2019 Integrated Report

Industrial Development Corporation

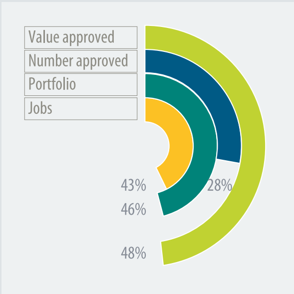
Your partner in development finance

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.

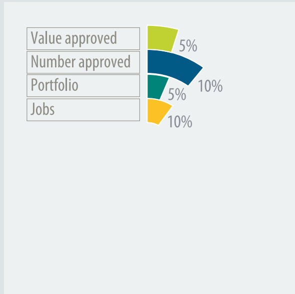
INDUSTRIES THAT WE FUND

Industrial capacity development

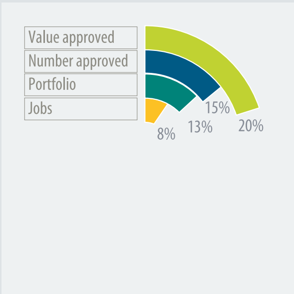
METALS AND MINING VALUE CHAIN



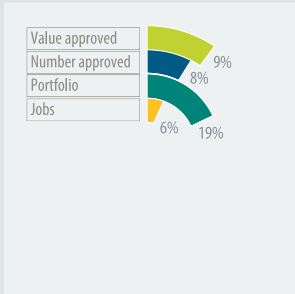
AGRO-PROCESSING AND AGRICULTURE VALUE CHAIN



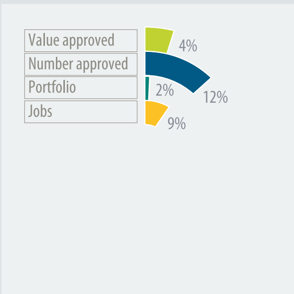
CHEMICALS AND PHARMACEUTICALS VALUE CHAIN



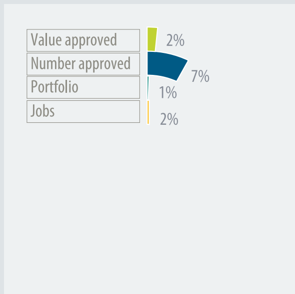
INDUSTRIAL INFRASTRUCTURE



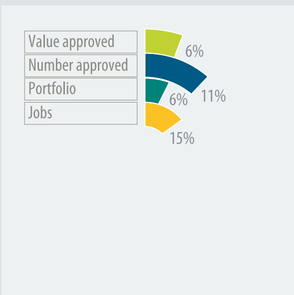
CLOTHING, TEXTILES, LEATHER AND FOOTWEAR



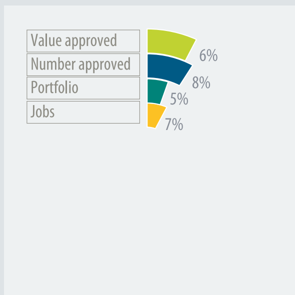
NEW INDUSTRIES



OTHER MANUFACTURING AND RELATED INDUSTRIES



TOURISM, MEDIA AND ICT



Value approved: share of total value approved (2015 to 2019)
Number approved: share of total number of transactions approved (2015 to 2019)
Portfolio: share of the IDC's exposure to the industry relative to total exposure - total portfolio valued at cost as at 31 March 2019
Jobs: share of total jobs expected to be created and saved (2015 to 2019)

PERFORMANCE OVERVIEW

192 TRANSACTIONS APPROVED

LA **R13.1 billion** ▼ 22%

TOTAL FUNDING DISBURSED

R11.8 billion ▼ 23%

NUMBER OF JOBS EXPECTED TO BE CREATED AND SAVED (CREATED: 14 620; SAVED: 4 558)

LA **19 178** ▼ 36%

APPROVED FOR THE MANUFACTURING SECTOR

R7.4 billion ▼ 8%

APPROVED FOR BLACK INDUSTRIALISTS

LA **R6.0 billion** ▼ 24%

APPROVED FOR BLACK EMPOWERED COMPANIES

R8.3 billion ▼ 14%

APPROVED FOR BUSINESSES WITH WOMEN OWNERSHIP OF MORE THAN 25%

R3.0 billion ▲ 37%

APPROVED FOR BUSINESSES WITH YOUTH OWNERSHIP OF MORE THAN 25%

R823 million ▼ 15%

NET PROFIT AFTER TAX (EXCLUDING CAPITAL PROFITS)

R720 million ▼ 14%

TOTAL ASSETS

R145 billion ▲ 6%

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GRI Table

Navigating this report

F Financial Capital
I Intellectual Capital
S Social Capital
M Manufactured Capital
H Human Capital
N Natural Capital

Icons denoting assurance

LA Denotes Limited Assurance
RA Denotes Reasonable Assurance

Icons denoting availability of additional information

Additional information available at www.idc.co.za

Additional information available elsewhere in this report

ABOUT THIS REPORT

Various reporting frameworks, principles, benchmarks and standards have been developed to drive the relevance and quality of reporting content and encourage better corporate decision-making, long-term value creation and transparency. While the frameworks generally share common objectives, each one has a purpose, approach or area of focus that relates to the IDC's objectives and its regional, industry, Environmental, Social, and Governance (ESG) and socio-political contexts.

The IDC uses the most widely regarded reporting frameworks in pursuit of the objectives listed in the table below.

How IDC uses selected reporting frameworks to achieve the objectives of integrated reporting

Framework is highly relevant

Framework has some relevance

	IR Framework	King IV	GHG Protocol (Carbon)	Sustainable Development Goals	National Development Plan	Public Finance Management Act	GRI Standards
To guide the development of strategy and report content	Highly relevant	Highly relevant		Highly relevant	Highly relevant		Some relevance
To guide the reporting approach	Highly relevant					Some relevance	Some relevance
To guide the structure and presentation of information	Highly relevant	Some relevance		Some relevance			Some relevance
As a benchmark (or standard) against which to align report content	Highly relevant		Highly relevant	Some relevance	Some relevance		Some relevance
To comply with regulations	Highly relevant	Highly relevant	Highly relevant			Highly relevant	
To establish credibility	Highly relevant	Some relevance	Some relevance	Some relevance	Some relevance	Some relevance	Some relevance

Development outcomes alignment with NDP and SDGs

The Corporation's approach regarding the frameworks that we use or reference in our integrated reporting process was informed by generally accepted best practices in the South African business area, investor and other key stakeholder expectations, our operating context, internal knowledge and capacity and the extent to which each framework is currently relevant and could wholly or partially contribute to the objectives of integrated reporting.

The focus is on our means of creating value and we have been guided by the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). This report is further aligned with selected principles of King IV, the Greenhouse Gas (GHG) Protocol, the Sustainable Development Goals (SDGs), the National Development Plan (NDP), the Public Finance Management Act (PFMA) and the Global Reporting Initiative (GRI). The diagram on page 3 provides an overview of how reporting frameworks and other guiding documents interact to shape the IDC's reporting and communication, governance and strategy.

King IV

IDC subscribes to the principles of good governance as espoused in King IV.

King IV checklist

GHG Protocol

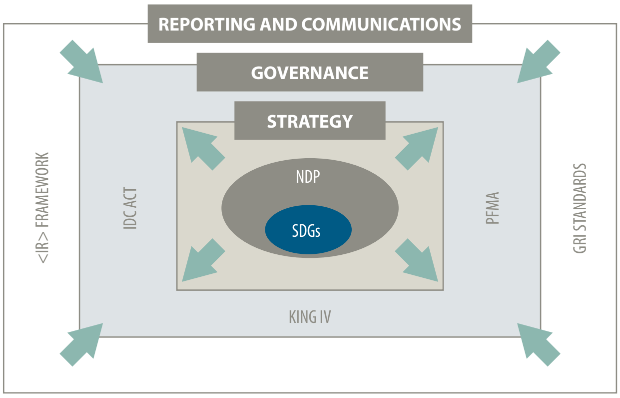
IDC uses the GHG Protocol to identify and quantify our CO2e (carbon dioxide equivalent) emissions.

Carbon footprint

Sustainable Development Goals

IDC contributes toward the realisation of the SDGs through our activities. Our material issues and the way in which these align with the SDGs are shown on page 17.

Interaction between IDC's strategy, governance and reporting and SDGs



Scope and boundary of reporting

This Integrated Report covers our strategies and performance for the period 1 April 2018 to 31 March 2019.

The report extends beyond financial reporting to include information about non-financial performance, strategies, activities, risks and outcomes attributable to or associated with those of our key stakeholders who have a significant influence on the IDC's ability to achieve its mandate.

There have been no significant changes to the scope, boundary or measurement methods applied in this report as compared to the previous financial year and no restatements have been made unless otherwise indicated in the relevant section. The financial information presented in this report includes information for the IDC and consolidated information for the Group. The IDC implemented the IFRS 9 accounting standard in 2019. Comparative figures have not been restated but all 'Day 1' adoption movements have been adjusted through reserves.

The carbon footprint information published online includes the carbon footprint for IDC and its significant subsidiaries.

Governing principles and standards

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

- The Public Finance Management Act, 1 of 1999, as amended (PFMA)
- The Companies Act, 71 of 2008, as amended
- The International Financial Reporting Standards (IFRS)
- The Industrial Development Corporation Act, 22 of 1940, as amended
- Internally-developed guidelines and policies.

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 SNG Grant Thornton (JHB) and Ngubane & Company (JHB) Inc., supported by our internal audit team, provided assurance for 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 report

Forward-looking statements

This report contains forward-looking statements about the performance and position of the IDC. In line with the requirements of the PFMA, our annual Corporate Plan contains a three-year forward perspective. These projections are based on the views of the directors and assumptions about local and global economic and political 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.

Materiality and Capitals

Materiality and material matters

We define the materiality of matters for reporting purposes as those that are relevant to 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.

Material matters

Capitals

The IDC aims to support the development of industrial capacity in South Africa and create long-term value. Doing so depends largely on the availability of various forms of capital (as inputs). We describe how the capitals are used and modified (value-adding activities and outputs), our impact on the capitals and, relatedly, the value created or diminished (outcomes) in our business model.

Capitals in our business model

Minister's Foreword

The IDC results contained in this report coincide with the beginning of the 6th administration of the democratic South Africa.

The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of the dti and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance.

We will have to work very hard, as government, as SOEs and as business and workers, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

The role of industrial policy is to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building investor confidence and the platform for job-creation.

The IDC will have a critical role to play in this new industrial strategy, as a source of both industrial funding and industrial know-how within government.

As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the IDC falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

The President announced in SONA that we will develop a number of Master Plans to help create conducive conditions for industries to grow. This will include assisting companies to improve their industrial capacities and sophistication, focusing more on export orientation, and reclaiming domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move immediately. Master Plans are being developed in a number of priority sectors, many of which are already key targets for IDC funding, like: clothing and textiles, agro-processing, metal value chains, chemical value chains, the automotive industry, tourism, and the digital economy.

The IDC will have to play a key role in unlocking growth in these sectors. In the last five years, the IDC approved R71.1 billion and disbursed R60.4 billion, much of this in support of priority sectors. This funding is expected to create or save 105 000 jobs.

In the period ahead, the IDC will be required to help identify opportunities for industrial expansion and growth and put in place support that goes beyond the provision of funding.

Second, to improve the levels of fixed investment in the economy

Over the five year period from 2018/19, we have set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

With the consolidation of the two departments of Government, it will now be easier to integrate the financial packages within the Department and the IDC to ensure higher impact that will facilitate that more investors can access the facilities.

In the next five years of this new administration, the IDC is expected to approve nearly R110 billion in industrial funding. We will be looking to unlock more private investment per rand of public resources available.

In the last five years, IDC funding has crowded in R89 billion from the private sector to support the growth of local industry. Partnership with the private sector is key to achieving the IDC's broad mandate, and we will look to the institution to deepen its relationships with commercial banks and other industrial partners to improve the quality and reach of the investment pipeline.

The Corporation will be a key organising agency for the 2nd South African Investment Conference, scheduled to take place between 5 and 7 November, 2019. Last year's conference drew commitments of R300 billion in support of the President's investment drive.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (or AfCFTA as it is called) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, after 54 countries signed the Agreement and more than 25 countries have now ratified it. It is intended to come into effect next year on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

The IDC's role in helping South African companies unlock the potential of the new Free Trade Area is critical. The IDC will need to think strategically around how it will support South African industry through this implementation phase. The main focus of the IDC will be investment in South Africa, to help local companies expand their production capabilities and to provide working capital for increased output.

Where IDC provides funding for industrial or infrastructure projects elsewhere on the continent, it should assist South African based suppliers to provide the goods and services required, further enhancing intra-regional development, and trade and capital flows.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and black industrialists into the economy. The IDC can play a role through the provision of funding and by linking suppliers from designated groups to large projects that the IDC co-funds.

In 2015 I established five-year targets for the IDC for funding for Black Industrials (R23 billion), women- and youth-empowered enterprises (R4.5 billion each). With a year still left, the IDC has exceeded the targets for women- and youth-empowered enterprises, with R9.5 billion and R5.1 billion approved respectively. The Corporation has also approved R21.4 billion for black industrialists and is on track to meet the R23 billion target by the end of this financial year.

These efforts will need to be scaled-up in the next 5 years. Over this new administration, we will bring the combined efforts of the Department, the NEF and the IDC (as well as a number of private sector dedicated funds) into a seamless and coordinated programme to support Black Industrialists and other designated groups, with more than R40 billion in financial support targeted through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises. The Corporation is also expected to provide R10.8 billion in funding to women-empowered businesses and R5.5 billion in funding to youth-empowered businesses over this new administration. Additional work will be done to review these targets and where possible, increase the youth funding target.

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

We will dedicate high-level human resources over the next few years to the SEZ programme.

The IDC has supported key investments in SEZs, like the Beijing Automotive Industry Holding Company (BAIC) which has established South Africa's first new light vehicle manufacturing facility in over 40 years in the Coega SEZ. The learnings from these investments will be drawn upon as we designate and enhance other SEZs across the country.

As the SEZ and industrial park programme become a greater magnet for new industrial opportunities, the role of the IDC in attracting new investment into the designated areas will be stepped up.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities, including the IDC will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what the President has called the spirit of Khawuleza, and it must define our approach both within Government and the SOEs to addressing the structures in the economy which impede growth, economic inclusion and job creation.

While the results of this financial year are weaker than previous years, with lower levels of approvals and disbursements and higher impairment levels, the Corporation can use the new policy framework and the access to a wider range of complementary resources in government to improve its impact and leverage more through partnerships with other parties, not just within industrial financing but also in supporting the shaping of policy instruments for real, inclusive growth.

To support this drive, the IDC will be refocused to provide a greater level of investment promotion services, including support to break into new markets particularly for the AfCFTA. The IDC has the capacity to be more than just a bank. The Corporation will be re-positioned to be an initiator and facilitator of industrial development opportunities, with a mandate to manage programmes, unlock investment and growth and use its deep industrial knowledge-base more actively.

The hope of our ordinary citizens, who have not fully tasted the fruits of democracy lies in the visible and accelerated impact that we have committed to in the next five years. This will be only be achieved through dedication and collaboration.

