ALCO	Asset and Liability Committee
APCF	Agro-Processing Competitiveness Fund
BAC	Board Audit Committee
BAIC	Beijing Automobile International Corporation
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BIC	Board Investment Committee
BR&SC	Board Risk and Sustainability Committee
CCB	China Construction Bank
CDB	China Development Bank
CEO	Chief Executive Officer
CMT	Cut, make and trim
CNT	Carbon nanotube
COBIT	Control Objectives for Information and Related Technologies
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
CTCP	Clothing and Textiles Competitiveness Programme
DIS	Development Impact Support
DFI	Development Finance Institution
DMTN	Domestic Medium-Term Note
EIB	European Investment Bank
EDD	Economic Development Department
ERM	Enterprise Risk Management
ERMF	Enterprise-Wide Risk Management Framework
ESG	Environmental, Social and Governance
Exco	Executive Committee
FATF	Financial Action Task Force
FICA	Financial Intelligence Centre Act
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HC	Human Capital
HCNC	Human Capital and Nominations Committee
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPAP	Industrial Policy Action Plan
IR	Integrated Reporting/Report
IT	Information Technology
JSE	Johannesburg Stock Exchange
KfW	Kreditanstalt für Wiederaufbau
LTI	Long-term Incentive
MCEP	Manufacturing Competitiveness Enhancement Programme
NPA	Non-pensionable Allowance
NPL	Non-performing Loan
NAACAAM	National Association of Automotive Component and Allied Manufacturers
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
OEM	Original Equipment Manufacturer
PAIA	Promotion of Access to Information Act
PEP	Politically Exposed Person
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PICC	Presidential Infrastructure Coordinating Commission
POCA	Prevention of Organised Crime Act
POCDATARA	Protection of Constitutional Democracy Against Terrorist and Related Activities Act
PRASA	Passenger Rail Agency of South Africa
RCSA	Risk and Control Self Assessment
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SAISI	South African Iron and Steel Institute
SBU	Strategic Business Unit
SEC	Social and Ethics Committee
sefa	Small Enterprise Finance Agency
SEIFSA	Steel and Engineering Industries Federation of South Africa
SEP	Strategic Equity Partner
SIP	Strategic Integrated Projects
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro-sized Enterprise
SOC	State-owned Company
SOE	State-owned Enterprise
STI	Short-term Incentive
the dti	Department of Trade and Industry
TVET	Technical Vocational Education and Training
UIF	Unemployment Insurance Fund
VAMCOSA	Valve and Actuators Manufacturers Cluster of South Africa

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GS Gouws (alternate)

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BA Mabuza (Chairperson)

LI Bethlehem

BA Dames

RM Godsell

AT Kriel

SM Magwentshu-Rensburg

NP Mnxasana

M More

PM Mthethwa

ND Orleyn

NE Zalk

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NOTES

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