I wish to thank Ms Busisiwe Mabuza and the Board of the IDC for their guidance of the Corporation, support to IDC's management as well as for upholding a strong governance culture. I also wish to thank Geoffrey Qhena for his years of service to the Corporation and thank TP Nchocho, the IDC's new CEO for the leadership and commitment he has displayed in moving the Corporation forward since joining the institution in January 2019, in partnership with his staff and the management team.

Ebrahim Patel
Minister of Trade and Industry

Chairperson's Statement

Despite signs of improving sentiment in the opening months of calendar year 2018, the domestic economic environment remained quite challenging for most of the year. Heightened uncertainty on the global front continued to characterise most of the past financial year with destabilising effects on trade flows and the world economy, including South Africa.

Increased tensions in the global trading environment, monetary policy normalisation in some advanced economies, continued uncertainty over Brexit and geo-political risks, weighed on the world economic environment. Accordingly, the pace of expansion in the global economy slowed, albeit marginally, to 3.6% in 2018 (2017: 3.7%), and a further deceleration to 3.3% is anticipated by the International Monetary Fund (IMF) in 2019. The slowdown forecast by the IMF for the economies of China, the United States of America and the European Union, does not bode well for South Africa's economic performance.

Having faced considerable headwinds, both of a domestic and global nature, the South African economy weakened markedly in 2018. Its gross domestic product (GDP) increased by only 0.8% in real terms, while the first quarter of calendar year 2019 saw GDP contract by 3.2%. Weaknesses were observed across most of the broad economic sectors, including those in which the IDC operates, as well as across the various drivers of domestic demand.

Total fixed investment spending in the economy declined by in 1.4% real terms in 2018. Since the global financial crisis in 2008, the IDC has played a countercyclical role, maintaining high levels of funding. However, in the face of a persistently weak operating environment, the IDC has not been able to sustain this trend as a lower appetite for investment in the private sector has reduced demand for our funding. At the same time, investment spending by public corporations declined sharply as these entities faced financial constraints and operational challenges, which delayed the roll-out of critical capital expenditure projects.

Unfavourable trading conditions took a toll on the business sector, thus impacting on our funding activity and some of our development outcomes. Distressed businesses continued to make up a significant proportion of our financing activity, exerting pressure on our balance sheet. The Board and management are addressing the impact of such trends on the IDC.

The IDC has, however, continued to contribute to the expansion and transformation of the South African economy, playing an important role in the development of several key projects. Among these is a new vehicle assembly plant, the first in nearly four decades, at the Coega Special Economic Zone in partnership with Chinese automaker, Beijing Automotive Industry Holding Co., Ltd. (BAIC). Yet, the persistently high level of unemployment affecting the well-being of millions of South Africans, particularly our youth, calls for greater urgency for the IDC in driving jobs-rich and inclusive industrialisation.

Over the past five years to March 2019, the IDC approved funding totaling R71.1 billion and cumulative disbursements of R60.4 billion. This financing activity resulted in the creation or saving of more than 105 000 direct jobs, improving the livelihoods of many South Africans. Furthermore, the impact of our disbursements extends beyond the actual transactions and projects financed due to multiplier effects through linkages with other sectors of the economy.

Women-empowered businesses were funded to the amount of R12.2 billion over the five-year period to March 2019, while cumulative approvals to youth-empowered businesses increased to R5.2 billion, exceeding the five-year target of R4.5 billion set in the 2016 financial year. We are proud of and encouraged by this achievement.

Overall, our long-term strategy has generated positive results. However, considering the challenging operating conditions both domestically and in external markets, including in the African continent, some of our envisaged developmental outcomes have not been realised fully. The pace of establishing regional value chains that link South African industries with those of our neighbouring countries has been very slow, impacting negatively on the envisioned funding opportunities for the IDC. The development of a sizeable project pipeline has also remained a challenge. Accordingly, we will improve our engagements with the rest of Africa going forward, not only to position the IDC for opportunities that are likely to emanate from the Africa Continental Free Trade Area, but also to increase deal activity in line with our strategic priorities, including support for value chain integration throughout the region.

As we strive to increase our industrial development activities while ensuring our financial sustainability, the IDC intends to leverage its resources through close collaboration with stakeholders, including strategic partnering with fellow development finance institutions, state-owned entities and government departments.

We anticipate that the free and fair elections held recently in South Africa will have a positive impact on investor, business and consumer confidence. This should result in higher levels of household and business spending, production activity, fixed investment and, consequently, employment creation. We will reap these benefits only if all relevant stakeholders, including Government, commit to addressing the constraints that are holding back the economy's growth potential expeditiously and effectively. This includes ensuring the security and reliability of energy supply, addressing bottlenecks in transport and logistics infrastructure, strengthening governance at state-owned entities and improving their financial standing and operational performance, as well as reducing the overall cost of doing business in South Africa.

Securing financial sustainability and good governance

In response to the continually strained operating environment, we have prioritised efforts aimed at securing the IDC's financial sustainability, in particular considering various options to address the key risks to our financial performance.

Also critically important is our focus on diversifying the sources of capital, while managing operating costs and working towards reducing the cost of borrowings. In addition, enhancing the performance of our investment portfolio, especially significant subsidiaries, and improving revenue collection are receiving particular attention.

The period under review saw a sharp rise in non-performing loans. This was attributed to subdued economic conditions, support for distressed businesses and the poor performance of some of investments in other African countries. IDC management has proposed specific interventions for the affected clients, which are currently being implemented.

The IDC is expected to play a meaningful role in various Government initiatives unveiled in 2018, such as the Economic Stimulus and Recovery Plan. We have adopted a focused approach in this regard, endeavouring to increase our funding activity in specific economic sectors among other initiatives. In so doing, we will ensure that we do not weaken the IDC's financial base or compromise its long-term financial sustainability.

Pleasing improvements in the performance of companies within Scaw, where we introduced strategic equity partners, were attained during the period under review. However, some of the IDC's significant subsidiaries continued to underperform. Considering their strategic role in the IDC's sector development strategies, we established a dedicated department during the financial year to enhance the monitoring and management of material investments and subsidiaries to improve overall performance.

The IDC Board also established an ad-hoc subcommittee to assist Foskor, whose financial performance has been affected negatively by weak and volatile market conditions, as well as by plant inefficiencies and shutdowns in recent years. Various long-term strategic and operational options were considered during the reporting year, which are under review.

We remain committed to sound corporate governance and transparent processes across the Corporation, always seeking to improve on our governance standards and protocols to maintain the Corporation's reputation as a credible and trustworthy business partner.

The Board Social and Ethics Committee continues to oversee the legal processes instituted against Oakbay Resources to recover the IDC's investment in the company and the payment of accumulated arrears. We also publish, on as quarterly basis, a detailed list of IDC-funded businesses on the IDC website to increase transparency.

Acknowledgements

Despite a difficult year for the South African economy, the IDC continued to achieve positive outcomes, albeit lower than in the previous year. These outcomes would not have been possible without the continued efforts of the IDC's management and employees. The year also saw the end of an era for the Corporation, for Mr Geoffrey Qhena stepped down as CEO at the end of December 2018. After 13 years at the helm of the Corporation and almost 20 years of service to the IDC, we thank him for his commendable stewardship and wish him well in his future endeavours.

Mr TP Nchocho took up the baton as CEO of the IDC in January 2019. He brings with him commitment to, as well as a wealth of experience in, development finance. The Board looks forward to a renewed sense of commitment at the Corporation as he, his executive team and the rest of the staff take the IDC into the future with the guidance and support of the dedicated non-executive Directors on the Board.

Finally, on behalf of the Board, I express our appreciation to Minister Ebrahim Patel for his guidance over the years. Our gratitude is also extended to the previous members of the various parliamentary committees for their diligent oversight and encouragement over the years. We look forward to interactions with the Portfolio Committee on Trade and Industry.

BA Mabuza
Board Chairperson
29 July 2019

WHO WE ARE

The Industrial Development Corporation (IDC) of South Africa Limited was established in 1940 through an Act of Parliament (Industrial Development Corporation Act, 22 of 1940) and is fully owned by the South African Government. The IDC's priorities are aligned with the national policy direction as set out in the National Development Plan (NDP), New Growth Path (NGP), National Infrastructure Plan (NIP), Industrial Policy Action Plan (IPAP) and Agricultural Policy Action Plan (APAP). Our mandate is to maximise our development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and -empowered companies, Black Industrialists, women and youth-owned and -empowered enterprises. At the same time, the IDC must ensure its long-term sustainability through prudent financial and human resource management, safeguard the natural environment and increasingly position itself as a Centre of Excellence for development finance.

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.

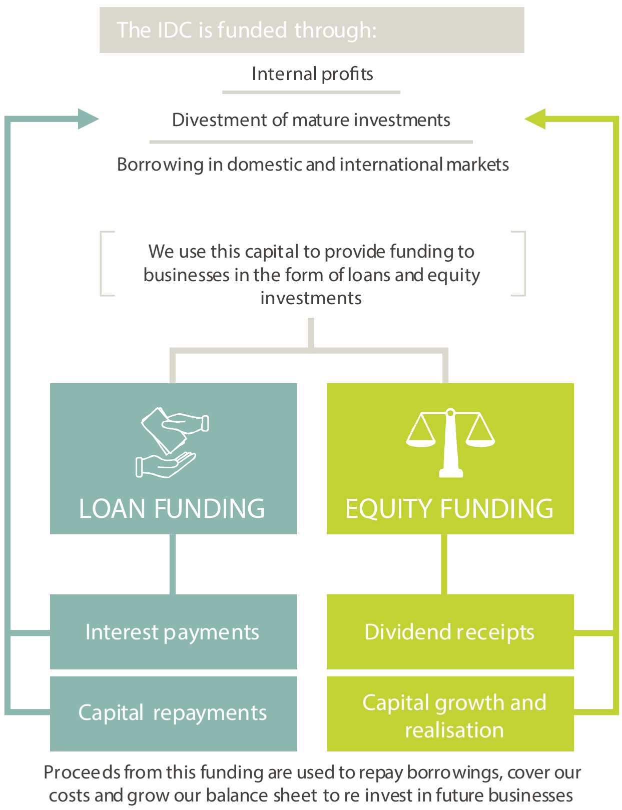
MISSION

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

OUR FUNDING MODEL



REGIONAL FOOTPRINT

Contact information

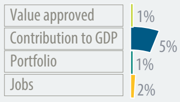
EASTERN CAPE

Regional offices:
- East London
- Port Elizabeth
- Mthatha

FREE STATE

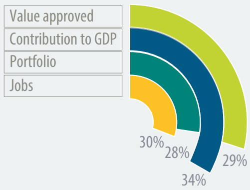
Regional office:
- Bloemfontein

Satellite offices:
- Phuthaditjhaba
- Welkom



GAUTENG

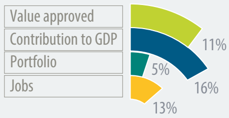
Head office:
- Sandton



KWAZULU-NATAL

Regional offices:
- Durban
- Pietermaritzburg

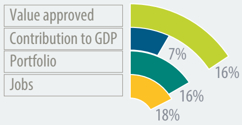
Satellite office:
- Richards Bay



LIMPOPO

Regional office:
- Polokwane

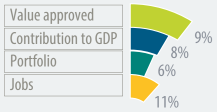
Satellite offices:
- Thohoyandou
- Tzaneen



MPUMALANGA

Regional offices:
- Mbombela
- eMalahleni

Satellite office:
- Secunda



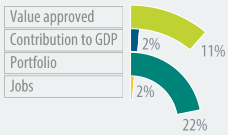
NORTH WEST

Regional offices:
- Mahikeng
- Rustenburg
- Brits

Satellite offices:
- Klerksdorp
- Vryburg

NORTHERN CAPE

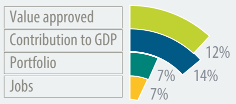
Regional offices:
- Kimberley
- Upington



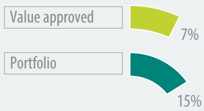
WESTERN CAPE

Regional office:
- Cape Town

Satellite office:
- George



OUTSIDE SA



Value approved (provinces): Share of total value approved in SA (2015 to 2019)
Value approved (outside SA): Share of total value approved (2015 to 2019)
Contribution to GDP: Provincial contribution to total SA GDP (2017 calendar year)
Portfolio (provinces): Share of the IDC's exposure to businesses in the province relative to total SA exposure - total exposure valued at cost as at 31 March 2019
Portfolio (outside SA): Share of the IDC's exposure to businesses outside SA relative to total exposure - total exposure valued at cost as at 31 March 2019
Jobs: Share of total jobs expected to be created and saved (2015 to 2019). Jobs created and saved in investments outside South Africa are not captured for performance purposes.

CAPITALS

Financial capital
- R145 billion in assets
- Dividends and capital profits from equity investments
- Interest and capital repayments from loans provided
- Borrowings
- Funds managed on behalf of others

Social capital
- 1 007 clients
- Network of entrepreneurs, clients and project partners
- Strong government ties
- Other funders and development partners
- Targeted CSI and social enterprise programmes

Human capital
- 846 employees
- Development-focused approach
- Diverse workforce of competent and skilled professionals

Intellectual capital
- High level of industry knowledge and experience
- Project development and deal-making experience
- Macro-economic and industry-specific research

Manufactured capital
- 14 regional and 9 satellite offices across the country
- IT infrastructure and systems

Natural capital
- Upholds strict environmental standards
- Renewable energy portfolio and investment in energy-efficiency technologies

ACTIVITIES

Providing funding for industrial development
- Assessing the viability of business plans
- Providing funding to potentially viable businesses
- Developing and funding industrial projects
- Sourcing partners for industrial projects

Supporting industry development
- 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

Supporting funding activities
- Sourcing and managing loans and other funds at the lowest possible cost to pass the benefits onto our clients
- Managing our portfolio of loans and investments to ensure that we collect payments, interest and dividends and exit from mature investments

Supporting our human capital
- Rewarding and investing in attracting, developing and retaining our employees
- Providing a safe work environment for our employees that is conducive to constructive contributions
- Instilling a culture of responsible leadership
- Transforming the work place through employment equity

Corporate support activities
- Maintaining and investing in managing our finances, IT systems and data, continuous improvement of processes, maintaining good governance and complying with laws and regulations, managing risks, and marketing activities of our business

Managing our impact on the environment
- Monitoring the carbon emissions of our subsidiaries and major investments and their environmental policies
- Providing funding that reduces companies' impact on the environment

TRADE-OFFS

Funding for capital-intensive vs. labour-intensive industries	Leveraging more funding from the private sector vs. increasing the IDC's share of funding for projects	Focus on project development vs. transactions with short-term outcomes
I H M	F M N	F S H I

KEY RISKS

Performance of significant investments	Carbon taxes paid by the IDC, subsidiaries and associates	Credit and investment risk
Impact of IFRS 9	Job creation	Macro-economic conditions

OUTPUTS

Funding provided
- R71 billion approved*
- R60 billion disbursed*
- 961 transactions approved*
- R105 million approved for CSI and funding in the social economy
- 3 targeted funding schemes launched

Employees
- R92 million* invested in staff training
- 20% of employees benefitting from staff bursary programme

Industrial research
- 10 industry research reports completed covering electric vehicles, mining equipment, railway equipment, copper-cobalt, zinc, the biotechnology industry, platinum group metals, the aerospace industry, iron ore and the video games industry

Environmental impact assessment
- Environmental and social assessments done for 62 clients
- Carbon footprint calculated for six subsidiaries

OUTCOMES

Investment generated
- R160 billion investment generated*
- 79% of funding approved for start-ups or for expanding capacity*
- Developing priority industries with 52% of funding approved* for the manufacturing industry, 22% for mining, 16% for services, 8% for electricity and 2% for agriculture

Community development
- 54 746 individuals benefiting from Social Enterprise and Special Intervention Programme funding since inception in 2012
- Facilitated the registration of 138 worker and community trusts
- 33% of the number of direct jobs that we created and saved were in rural areas

Employees
- 86% black employees (67% of top and senior management)
- 53% female employees (37% of top and senior management)
- R4.9 billion* for staff salaries and benefits

Transformation
- 36% of funding* for black-owned companies with 35% for Black Industrialists.
- An additional 25% for black-empowered companies
- 17% of funding* for woman-empowered companies
- 7% of funding* for youth-empowered companies
- Level 4 B-BBEE rating (amended FSC)

Job creation
- Funding expected to create 82 550 new jobs and save an additional 23 060 jobs*
- An additional 270 000 indirect jobs estimated to be impacted by our funding

Environmental footprint
- Scope 1 and 2 emissions intensity per employee for IDC reduced from 7.8 tCO2e to 6.5 tCO2e from 2014 to 2019

Financial sustainability
- R2.9 billion profits generated* excluding capital profits
- 18% growth in assets*

* Five years from 2015 to 2019

Supporting transactions that create new jobs vs. assisting companies in distress and saving jobs	Taking more risk vs. reducing impairments	Maximising short-term impact vs. ensuring long-term financial sustainability	Increased industrial development vs. negative environmental impacts
H S	F S	F M	S N

Electricity supply	Fourth Industrial Revolution	Human capital capacity to deliver on our mandate
Misalignment between long- and short-term goals	Sector concentration and listed share portfolio volatility	Winning organisational culture

GOVERNANCE

We believe that good corporate governance is integral to a sustainable business. We have always endeavoured to implement sound governance practices aligned with best-practice principles. This is also a requirement for companies for which we approve funding.

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 STAKEHOLDERS

LA

The information in this Integrated Report evidences how we create stakeholder value. Stakeholders are defined as a person, group or an organisation with an interest or concern in, or influence over the IDC and who can affect or be affected by our objectives, policies and actions.

Our stakeholders	How we engage	Their needs and expectations	Our expectations	How we create value
Employees and prospective employees	• One-on-one engagements with staff • Team and divisional engagements • Internal and external communication platforms • CEO feedback sessions • HC initiatives (e.g. EE Forum) • Staff engagements and culture surveys	• Reward and recognition • Employee development programmes and personal growth • Good working environment • Ability to make a valuable contribution to SA's development ambitions	• Motivated and empowered employees • To be brand ambassadors • Further the IDC's development agenda • Enthusiasm, commitment and skills • Service delivery mindset • Awareness of the IDC's funding activities and developmental impact	• Transformation • Personal development • Remuneration linked to performance and value created • Staff awareness of how their work contributes to the IDC's value proposition
Clients and business partners	• Regional roadshows • Business support • Customised products and services • Client events • Government-sponsored events • One-on-one engagements • Surveys	• Transparent and efficient application process • Business support • Affordable and appropriate pricing	• Innovative business plans that address SA's developmental needs • Honour financial and other undertakings	• Growing industrial development funding for Black Industrialists, women, youth and other entrepreneurs • Strengthen businesses through business support • Interest and repayment rates linked to development impact
Shareholder	• AGMs • Board strategy sessions • Presentations and reports to Portfolio Committee on Economic Development and Select Committee on Economic and Business Development • Integrated Report	• Transparency and good governance • Risk management and compliance • Operational efficiency • Thought leadership • Lead sustainable industrial development	• An enabling policy environment • Policy certainty • Strategic leadership	• Investment in government priority areas • Socio-economic development to fulfil our mandate
Regulators, rating agencies and funders	• Ratings • Investor roadshows • Integrated Report • Results announcements • Stock Exchange News Service (SENS) announcements • United Nations Environment Programme Finance Initiative community participation	• Transparent and effective corporate governance • Financial sustainability	• Low lending rates • Consultation • Understanding of the IDC's operating context	• Funding schemes • Input for policy development • Leveraging funding to benefit SA • Industry economic development
Communities	• Regional offices • Community Trusts linked to the IDC's investments • CSI initiatives • Due diligence on the environmental and social impact of investments	• Job creation • Supporting climate-resilient industries • Wide dissemination of benefits • Business opportunities and inclusive growth • Compliance with environmental and social legal requirements • Emission reduction • Water stewardship	• Support for IDC-linked projects • Participation in IDC initiatives • Sustainable water resources • Productive land	• Community and worker shareholding in IDC-funded projects • Social and community projects • Benefitting from poverty reduction • Sustainable industrial development • Utilising natural resources to create value for current and future stakeholders
Other partners	• Engagements with academics, industry bodies and experts, DFIs, SOEs, research institutions and organisations	• Funding and participation in pilot initiatives • Influencing policy development	• Entrepreneurship and innovative solutions • Mutual partnership	• Knowledge networks that support sustainable industrial development and address the needs of society

Stakeholder engagement is governed by our Stakeholder Engagement Strategy and Plan. External stakeholders are prioritised as indicated in the matrix below.

The stakeholder's influence over the IDC	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 Trade and Industry and Select Committee on Trade and Industry, Economic Development, Small Business Development, Employment and Labour • Economic Development Department • Department of Trade and Industry • The IDC's subsidiaries
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 • Provincial governments
Low	• Former employees • Potential employees • Higher education institutions • Activist bodies		• Suppliers

The IDC's impact on the stakeholder

Our aim is to strengthen our engagement with all our stakeholders. To this end, we conducted a multi-stakeholder reputation survey during the year. The results indicated that public sector stakeholders have the highest level of reputation satisfaction, with the private sector having the lowest. Within private sector stakeholders however, we have a high regard among small enterprises, women, youth and Black Industrialists. Stakeholders generally felt that the IDC was making a positive contribution to the economy and to job creation. The key concerns regarding business interactions with the IDC were around obtaining funding, as well as the time-consuming application processes and the lack of communication and feedback on applications. The study indicates that the single biggest way of improving our reputation is to focus on driving effective communication with our stakeholders. This includes improving engagement levels by providing open and timeous feedback.

Customer relationship management

We place a lot of importance on customer feedback. In this regard we conduct customer satisfaction surveys annually and quarterly. The annual survey is aimed at existing customers, i.e., those whose funding has been approved, and thus would have gone through the entire IDC application process, including post-investment. For the 2019 financial year we obtained an overall satisfaction rating of 7.9 (2018: 7.8) on a scale from 1 to 10. The quarterly survey is aimed at applicants, including rejected applicants. For the 2019 financial year we obtained an overall satisfaction rating of 7.2 in the quarterly surveys.

RA

The common findings related to service issues from both surveys are: turnaround time, lack of communication and onerous information requirements. The findings point to a continued need to focus on customer service and embed a culture of service excellence within the corporation through various initiatives such as:

- Streamlining our application processes, including the minimum information requirements
- Improving our responsiveness
- Tailoring our service to specific customer needs.

Investing in human capital

Internal stakeholders are discussed in the Human Capital section of this report.

MAKING TRADE-OFFS

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

Description	Affected capitals
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.	M I H
Leveraging more funding from the private sector vs. increasing the IDC's share of project funding The IDC prefers other funders, including project promoters, to participate in project funding to avoid crowding out investment and 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.	F H M
Focus on project development vs. transactions with short-term outcomes The IDC aims to develop industries proactively, specifically those identified as essential to the prioritised value chains. We endeavour to optimise resource allocation between achieving short-term goals and investing in activities with a long-term impact.	F H S I
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 avoids negative de-industrialisation costs.	H S
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 job losses. These considerations are taken into account when such decisions are made.	F S
Maximising short-term impact vs. ensuring long-term financial sustainability High short- and medium-term funding levels can deplete the IDC's funding capacity over the longer term. This is exacerbated if funding does not deliver returns in the short-term. The 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.	M F
Increased industrial development vs. negative environmental impacts The IDC provides funding to promote economic growth. Economic activity, in turn, impacts on the environment, while degrading environmental resources have negative impacts on long-term economic growth. In assessing projects in which to invest, the IDC assesses the potential negative environmental impacts and ensures that these impacts are mitigated in the project.	N S

STRATEGIC BUSINESS RISKS

Our annual risk assessment process identified the following high-ranking strategic risks that could have a material impact on the achievement of our objectives.

Risk	Risk mitigation
Performance of significant investments Financial viability of significant investments and their ability to deliver effectively.	Representation on key subsidiary boards. Monitor performance of subsidiaries and significant investments continuously. Dedicated department in the IDC to monitor and support these investments.
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.	Carbon Tax Management Strategy for the IDC as well as at material subsidiaries and associates. Audit the carbon footprint of the IDC and its key subsidiaries. Fund clean technology energy efficient initiatives at subsidiaries.
Credit and investment risk Risk of non-payment by the IDC's business partners and non- recoverability of investments.	Manage risk through quarterly Investment Monitoring Committee (IMC) 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 and Subsidiaries and Significant Investments Department, housed in a dedicated division, monitor client performance and collections. The Workout and Restructuring Department assists with the turnaround of clients in financial distress. We provide business support to business partners to address specific deficiencies. Continuous training of the IDC's Deal Makers. Continuous monitoring of strategies to reduce impairments by Exco and the Board Risk and Sustainability Committee.
Electricity supply The risk presented to the IDC's investments due to unreliable electricity supply and the threat to the IDC's ability to implement its development agenda.	Invest in co-generation at highly affected business partners and subsidiaries. Maintain own-generation capacity at the IDC's offices in the event of electricity failures.
Fourth Industrial Revolution The potential impact of 4IR and other technological advances on competitiveness in South Africa and for the IDC.	Strategies to deal with the impact of 4IR on industry and the IDC. Provide funding for businesses to implement and develop new technologies and business models. Dedicate individuals in sector-focussed units whose functions include keeping abreast of new technological development in different industries.
Human capital The risk of inadequate or inappropriately-skilled human capital to achieve the deliverables of the IDC's strategy.	Targeted recruitment, retention, and succession planning strategies, e.g. competitive remuneration and total reward offering. Knowledge management programme to retain corporate memory. Focus on employee education and training, as well as study assistance packages for personal development. Measure and manage employee engagement levels.
Impact of IFRS 9 Non-compliance with IFRS 9 and the introduction of IFRS 9 will have a negative impact on the IDC's income statement and balance sheet.	The Investment Monitoring Committee, Post-Investment Management Department and Subsidiaries and Significant Investments Department manage the risk.
Job creation Risk that the IDC may not be able to contribute adequately to job creation.	Incentivise 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. Prioritise projects with a potential high impact on job creation.
Macro-economic conditions Macro-economic conditions or sovereign credit downgrades with an impact on the IDC's business and ability to achieve strategic objectives.	Monitor risk through the regular analysis of economic, political and legal events, assess potential implications and implement interventions.
Misalignment between long- and short-term goals Immediate socio-economic development needs driving too high a focus on achieving short-term goals that may not be sustainable over the long-term.	Board responsibility for the IDC's strategy and continuous engagement with the shareholder representative about the IDC's priorities. Strategy planning sessions incorporate the Board and management.
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. Track and forecast the portfolio against set targets.
Winning organisational culture Risk of the IDC's culture and values not being aligned with fulfilling its mandate or delivering on its strategy.	Managed through culture transformation plans, change management plans and ongoing employee engagement. Effective performance and consequence management and leadership capacitation to support culture transformation.

Carbon tax implications

Investing in human capital

Selected performance indicators

SELECTED PERFORMANCE INDICATORS

Performance targets are agreed with the shareholder on an annual basis. The complete list of indicators, targets, and performance against these are included in the separate Annual Financial Statements publication. Below is an excerpt with the most important indicators.

	2020 projected		2019			2018	2017
Indicator	**Base**	**Target**	**Actual**	**Base**	**Target**	**Actual**	**Actual**
Development impact			RA				
Value of funding disbursed (R'bn)	19.7	21.7	11.4 [1]	17.2	21.8	14.6 [1]	11.0
Funding to Black Industrialists (R'bn)[2]	6.1	8.9	4.7	5.5	8.0	7.8	4.9
Funding to women-empowered businesses (R'bn)[2]	2.0	2.5	2.8	1.2	1.5	2.0	3.3
Funding to youth-empowered businesses (R'bn)[2]	1.0	1.5	0.7	0.8	1.0	1.0	1.7
Funding to support government localisation initiatives (R'bn)[2]	6.1	7.0	4.7	4.7	5.4	7.0	4.8
Expected direct jobs created and saved (number)[2]	32 501	40 015	17 887	28 262	34 795	22 193	20 155
Financial and efficiency indicators							
Impairments as percentage of the portfolio at cost (%)[3]	24.6	21.6	28.4	24.6	22.6	17.4	16.7
Net interest, dividends, fees and money market income as a percentage of total assets (%)	4.8	5.3	4.5	4.5	5.0	5.3	4.1
Growth in reserves (%)	Yield on long-term government bonds	Yield on long-term government bonds + 200 basis points	4.9	9.3	11.3	5.5	7.5
Subsidiaries							
sefa – Performance rating as per its Balanced Scorecard	3.0	5.0	3.3	3.0	5.0	3.3	3.2
Foskor – Operating profits/losses (R'm)	(263)	(234)	(184)	(392)	(349)	(763)	(902)

[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 is as at the time when transactions are approved.

[3] 2019 targets and actuals and 2020 targets according to IFRS 9, previous years according to IAS 39.

MATERIAL MATTERS AND MATERIALITY

The IDC's Integrated Report is structured around matters that are viewed as material to its stakeholders. International reporting frameworks and practices guide the process that we follow to determine our material issues. The list is reviewed regularly to ensure that it remains current and relevant.

A matter is considered material when it supports our mandate and goals, and could potentially affect our ability to create and sustain value.

The process of determining materiality includes the deliberation about a range of internal and external influences. We consider the views of key stakeholders and significant risks that face the organisation, while remaining mindful of the strategies and goals that underpin our mandate.

In 2017, we followed a comprehensive process to determine and validate the material issues of the IDC. This year, a consultation process endorsed the current list. Participants in a workshop identified a variety of issues with a potential impact on the business. During a follow-up survey, participants ranked the issues per impact and stakeholder concern. This, along with ongoing engagements with stakeholders, validated the current list of material issues.

The table below provides an explanation of the material issues. The icons indicate how our material issues relate to the different Sustainable Development Goals (SDGs).

Material matter	SDGs
Industrial development The IDC is the key implementer of Governments' industrial policy. Industrial development remains at the top of the list of material matters as it links directly to the IDC's mandate. Efficient and effective use of resources is critical for the Corporation to accomplish its mission and the consequences of economic and policy uncertainty impact directly on the IDC's purpose.	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities
Socio-economic development The IDC's development outcomes are aligned with matters deemed critical at both national and global levels and, as such, feature prominently in the National Development Plan (NDP) and Sustainable Development Goals (SDGs). At the forefront of the IDC's development outcomes is job creation. A large portion of corporate and team performance indicators is weighted towards this outcome. Transformation is another priority developmental outcome as this goal is central to addressing inequality. Since socio-economic development affects our stakeholders directly and has a direct bearing on the natural environment, it is integral to the IDC's strategic pillars.	7 Affordable and clean energy; 1 No poverty; 10 Reduced inequalities; 13 Climate action; 5 Gender equality
Customer expectations The sustainability and growth of our organisation depend on our ability to remain relevant to and meet the needs of our customers. We realise that efficient processes and systems are at the core of customer satisfaction and require us to deliver the right products and the right time at the right price. We use customer satisfaction surveys to track client requirements and guide the best use our available resources.	12 Responsible consumption and production
Human capital Extraordinary leadership and decisive, informed decision-making are essential elements of a high-performance organisation. As such, significant resources are allocated to leadership and critical skills development. We strive to provide market-related remuneration and benefits, and will continue to improve employee engagement and address issues affecting staff morale. Harnessing adequate and appropriate skills and innovating continuously impacts directly on our ability to meet and exceed customer expectations.	4 Quality education
Partners Our ability to leverage funding underpins our capacity to increase industrial development in the country. Our business partners trust us and we remain a stable partner for our associates and subsidiaries. We collaborate with other state-owned enterprises, organisations and institutions to drive economic stimulus package initiatives. We address policy issues, such as B-BBEE, through the South African DFI initiative and combine our resources for research efforts. Government departments such as the dti are engaged on relevant policies such as IPAP.	17 Partnerships for the goals
Governance, regulation and risk management The IDC prides itself as an organisation with exceptional corporate governance structures and practices and fiercely protects its reputation in this regard. We are committed to the King IV Codes and comply with the PFMA provisions for Schedule 2 entities. We update our policies, systems and procedures continuously to remain aligned with the latest developments and ensure that we limit our vulnerability to unethical business practices. We adopted the IFRS 9 framework for classifying and measuring financial assets and liabilities.	16 Peace, justice and strong institutions
Financial sustainability Financial sustainability remains a priority and we are frequently revisiting our business model to remain flexible to changes in the environment. The financial performance of our partners and subsidiaries has a direct impact on our own financial sustainability and we remain actively involved where we have an influence. Impairments continue to be an area of concern in the current economic climate.	8 Decent work and economic growth

OUR STRATEGY

SUSTAIN HUMAN SOCIAL AND NATURAL CAPITAL

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 intermediary finance partnerships such as sefa

HUMAN CAPITAL

- Attract and retain the right skills
- Enhance skills and leadership capacity
- Reward and recognise our people
- Facilitate an environment that enables a diversified workforce
- Promote employee engagement and commitment

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

MAINTAIN FINANCIAL STABILITY

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

NATURAL ENVIRONMENT

- Improve IDC's and industry's environmental sustainability

UTILISATION OF RESOURCES

- Enhance efficiencies

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, and by 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 Representative, Board, Executive Management and senior managers and engagement with staff. We develop customised strategies for industries and functional areas with input from sector-specific experts within the Corporation. Details of the aspects of our Leadership in Industrial Development strategy are illustrated in the diagram above.

As part of our strategic review process, our stakeholder needs, operating environment changes, mandate, material issues and current strategy are considered to identify specific focus areas for the upcoming period. Focus areas can change or remain the same from year-to-year depending on the issues that need to be addressed or other priorities that may have arisen. Our focus areas for 2019 were to:

- Increase industrial development
- Capitalise on opportunities in the rest of Africa
- Gear up for the Fourth Industrial Revolution
- Maintain financial sustainability
- Establish a high-performance organisation.

Diverse inputs into the IDC's strategy review process result in annual priorities being identified

The needs and priorities of our stakeholders[1] | Our mandate | Changes in our operating environment[2]

↓

Material Matters[3]

↓

Strategy

↓

Key Focus Areas

[1] See page 12.
[2] See Chairperson's and CEO's statements (page 6 and page 26).
[3] See page 17.

OUR DEVELOPMENT OUTCOMES AND THEIR CONTRIBUTION TO SDGs, THE NDP AND THE NGP

The IDC's 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, the IDC's investments and resulting industry enhancements support the development outcomes that address South Africa's socio-economic challenges.

Theme	IDC development outcomes	Sustainable Development Goals addressed directly through development outcomes	Priority areas in the National Development Plan addressed directly through development outcomes	Priority areas in the New Growth Path addressed directly through development outcomes
Economic	• **Objective: Lead industrial capacity development** • Facilitation of decent and sustainable direct and indirect jobs • Promotion of entrepreneurship and SME development (including through sefa) • Increased sector diversity and localised production	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Economy and employment (Chapter 3) • Economic infrastructure (Chapter 4)	• Jobs drivers • Development Policy – Enterprise development
Social and equality	• Development of Black Industrialists and support for women and youth entrepreneurs • Support community transformation • Increased development in poorer areas and higher integration of regional economies	1 NO POVERTY 2 ZERO HUNGER 5 GENDER EQUALITY 10 REDUCED INEQUALITIES	• Economy and employment (Chapter 3) • Inclusive rural economy (Chapter 6) • South Africa in the world (Chapter 7) • Transforming society and uniting the country (Chapter 15)	• Development policy –Broad-based Black Economic Empowerment • Jobs drivers – Spatial development • Development policy – Rural development • Development policy – Policies for African development – Policies for African development
Environment	• Advancement of environmentally sustainable growth	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	• Environmental sustainability and resilience (Chapter 5)	• Jobs drivers – Green economy

OPERATIONAL STRUCTURE

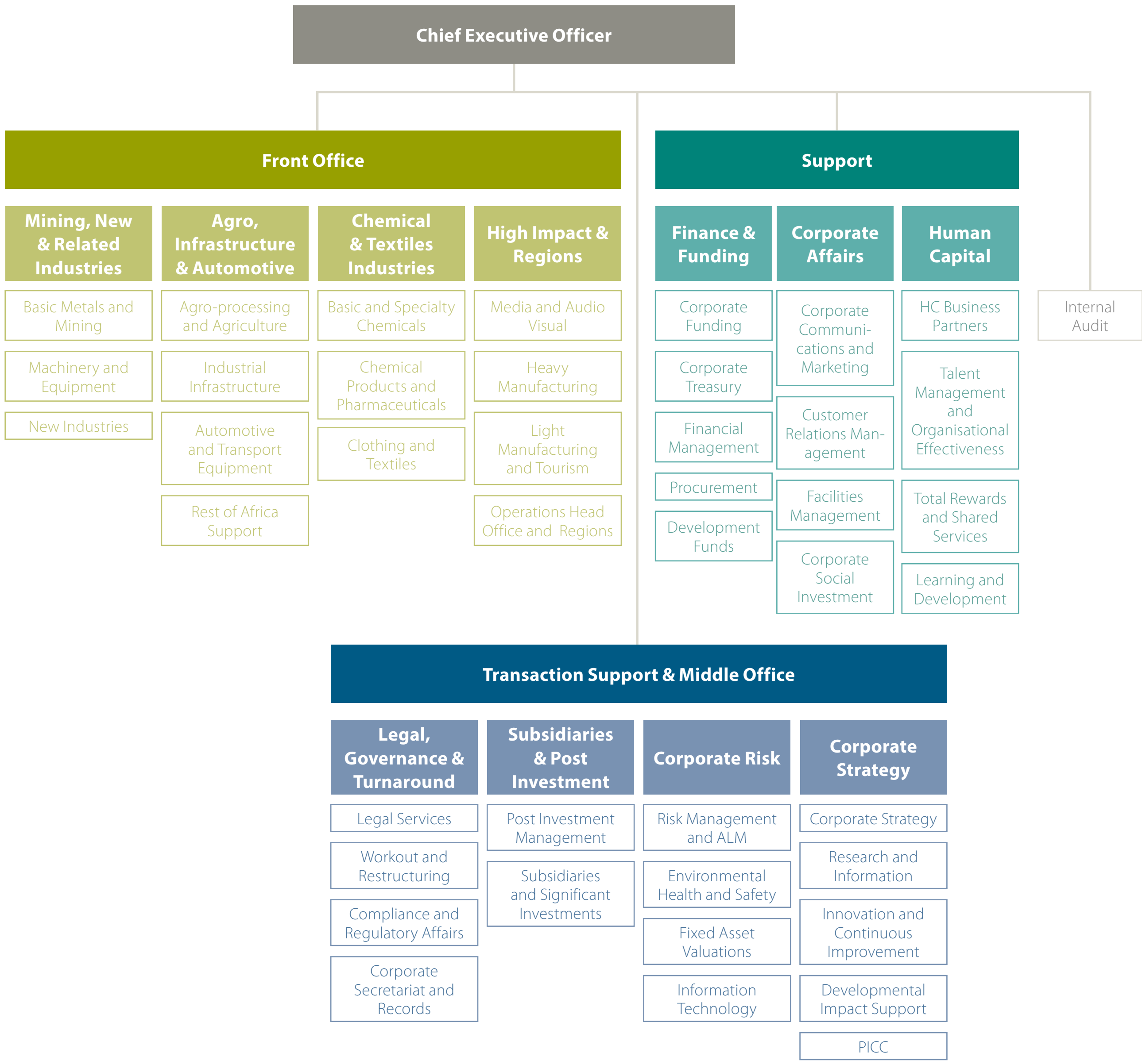
The Corporation consists of 11 divisions, each headed by a Divisional Executive who reports to the Chief Executive Officer. Four of the 11 divisions are engaged solely in transactions and project development. These divisions consist of individual units that focus on specific value chains and industries. 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 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.



CASE STUDY

GQ TISSUE PRODUCTS

VERTICAL INTEGRATION TO REPLACE IMPORTS

GQ Tissue Products is a manufacturer of high quality tissue products at its factory in Sutherland Ridge, Pretoria. The company used to import raw materials but management identified long lead-times to receive orders as a high risk.

"We used the IDC funding to buy machinery and equipment, which helped us to stop importing materials. We now buy our raw materials from KwaZulu-Natal and then use our own machinery to process the materials into tissues. Before this, we used to wait two months for imported materials to arrive," said Ridwaan Lakhana, the company's Managing Director. The new machinery also opened an opportunity to empower and transfer skills to employees.

"We have 140 employees and there are some of them who have been with the company for sixteen years," Lakhana added. In order to accommodate the new equipment, the company moved to new premises. The additional space allows the company to expand into a more comprehensive range of consumer tissue products.

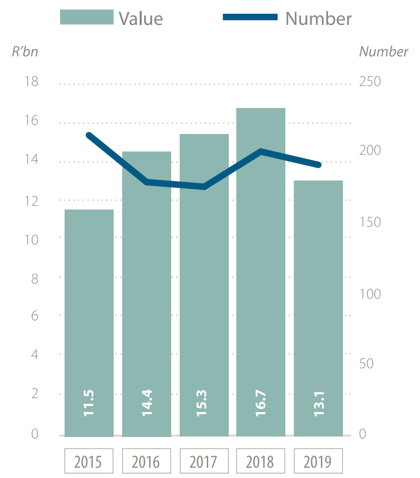
The company currently produces a wide range of one- and two-ply coloured serviettes and exports to several countries in Africa. Over the one and a half decades of the company's existence, it has built up a broad-spectrum customer base, consisting of chain stores, pharmacy groups, independent wholesalers and retailers, contract cleaning suppliers, and catering industry suppliers.

DEVELOPMENT IMPACT

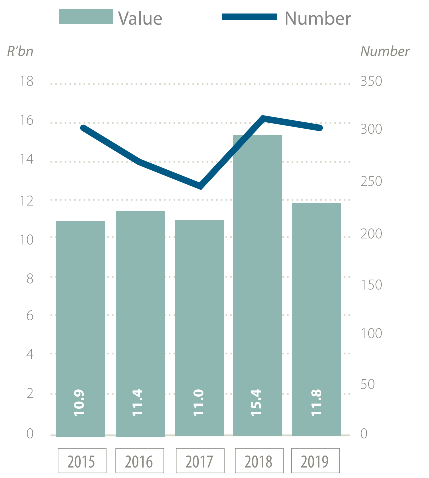
- **33 jobs created**

2019 PERFORMANCE TRENDS

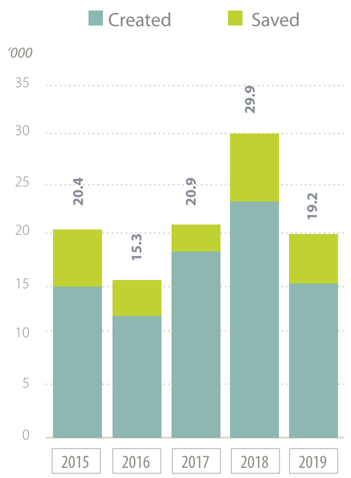
Funding approvals



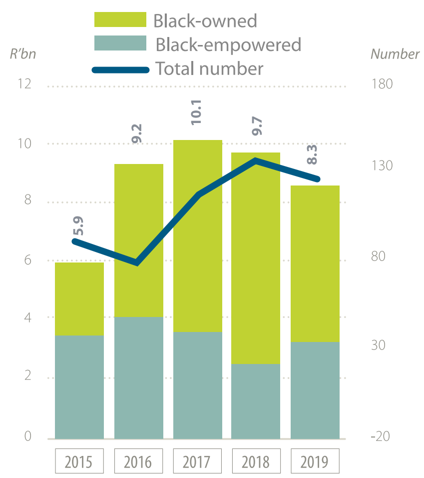
Value of funding disbursed and number of clients disbursed to



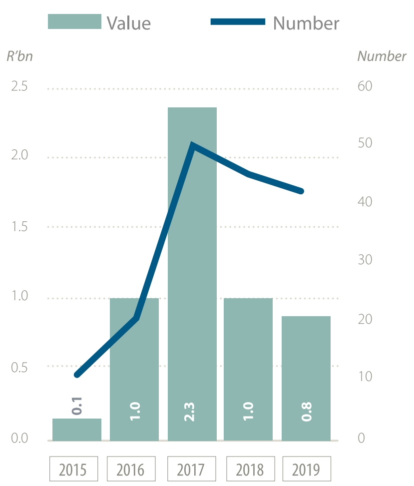
Number of jobs expected to be created and saved



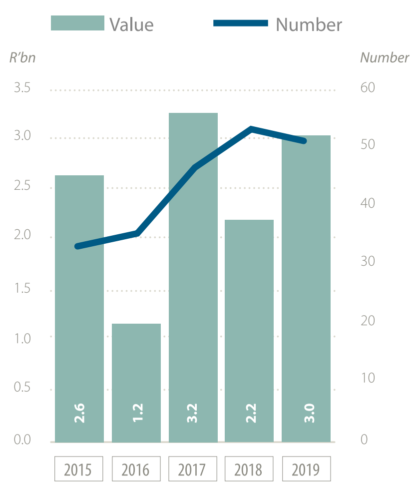
Value approved and number of approvals for black-empowered and black-owned companies



Value approved and number of approvals for youth-empowered enterprises



Value approved and number of approvals for women-empowered enterprises



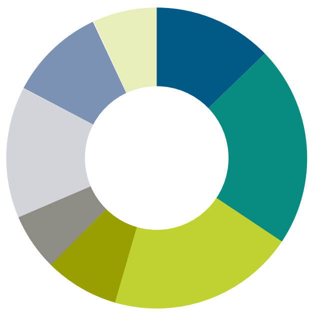
Value approved by sector focus area (2019)

- Metals and mining value chain (R5 117m)
- Agro-processing and agriculture value chain (R1 047m)
- Chemicals and pharmaceuticals value chain (R3 100m)
- Industrial infrastructure (R523m)
- Clothing, textiles, leather and footwear (R977m)
- New industries (R544m)
- Other manufacturing and related industries (R579m)
- Media, tourism, ICT and related industries (R 1 186m)

Number of transactions approved by sector focus area (2019)

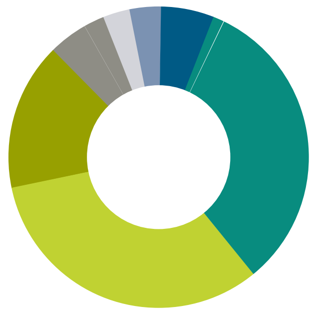
- Metals and mining value chain (50)
- Agro-processing and agriculture value chain (24)
- Chemicals and pharmaceuticals value chain (32)
- Industrial infrastructure (6)
- Clothing, textiles, leather and footwear (17)
- New industries (18)
- Other manufacturing and related industries (29)
- Media, tourism, ICT and related industries (15)

Value approved by region (2019)



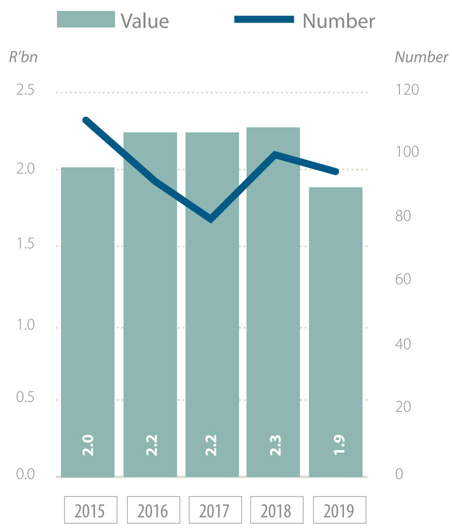
- Eastern Cape (R1 741m)
- Free State (-R53m[1])
- Gauteng (R2 767m)
- KwaZulu-Natal (R2 646m)
- Limpopo (R921m)
- Mpumalanga (R679m)
- North West (R126m)
- Northern Cape (R1 916m)
- Western Cape (R1 404m)
- Rest of Africa (R925m)

Number of jobs expected to be created and saved by region (2019)

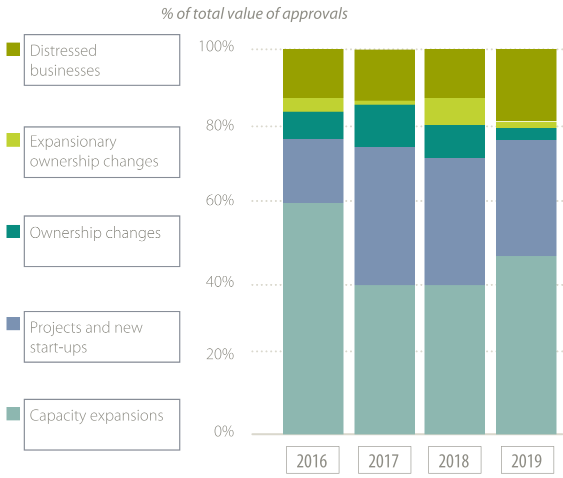


- Eastern Cape (1 134)
- Free State (-193[1])
- Gauteng (6 371)
- KwaZulu-Natal (6 316)
- Limpopo (3 019)
- Mpumalanga (769)
- North West (415)
- Northern Cape (518)
- Western Cape (739)

Funding approved for SMEs[2]



Utilisation of funds approved



[1] Negative values as a result of cancellations of transactions approved in previous years.
[2] Not including sefa.

OUR BOARD OF DIRECTORS

BA MABUZA (55)
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 the Board Investment Committee

TP NCHOCHO (51)
Chief Executive Officer

(Executive Director)

MSc (Development Finance and Economics) (University of London), MBL (UNISA), BCom (University of the North), AMP (Harvard Business School)

Appointed to the Board on 1 January 2019

MG QHENA (53)
Chief Executive Officer

(Executive Director)

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

Resigned from the Board on 31 December 2018

LI BETHLEHEM (51)

(Non-Executive Director)

MA (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 (53)

(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 the Board Risk and Sustainability Committee

RM GODSELL (66)

(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

A KRIEL (56)

(Non-Executive Director)

BSoc Sci (UCT)

Appointed to the Board on 1 April 2016

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

SM MAGWENTSHU-RENSBURG (59)

(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 (62)

(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 (38)

(Non-Executive Director)

CA(SA), CTA (UKZN), BBus Sc (Fin Hons CA option) (UCT), BCom (Accounting Hons) (UKZN)

Appointed to the Board on 1 April 2016

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

PM MTHETHWA (55)

(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 (63)

(Non-Executive Director)

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

Appointed to the Board on 29 January 2015

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

NE ZALK (50)

(Non-Executive Director)

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

Appointed to the Board on 25 November 2011

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

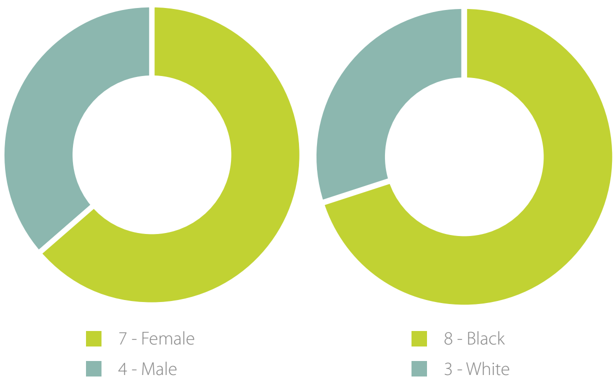
GS GOUWS (60)

(Alternate Director to CEO)

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

Resigned from the Board on 31 March 2019

Board Demographics*



*Non-executive directors

Chief Executive Officer's Statement

Operating environment

Over the past years, the IDC's contribution to the expansion and inclusivity of the domestic economy has been significant. In particular, the IDC has played a countercyclical investment role for a decade in a relatively weak economic environment, supporting industrial capacity development where opportunities exist and preventing deindustrialisation by preserving enterprises that, although experiencing financial difficulties, could demonstrate viable business cases.

A difficult economic environment over the past financial year resulted in some of our financing and developmental outcomes falling short of the levels achieved over the past few years. Challenging trading and operating conditions in key sectors such as manufacturing and mining, which are crucial for the IDC in terms of our developmental mandate, in the main accounted for much of the deceleration in the Corporation's financing activity.

Weak domestic demand and difficult conditions in the global trading arena, significantly due to US-led protectionism and trade tensions, alongside rising input cost pressures, interruptions in electricity supply and, among other factors, policy uncertainty, contributed to generally low business and investor confidence and had adverse impacts on investment spending in key sectors of the economy. In such an environment, many of the Corporation's business partners seem to have put their investment projects on hold, slowing down their borrowing plans.

Nevertheless, our deliberate focus on initiatives aimed at ensuring that our objectives of transformation and economic inclusivity are proactively pursued, including funding for women-empowered enterprises, continued to show positive results.

Delivery on our strategies

The IDC has a well conceptualised strategy that seeks to enhance impact by focusing its financing efforts in industries where it can drive industrial development and garner the highest socio-economic development returns.

The momentum that the IDC built up over the last couple of years which saw the Corporation increasing levels of funding approvals, disbursements, and job creation, among other development impact indicators, slowed slightly in 2019. During the reporting period, the IDC approved R13.1 billion in funding (2018: R16.7 billion) and disbursed R11.8 billion (2018: R15.4 billion). The funding approved is expected to create and save 19 178 jobs (2018: 29 885) as the investments are executed.

Funding to the agro-processing and agriculture value chain, the chemicals and pharmaceuticals value chain, the clothing, textiles, leather and footwear industries, as well as to new industries and some services sectors, witnessed promising growth. Some of these results were achieved on the back of deliberate strategies that the IDC has been pursuing over the past few years. These strategies include an increased focus on investing in labour-intensive sectors, particularly agriculture and agro-processing, leveraging on managed funds and by participating in early-stage project development.

However, the metals and mining value chain, particularly new mining investment, industrial infrastructure, and other manufacturing industries saw reductions in their levels of funding. Investment in some of these industries is typically of a large, capital-intensive nature and, as such, it is not surprising that increased funding to industries where investments are generally of a smaller size could not compensate for this.

The IDC continued to be resolute in driving inclusive economic development as shown by several indicators. An amount of R6.0 billion or 46% of the total funding approved was for Black Industrialists during the period under review (2018: R7.9 billion; 47%), Taking the total amount approved for Black Industrialists over the past four years to R21.4 billion, or 93% of five-year target of R23 billion set in the 2016 financial year. The R4.5 billion five-year target set for the funding of women entrepreneurs was already exceeded in 2018, and an additional R3.0 billion was approved in 2019. Similarly, against the five-year target of R4.5 billion set in 2016 for the financing of youth entrepreneurs, the R823 million approved in 2019 resulted in this target also having now been achieved.

On 21 September 2018, President Ramaphosa announced a stimulus and recovery plan aimed at increasing economic activity and creating jobs. The IDC's contribution to the plan includes increasing levels of funding, fast-tracking the development and funding of projects, exploring cooperation with private banks to stimulate business funding, and other initiatives targeted at specific sectors. By the sign-off of this report the IDC had approved R14 billion of its key commitment to the plan, the approval of R20 billion of transactions from the date of the announcement of the plan. Progress in projects includes the development of tourism projects and development of funding schemes aimed at specific sectors and distressed companies. Collaboration with Transnet on localisation initiatives is an additional opportunity that demonstrates the commitment to an 'SA Inc' that results in industrialisation opportunities.

Financial performance

The implementation of IFRS 9 was by far the principal driver of variations in the IDC's financial performance in the reporting period, relative to previous financial years. The implementation of this new standard resulted in increased impairment provisions and a higher impairment ratio compared to prior years.

Total assets for the group grew by 5.5% to R144.6 billion (2018: R137.0 billion) , mainly driven by disbursements as new assets were acquired and by a R9 billion increase in the overall value of listed investments, largely due our shareholdings in Sasol (JSE: SOL) and Kumba Iron Ore (JSE: KIO). In line with our funding plan, we increased our borrowings to support funding activities, resulting in the debt-to-equity ratio increasing to 41.4% (2018: 36.1%).

In the period under review, the company's revenue increased from R6.6 billion in 2018 to R8.4 billion, largely due to a significant increase in our dividend income, especially in counters such as Kumba Iron Ore, BHP and Palabora Mining Company.

Progress with turning around subsidiaries

The Scaw corporatisation process was completed during the financial year, with the Cast South Africa (Cast SA) and Grinding Media South Africa (GMSA) divisions having been carved out into separate legal entities, and strategic equity partners introduced to provide the necessary financial and technical support to the respective divisions. GMSA was able to report a small profit for the financial year and we expect to see improved performance from Scaw and Cast SA in the next financial year.

Foskor's performance was better than expected, but still not at a desirable level. The Board of the IDC appointed a sub-committee to look closely at the affairs of Foskor during the financial year under review, in partnership with the Foskor Board. Its proposals are expected to improve both the operational and financial performances of Foskor during the next financial year.

Looking ahead

The IDC has several strengths to build on, including a solid financial standing, strong brand equity, highly qualified and dedicated employees, and sound corporate governance. Opportunities still exist to strengthen its role in leading industrial capacity development while reinforcing its financial sustainability. The focus over the forthcoming period will be on deepening development impact, securing financial sustainability, improving customer service and enhancing the engagement levels of our employees.

Development impact: We will sharpen our delivery model by strengthening our development planning capabilities to play a more strategic role in industry development.

Financial sustainability: The primary focus will be on enhancing earnings, as well as on managing impairments and non-performing loans. We will thus place more emphasis on making better investment and credit decisions, and increasing our proactive approach to managing our portfolio.

Customer service: Our clients remain the core of what we do and, as such, we will be launching several initiatives to drive operational efficiencies and recommit to our customer service ethos, in order for us to deliver better service.

Culture: Our recent culture surveys and feedback have indicated low levels of staff morale and engagement. This is attributable to several factors that the management and Board are addressing decisively. Looking ahead, we will be deliberate in attracting, developing and retaining highly talented individuals in pursuit of our strategic objectives.

Leadership: Over the past 18 months, the IDC has seen the exit of four executives, including my predecessor, Mr. MG Qhena. I would like to thank them for their long service to the IDC and for the support provided to me during my transitioning period. I am very comfortable that the leadership changes are being managed effectively, ensuring continuity and reinvigoration of the IDC.

Acknowledgement

I would like to take this opportunity to thank the staff, management and Board of the IDC, as well as all pertinent stakeholders for having made my transition into the Corporation seamless. I look forward to working with all stakeholders as we frame an agenda for the future.

TP Nchocho
Chief Executive Officer
29 July 2019

OUR EXECUTIVE MANAGEMENT TEAM

TP NCHOCHO (51)

Chief Executive Officer
Appointed on 1 January 2019

MSc (Development Finance and Economics) (University of London), MBL (UNISA), BCom (University of the North), AMP (Harvard Business School)

MG QHENA (53)

Chief Executive Officer
Resigned 31 December 2018

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

N DLAMINI (45)

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

MP MAINGANYA (46)

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

RJ GAVENI (47)

Divisional Executive: Human Capital
Contract ended on 31 May 2019

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

GS GOUWS (60)

Divisional Executive: Mining, New and Related Industries
Retired on 31 March 2019

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

P MAKWANE (53)

General Counsel and Group Company Secretary

LLB (UWC), BJuris (UWC)

TL KHUMALO (39)

Divisional Executive: Subsidiaries and Post-Investment
Appointed on 1 September 2018

BSc (Electrical Engineering) (Wits), MBA (UCT)

PZ LUTHULI (42)

Divisional Executive: Corporate Affairs
MBA (UNISA), BA Communications (University of Zululand)

DA JARVIS (49)

Divisional Executive: Corporate Strategy
MSoc Sci (UKZN), BSoc Sci (Hons), (UKZN), BSoc Sci (UKZN)

AP MALINGA (54)

Divisional Executive: Mining and Metals Industries
Offboarded on 31 December 2018

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

L MATSHEKGA (45)

Divisional Executive: Agro, Infrastructure and Automotive
MPhil (Development Finance) (USB), BCom (Hons) (Financial Analysis and Portfolio Management) (UCT), BCom (General) (UWC), Global Executive Development Programme (GIBS

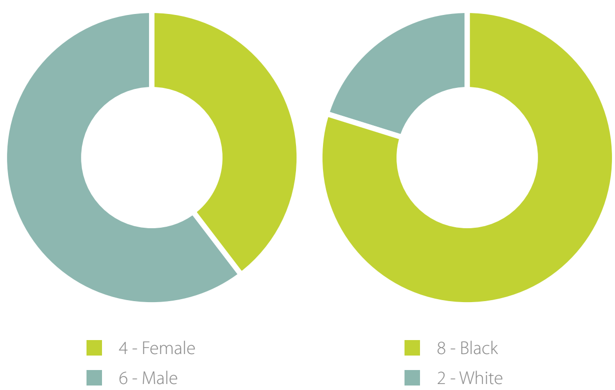
SAU MEER (57)

Divisional Executive: Chemicals and Textiles Industries
MBL (UNISA), BSc (Mechanical Engineering) (UKZN), Advanced Management Programme (Insead), Executive Development Programme (GIBS)

WH SMITH (58)

Divisional Executive: High Impact and Regions
BEng (Civil), GDE (Civil) (Wits), Pr Eng (Stellenbosch University)

Executive Management Demographics



METALS AND MINING VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

MINING
- Energy minerals – supply of coal for electricity generation; supply of minerals used for batteries
- PGMs – reduce cost of production for platinum production; stimulate demand for PGMs

BASIC METALS
- Ferrochrome – increase capacity and improve downstream competitiveness; increase capacity to produce coking coal and anthracite
- Iron and steel – increase capacity of mini mills; develop low-cost alternatives to ferrous scrap; improve competitiveness of existing steel producers
- Non-ferrous metals – develop zinc beneficiation capacity; identify opportunities for copper and cobalt

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 and quarrying equipment
- Manufacture of bulk handling and heavy lifting equipment
- Manufacture of water, oil and gas storage, handling and distribution equipment

MOTOR VEHICLES, PARTS AND ACCESSORIES
- Increase capacity to manufacture and assemble vehicles
- Manufacture of automotive parts and components, including parts for electric vehicles

OTHER TRANSPORT EQUIPMENT
- Manufacture or assembly of rail and rolling stock, as well as parts and components
- Develop new capacity for ship building and repair
- Increase the production of aerospace components for exports with a focus on introducing 4IR technologies
- Support to the MHCV sector, locally and on the African continent
- Develop motorbikes and bicycles manufacturing capacity

INDUSTRY RESEARCH COMPLETED

- A strategic analysis of the platinum group metals value chain (2019)
- A strategic analysis of the zinc value chain, market analysis and market outlook and potential implications for South Africa (2019)
- Realising the development potential of the regional copper-cobalt value chains (2019)
- South Africa within the global aerospace industry landscape (2019)
- South Africa's mining equipment value chain in the context of the Mining Charter (2019)
- South Africa's railway equipment industry value chain (2019)
- The electric vehicles value chain (2019)
- The coal value chain in South Africa and assessment of potential coal ash utilisation routes (2018)
- Bus manufacturing value chain analysis and strategic assessment of alternative-fuelled technology (2018)
- Projections of the potential energy storage capacity roll-out in Sub-Saharan Africa (2018)
- Attraction of a yellow metal original equipment manufacturer to South Africa (2017)
- Global uranium market and strategic value chain analysis (2017)
- Global vanadium value chain analysis and strategic assessment of redox flow battery technology (2017)
- South Africa's automotive components value chain (2017)
- South Africa's shipbuilding value chain – a strategic perspective (2017)
- An analysis of the South African gas cylinder value chain (2016)
- South Africa's chrome value chain – a strategic perspective (2016)

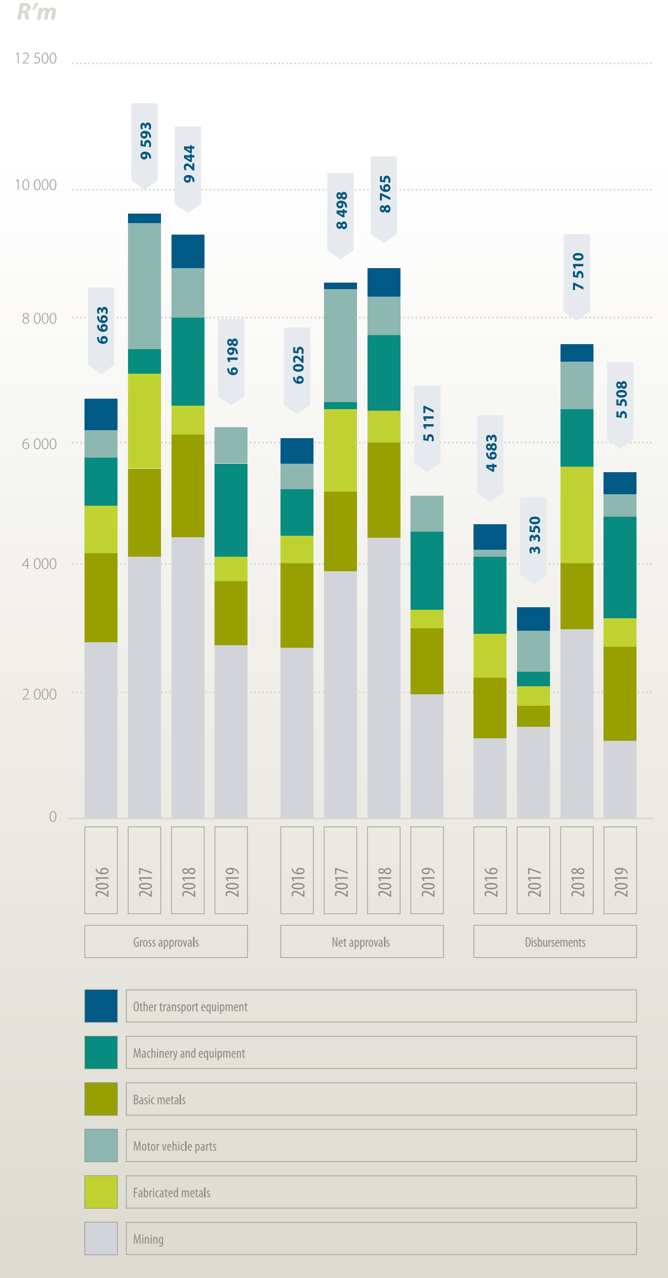
INDUSTRY-SPECIFIC RISKS AND CHALLENGES

- Low levels of economic growth with tentative recoveries in mining and manufacturing
- Long-term declining trend in productivity growth in the local mining industry
- Commodity price and exchange rate volatility
- Global trade conflicts impact export markets negatively
- Impact of coal mining for electricity generation greenhouse gas emissions
- Infrastructure, including increasing electricity costs and unreliability of supply and transport infrastructure
- Delays due to financial challenges at SOEs lead to delays in the roll-out of infrastructure projects with a negative impact on the demand for electrical machinery and transport equipment

INDUSTRY-SPECIFIC STAKEHOLDER AND STRATEGIC ENGAGEMENTS

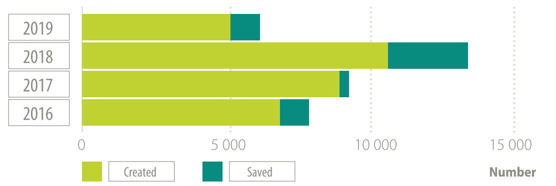
- Economic Development Department
- Department of Mineral Resources
- Participation in Steel Industry Task Team
- Eskom, Transnet, PRASA and Rand Water (as purchasers of machinery and equipment)
- Department of Trade and Industry
- CSIR and other research institutions
- Automotive OEMs
- Industry bodies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

FUNDING ACTIVITY

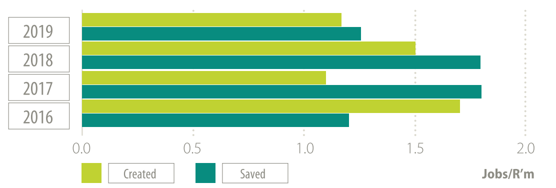


DEVELOPMENT OUTCOMES

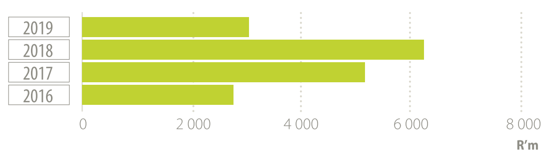
Jobs expected to be created and saved in South Africa



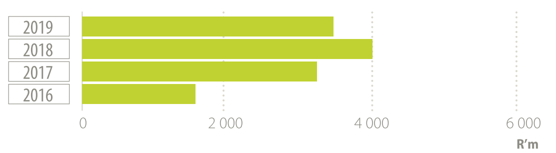
Jobs created and saved per R'm approved in South Africa (before cancellations)



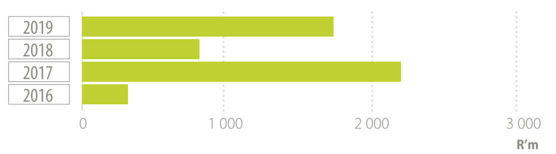
Funding to black-empowered companies



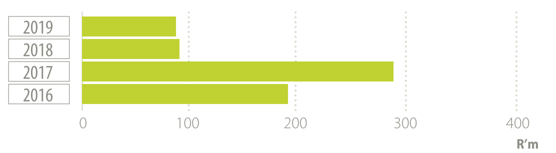
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



PROJECTS UNDER DEVELOPMENT

- Energy-efficient chrome smelter
- Coking coal
- Tin mine
- Tantalum mine
- Mine-shaft boring equipment
- Battery storage equipment
- Forged train wheels
- Green ship-recycling facility
- Electric drive motors

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.

Sector trends

South Africa's mining sector continued to experience a difficult operating environment in the 2018 calendar year, despite the improved prospects for bulk commodity producers, especially coal and manganese miners. Gold and platinum prices encountered downward pressure, although prices trended upwards in other platinum group metals.

The basic iron and steel industry (+3.0% growth) and motor vehicles, parts and accessories industry (+6.6%) are large manufacturing sub-sectors that recorded higher volumes of production, while output of the machinery and equipment sub-sector declined marginally (-0.4%).

Motor vehicles, parts and accessories remain the single largest manufactured export category, representing 23.5% of total manufacturing exports. The value of exports increased by 9.3% in 2018, backed by an increase in the number of motor vehicles exported to Europe and other African markets. These recorded fewer deliveries to the US market.

Higher international prices and a recovering global market assisted growth in basic iron and steel exports, the second largest manufactured export category, by 4.3% in 2018. Increased demand from Asia, East and West Africa helped South African steel producers to expand their export sales.

Employment levels declined in the basic non-ferrous metals (-3.6%), electrical machinery and equipment (-2.3%), basic iron and steel (-5.6%) and metal products (-1.7%) sub-sectors in 2018. In contrast, the following industries recorded employment gains over year to the fourth quarter of 2018: machinery and equipment (+2.9%); motor vehicles, parts and accessories (+0.3%); and transport equipment (+4.8%).

OUR APPROACH

We aim to grow a globally competitive metals industry by intervening directly 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, remains an important employment provider. As such, this upstream industry remains important in the value chain's strategies.

FUNDING ACTIVITY

In the year under review, high funding levels for sub-sectors in the value chain could not be sustained and decreased overall by 42% to R5.1 billion (2018: R8.8 billion). Apart from funding for machinery and equipment, which showed a R65 million increase, funding for other sub-sectors declined. The largest impact resulted from the 55% (-R1.7 billion) reduced funding for the mining industry. While disbursements increased in some sub-sectors on the back of previous years' approvals, the trend overall was similar to that of approvals.

The bulk of funding approved for the mining industry was for continued support to the Kalagadi Manganese project in the Northern Cape. We also supported the development of an anthracite mine in Mpumalanga.

Our support for developing Black Industrialists in the automotive sector included additional funding for a bus manufacturer in Gauteng to supply buses for the Gautrain network. Although parts of the BAIC automobile plant, such as the paint shop are still under construction, the assembly of semi knocked-down vehicles started in 2019, with plans to start building completely knocked-down cars in 2020.

The restructuring and unbundling of Scaw into separate entities during the past year saw the introduction of strategic equity partners into Scaw South Africa and Grinding Media. The IDC now holds 26% of Scaw South Africa (Pty) Ltd, 59% of Grinding Media (Pty) Ltd and 100% of Cast Products (Pty) Ltd. The restructuring is showing some success with Grinding Media recording a profit for the year.

STAKEHOLDER ENGAGEMENT

The IDC engages with government, organised labour and the private sector to align stakeholder interests with value chain development on an ongoing basis. During the year, we engaged with stakeholders on topics such as the Mining Charter, the draft Integrated Resource Plan and the new Automotive Master Plan (APDP Phase 2).

The IDC continues to manage the Downstream Steel Industry Competitiveness Fund on behalf of EDD. As at 31 March 2019, fund utilisation stood at R12.3 million of the total R95 million fund.

DEVELOPMENT OUTCOMES

Transactions approved during the year are expected to create 5 101 jobs (2018: 10 654) and save 964 jobs (2018: 2 778). The lower impact can be ascribed in part to the approval of fewer new mining projects.

The overall reduction in the value of approvals was also due to lower levels of funding to Black Industrialists, with R3.5 billion approved compared to R4.2 billion in 2018. Funding for women entrepreneurs increased to R1.7 billion on the back of continued support for the Kalagadi Manganese project.

OUTLOOK

The newly gazetted Mining Charter has created greater policy certainty and improved the outlook for the domestic mining sector. Business confidence surveys by the BER, however, point towards continued caution in the manufacturing sub-sectors.

CASE STUDY

BUKABOPA HOLDINGS

ASSISTING A BLACK INDUSTRIALIST TO SUCCEED IN THE MANUFACTURING INDUSTRY

DEVELOPMENT IMPACT

- **161 jobs saved**

Bukabopa is a tale of entrepreneurial perseverance and Black Industrialist success. The company is one of a few black-owned engineering factories that manufacture steel components to build locomotives and buses. Established in 2013 by Black Industrialist couple, Palello and Busi Lebaka, the engineering company uses raw materials to manufacture and process steel structures to assemble large vehicles.

The company currently manufactures components for MAN, a well-known global truck and bus company. The company's 161-strong workforce comprises mostly of steel technicians, engineers, welders and artisans. The company is Volkswagen Global accredited as a trusted manufacturer and also supplies components to transport company IVECO.

"We are barely a year into full operations because most of the work started only after the IDC provided us with funding in 2018," said Palello Lebaka. With 24 years' experience in rail engineering management, his sector knowledge is vital for the success of the business.

Bukabopa used the IDC funding to purchase the land and business premises where it currently operates from previous owners who were going out of business. "In addition, the IDC funding helped us to kick-start our operations and have our machinery working," Lebaka said. The business is situated in Bapsfontein, outside Benoni in Gauteng.

AGRO-PROCESSING AND AGRICULTURE VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

FIELD CROP PROCESSING

- Increase production capacity and improve productivity
- Invest in downstream food processing
- Develop smallholder producers; infrastructure investment; ownership transfer; partnerships between producers and intermediaries/ wholesalers
- Improve preservation and packing technologies
- Lower input costs
- Develop opportunities for more advanced processing (e.g. ready-to-eat cooked meals)

HORTICULTURE

- Link new processing capacity to new crops
- Expand upstream production where spare processing capacity exists
- Use under-utilised community land through partnerships
- Develop smallholder producers: funding to raise yields and quality; ownership transfer of primary agriculture and processing; partnerships between producers and intermediaries/wholesalers
- Assist research and development to retain superior genetic material
- Support implementation of new technologies, including 4IR (e.g. improved preservation and packing technologies, drone technology)
- Develop opportunities for more advanced processing

MEAT AND DAIRY PRODUCTS

- Introduce new technologies in old meat processing infrastructure
- Introduce new preservation and packaging technologies
- Reduce feed costs
- Integrate rural cattle herds into the value chain
- Import replacement of poultry and other products
- Invest in feedlots to deal with excess capacity at abattoirs
- Develop opportunities for more advanced processing

AQUACULTURE

- Develop emerging industries:
- Expand exports, build on successful abalone export industry
- Develop and establish viable finfish aquaculture operations
- Increase production to replace harvesting from the wild
- Improve competitiveness by lowering feed costs and improving efficiencies
- Supplement supply from natural fishing resources through aquaculture-based production
- Improve efficiencies and lower input costs
- Process downstream for value addition
- Develop local feed supply capacity
- Develop opportunities for more advanced processing

FORESTRY

- Expand Eastern Cape forestry sector
- Improve productivity of the State-controlled forestry assets
- Reduce cost of raw materials and increase availability
- Support sector transformation and inclusivity
- Support smallholder timber growers

INDUSTRY-SPECIFIC RISKS AND CHALLENGES

- Extreme weather ranging from droughts to floods with extreme temperatures and hailstorms
- Emerging pests and diseases
- Security of supply of raw materials for processors
- Policy and regulatory risks – policy uncertainty in production and marketing environments, e.g. land redistribution, food safety, water rights, environmental

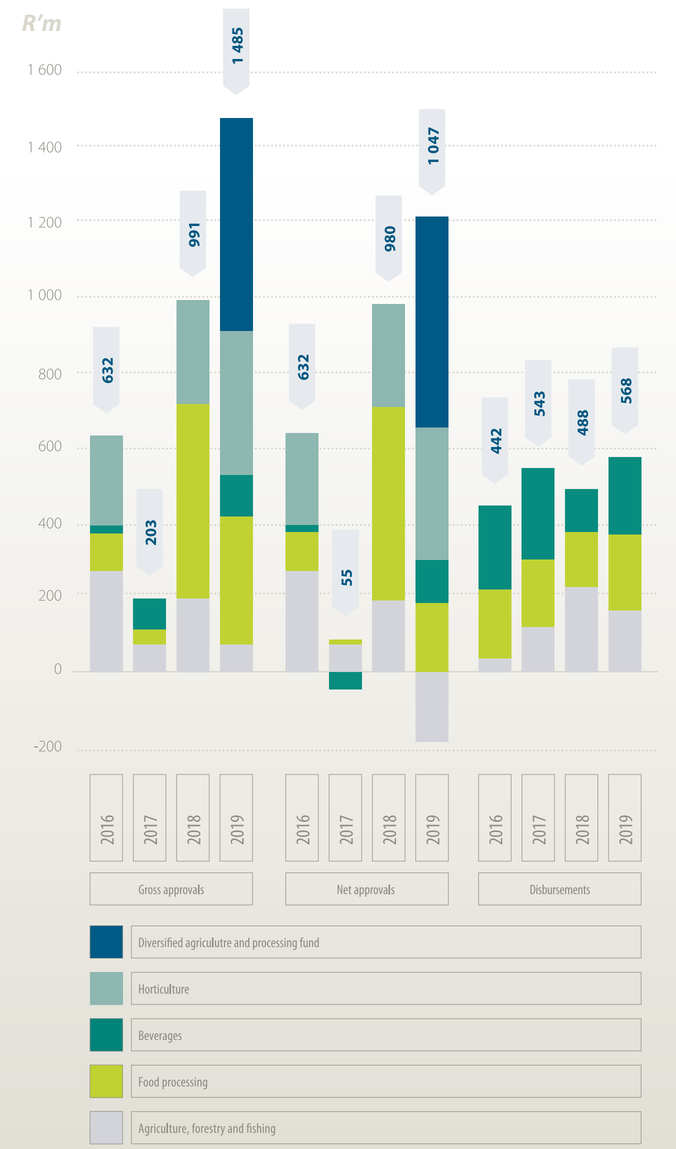
INDUSTRY-SPECIFIC STAKEHOLDER AND STRATEGIC ENGAGEMENTS

- Economic Development Department
- Department of Agriculture, Forestry and Fishing
- Department of Rural Development and Land Reform
- the dti
- Participation in Poultry Industry Task Team
- The Land and Agricultural Development Bank
- Commercial banks
- Emerging farmers
- Large agri-businesses
- 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)
- Research institutions (e.g. CSIR; universities; Agricultural Research Council)
- Food retailers

INDUSTRY RESEARCH COMPLETED

- South Africa's biotechnology industry landscape in the context of the 4th Industrial Revolution (2019)
- Chocolate confectionary in South Africa and investment opportunities (2018)
- An analysis of South Africa's citrus value chain (2016)
- Rural beef integration – A study on the potential product development for the commercialisation and value add to beef production (2018).

FUNDING ACTIVITY



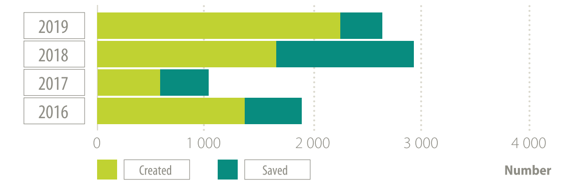
Negative values indicate cancellations of approvals made in previous years exceeding new approvals

PROJECTS UNDER DEVELOPMENT

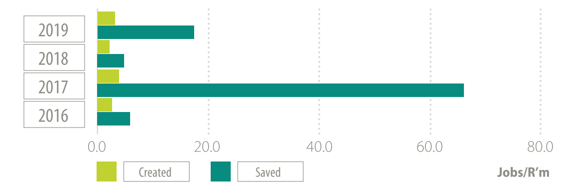
- Dehydrated vegetables
- Yellow kiwifruit
- Dried fruit initiative
- Catfish farming and processing
- Rural cattle commercialisation project
- Community forestry

DEVELOPMENT OUTCOMES

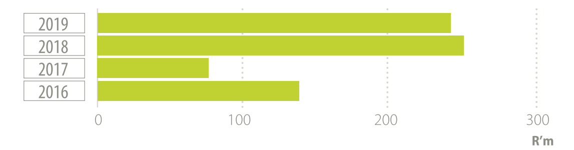
Jobs expected to be created and saved in South Africa



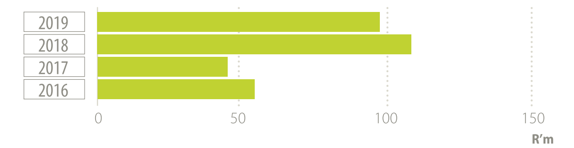
Jobs created and saved per R'm approved in South Africa (before cancellations)



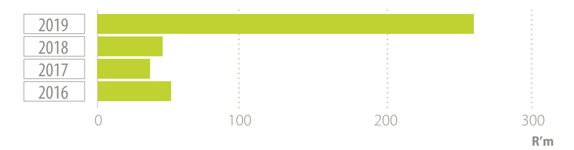
Funding to black-empowered companies



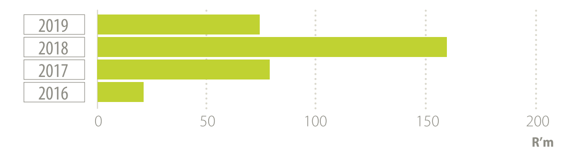
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



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 the bulk of this value chain.

Sector trends

Agricultural production in South Africa experienced significant volatility in recent years, with 2016 regarded as one of the most difficult years for farmers across the country. While 2017 provided some of the best climatic conditions in summer rainfall areas, a severe drought still crippled winter rainfall areas. In 2018, weather conditions in both summer and winter rainfall areas 'normalised' to within more expected parameters. Production in the food processing industry increased by 4.7% year-on-year, along with an increase of 4.4% in the production of beverages.

Overall exports for the agricultural sector increased by 7.8% relative to 2017, supported by the improved horticultural product harvests. Fruit and nut exports in 2018 of R48.7 billion represented 68% of the total value of agricultural exports. Soya bean exports increased dramatically from R20 million in 2017 to R196 million in 2018. The increased production volumes in the food processing and beverage industries also increased exports by 3.1% and 6.2%, respectively.

Fixed investment expenditure in the agricultural sector fell by 0.9% in real terms in 2018, following a marginal 0.1% contraction in 2017. This continued decline may be attributable largely to increased uncertainty about the proposed constitutional amendment to allow land expropriation without compensation.

Employment in the agricultural sector is highly seasonal. Total employment (formal and informal) increased from 842 000 to 849 000 from the 3rd to the final quarter of 2018. Employment in the food manufacturing industry declined by 0.5% and the number of employees in the beverages industry reduced by 6.1%.

OUR APPROACH

We focus on developing downstream industries that add value to primary agricultural produce and create significant development and jobs. In addition, we 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

Value chain funding approvals increased by 7% to R1 047 million from R980 million in the previous year. The value of funding disbursed increased by 16% to R568 million.

In a drive to expand its funding activity, the IDC has been targeting investment in funds to reach some markets more effectively and increase its impact. A large portion of our funding approvals in 2019 was for investment in two such funds. These funds will focus on agri-business and support businesses domestically and on the continent.

We expect to create 585 jobs through funding a black-empowered poultry abattoir in Lindequesdrif in the North West province. The project also incorporates the establishment of broiler houses and sourcing of chickens from small-scale black farmers.

In addition to these larger investments, we also supported several smaller projects that ranged from condiments manufacturing, fruit packaging and the growing of blueberries, to cooling facilities and pasta manufacturing.

STAKEHOLDER ENGAGEMENT

The IDC continues to work with stakeholders, including government, the private sector and communities to facilitate the development of this value chain. During the reporting period, we worked closely with the Land and Agricultural Development Bank of South Africa to co-fund projects and develop new products.

DEVELOPMENT OUTCOMES

The number of jobs we expected to create through our investments in the value chain during the past year increased by 35% to 2 252 (2018: 1 668). An additional 391 jobs are expected to be saved (2018: 1 274). Funding of R97 million was approved for Black Industrialists (2018: R109 million), and R73 million for youth-empowered businesses (2018: R159 million). Funding for women-empowered businesses increased to R259 million, from R46 million in 2018.

OUTLOOK

We expected the intermittent rainfall and generally dry conditions during the traditional maize-planting season to impact negatively on the overall maize crop during the 2018/19 season. Similar proportional reductions in harvest sizes are projected for most of the other major summer rainfall crops. Accordingly, the agricultural sector may pose a drag on economic growth in 2019, with upstream and downstream knock-on effects across value chains. Continued outbreaks of diseases, such as foot-and-mouth, swine and bird flu in recent times, are impacting on the overall production of meat products.

The IDC continues to seek areas for new investment in the sector, particularly given the industry's potential to create jobs, especially in rural areas.

CASE STUDY

MAKHAMISA FOODS

ENHANCING COMPETITIVENESS

DEVELOPMENT IMPACT

- **33 jobs created**

Makhamisa Foods is a proudly South African condiments company established in 2014 by two Black Industrialists, Terence Leluma, and Phumzile Nkomo. The food manufacturer specialises in the creation of cold-processed and hot condiments with a product range that includes a relish and a diverse selection of sauces. All products were carefully formulated by the founders of Makhamisa Foods.

According to Terence Leluma, the Managing Director of Makhamisa Foods, the creation of their products was inspired by South Africa's food heritage. Their mission is to give the world a taste of Africa in a bottle. Makhamisa Foods plans to distribute its authentic and flavourful condiments to hotels, restaurants and consumers through wholesalers and national and international food retailers. Makhamisa Foods is supported by funding from the IDC and the dti's Black Industrialist Scheme.

The company's world-class facility was customised with new industrial equipment and the latest technology in food processing. "The production plant will be completed in June 2019 and once the installation and commissioning has been completed, we will employ 33 people to run each shift. Currently, Makhamisa Foods employs five people," said Leluma.

"With the IDC's investment, we realised our vision of securing production facilities that enable us to compete with giant FMCG organisations within our industry," said Terence Leluma.

CHEMICALS AND PHARMACEUTICALS VALUE CHAIN

OPPORTUNITIES

FOCUS AREA

FERTILISERS
- Improve Foskor's competitiveness
- Increase capacity to replace imports and explore export opportunities
- Develop primary fertiliser to increase security of supply

ENERGY
- Increased gas usage as an energy source
- Increase liquid fuels security by improving access to crude oil and refined products

MEDICAL DEVICES
- Commercialise locally developed technology

BASIC AND SPECIALITY CHEMICALS
- Increase local production of green and other new chemicals
- Support local manufacturing of chemicals for input into consumer goods

PLASTICS
- Improve competitiveness by upgrading machinery and processes
- Manufacture higher-value plastic products
- Support a circular economy with high-value end products from recycled plastics, recycling capacity, bio-plastics
- Support other value chains e.g. agro-plastics, pipes and tanks

PHARMACEUTICALS
- Develop the active pharmaceutical ingredients (APIs) manufacturing industry
- Support new sector entrants
- Develop new products, including radiopharmaceuticals and biologicals
- Support other value chains – animal health

CONSUMER PRODUCTS
- Develop competitive contract manufacturing platforms for local and international brand owners
- Develop capacity to manufacture final products locally
- Grow/increase capacity to produce raw materials
- Develop the brands of locally produced consumer products

INDUSTRY RESEARCH COMPLETED

- Difficulties experienced by plastic converters (2019)
- High-level overview industry analysis on plastics to identify industry-wide focus areas (2018)
- Natural latex value chain: study on the manufacture of condoms and lubricants in South Africa (2018)
- Gauteng city region chemicals and plastics sector study (2017)
- Overview of the plastics industry in South Africa (2017)
- Construction plastics - global trends impacting SA (2017)
- An analysis of South Africa's pharmaceutical value (2016)
- Fertilisers value chain analysis (2016)

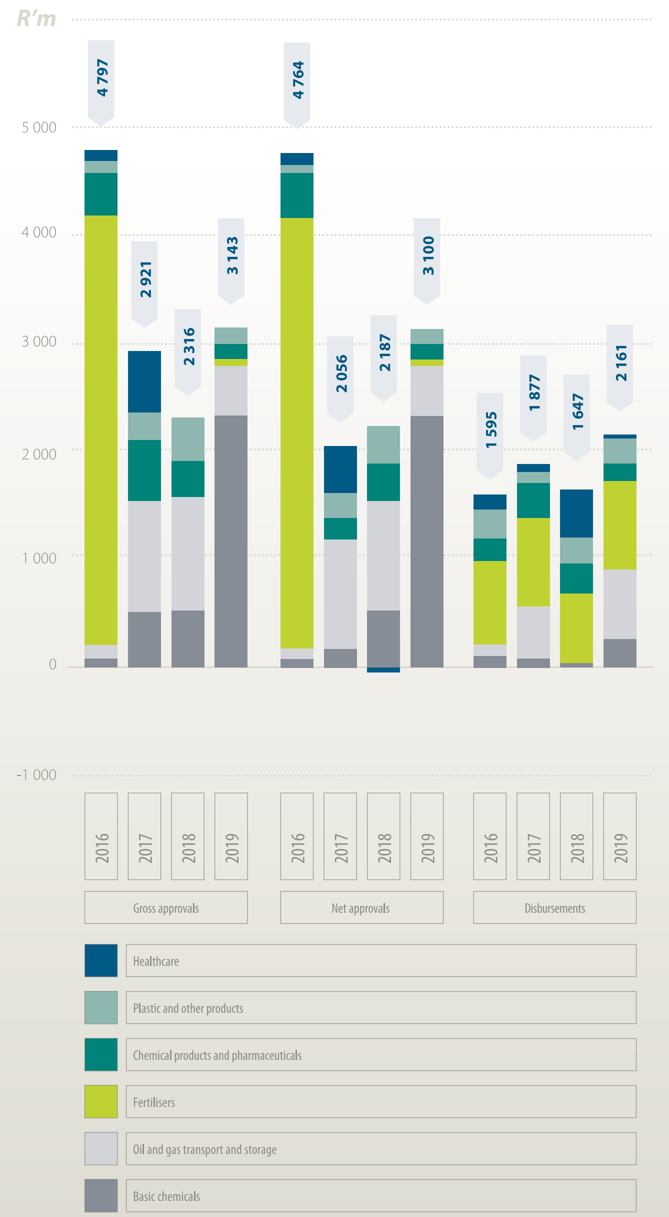
INDUSTRY-SPECIFIC RISKS AND CHALLENGES

- Material dependency of the liquid fuels and petrochemicals industries on the importation of crude oil and gas
- Water scarcity
- Regulatory registration for pharmaceutical products
- Long lead times for Environmental Impact Assessments
- Access to international technologies
- Potential negative effect of carbon taxes on project viability

INDUSTRY-SPECIFIC STAKEHOLDER AND STRATEGIC ENGAGEMENTS

- Economic Development Department
- Department of Energy
- the dti
- Chemical Industry Association
- Transnet National Ports Authority
- PetroSA
- Durban Chemicals Cluster
- Department of Health
- National Treasury
- Plastics SA
- PETCO
- Sasol
- Chemicals and Allied Industry Association
- Technology Innovation Agency
- Trade unions
- CSIR

FUNDING ACTIVITY



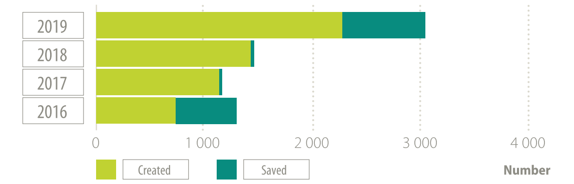
Negative values indicate cancellations of approvals made in previous years exceeding new approvals

PROJECTS UNDER DEVELOPMENT

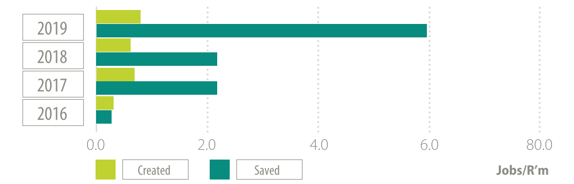
- Establishment of a urea production facility
- Beneficiation of local gas resources
- Production of pigments
- Production of sulphuric acid
- Production of chlor-alkalis
- Production of active pharmaceuticals
- Radiopharmaceuticals manufacturing plant

DEVELOPMENT OUTCOMES

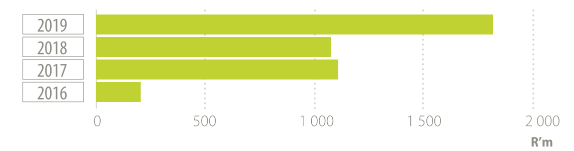
Jobs expected to be created and saved in South Africa



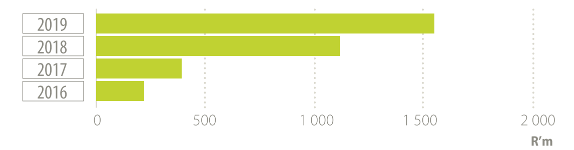
Jobs created and saved per R'm approved in South Africa (before cancellations)



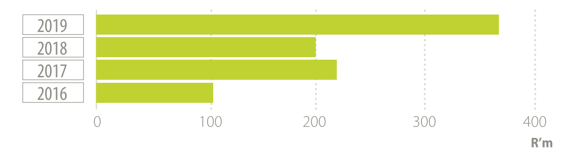
Funding to black-empowered companies



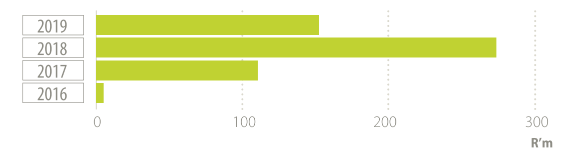
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



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.

Sector trends

The combined contributions of the coke and refined petroleum products, basic chemicals, chemical products, pharmaceuticals and plastic products sub-sectors amounted to 21.8% of total manufacturing production in 2018. The basic chemicals and other chemical products sub-sectors recorded lower levels of production in 2018 (-3.2% and -2.8% respectively), while the production volume for plastic products increased by 6.5%. Production volumes for coke and refined petroleum products remained flat compared to 2017.

All sub-sectors in the value chain increased the value of exports during 2018 and contributed to 19.4% of overall manufactured exports. Petroleum products make up the bulk of exports in the value chain, with neighbouring countries being the most important export destinations.

The sub-sectors in this value chain tend to be capital-intensive. The 13.2% direct impact of the value chain on creating employment in manufacturing lags behind other indicators, such as volume of production and exports. Employment in the coke and refined petroleum sub-sector was 1.6% lower than in 2017, while employment levels in other sub-sectors increased by 1.9% for basic chemicals, 3.9% for other chemicals and 5.0% for plastic products.

OUR APPROACH

Our funding of upstream industries in this value chain aims to enhance the competitiveness of downstream industries, including pharmaceuticals and other consumer products. Upstream value chain industries and those 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 industry sectors. We also focus on ensuring security of supply for products such as pharmaceuticals and medical devices.

Implementing this strategy, partly through the support of early-stage projects, has led to a steady increase in levels of investment and development outcomes over the last few years. This is contributing to South Africa's trade balance, increased involvement by Black Industrialists in the industry, increased beneficiation of raw materials and production of intermediary products that unlock value.

FUNDING ACTIVITY

At R3.1 billion for the 2019 financial year, funding approvals for this value chain were 42% higher compared to 2018 despite the economic environment. The value of disbursed funding also increased, for the second consecutive year, to R2.2 billion (2018: R1.6 billion).

Our largest approval was for the establishment of a facility in Middelburg, Mpumalanga, to produce ethanol from waste gas. Approval for this investment follows two years of joint development of the project by the IDC and the project promoters. Another example of funding approved for Black Industrialists this past year included investment in a plant to supply oxygen to a copper smelter in Phalaborwa.

In the plastics industry, we continue to support the environmentally-friendly use of plastics with an investment in a Gauteng-based existing client that recycles PET to produce bottles. A project that collects, processes and sells recycled plastic, paper and cardboard operating in Pretoria East also received funding. During the year we established a special funding scheme to support the re-industrialisation of the downstream plastics industry. The scheme targets some aspects of the circular economy, sector and product diversification and improvement, and competitiveness improvements in the industry.

Foskor, a manufacturer of fertilisers and an IDC subsidiary, continued to face tough trading conditions. The company intends to make improvements in its mining and phosphoric acid divisions to improve efficiencies and increase competitiveness.

STAKEHOLDER ENGAGEMENT

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

DEVELOPMENT OUTCOMES

The number of jobs expected to be created through funding approvals for 2019 increased to 2 258, a 58% increase over the 1 432 recorded in 2018. We also expect our funding to save 796 jobs (2018: 2). Given the capital-intensive nature of the industry, these direct jobs typically require a larger amount of investment than in most other industries.

At R1.5 billion, funding of Black Industrialists was 37% higher than in 2018. Funding for women entrepreneurs increased by 68% to R333 million, while funding for youth-empowered businesses declined from R274 million to R151 million.

OUTLOOK

The current high levels of capital utilisation in the industry sub-sectors could indicate a need for additional investment, despite a cautious approach among entrepreneurs. We continue to develop projects with the potential to catalyse development in the local manufacturing industry, such as the establishment of an urea production facility.

CASE STUDY

SWAYANA G2E

EARLY-STAGE PROJECT DEVELOPMENT RESULTING IN NEW INDUSTRIAL CAPACITY

DEVELOPMENT IMPACT

- **302 jobs to be created**

The Swayana G2E project is a waste gas to ethanol production facility start-up in Middelburg. The project was jointly developed by the Swayana promoters and the IDC.

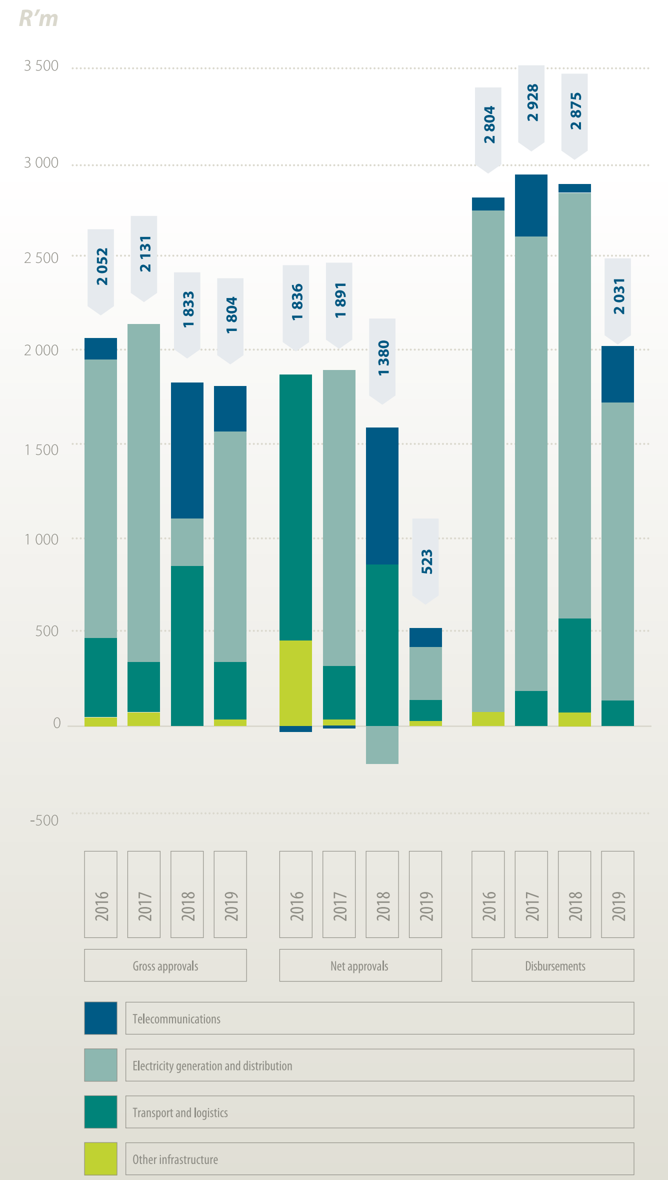
The IDC supported the promoters with project development through the bankable feasibility stage. Supported by a well established, listed operating partner, an off-take agreement and secured gas supply, this will be the second commercial plant of this type globally.

Swayana was founded in 2016 as a black-empowered company with the vision of operating in the South African green fuels and chemical industry. The company is led by Joseph Zinyana and Dr Kokkie Swanepoel, both successful businessmen with many years of engineering experience. Focused on developing projects in the green fuels and chemical industry, Dr Swanepoel teamed up with Joseph Zinyana, owner of a very profitable welding and speciality engineering solutions company since 2000.

The technology in the plant uses microbes to convert hydrogen and carbon monoxide into ethanol. Demonstrating the commercial viability of the project locally could open the doors to the installation of several other plants as a viable solution to mitigating greenhouse gas emissions.

INDUSTRIAL INFRASTRUCTURE

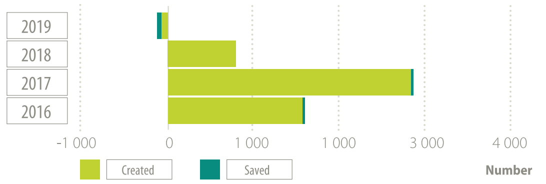
FUNDING ACTIVITY



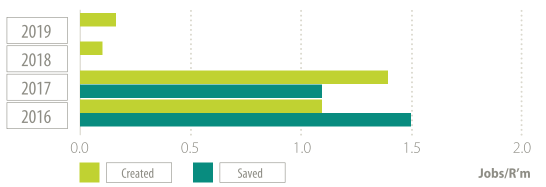
Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

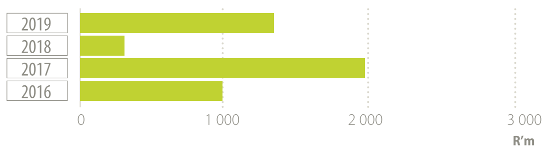
Jobs expected to be created and saved in South Africa



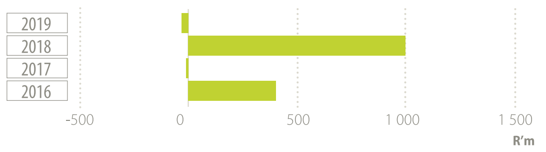
Jobs created and saved per R'm approved in South Africa (before cancellations)



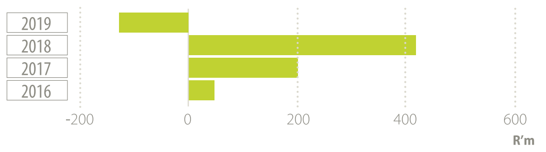
Funding to black-empowered companies



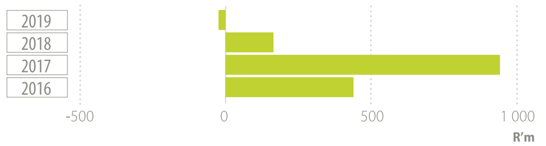
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



We support the development of electricity, water, telecommunications and logistics infrastructure projects which unlock the potential for industrial development.

FUNDING ACTIVITY

Despite gross approvals for the year showing only a marginal decline compared to 2018, cancellations of previously approved transactions resulted in a 62% decline in the net value of approvals to R523 million (2018: R1.4 billion). The cancellations related mainly to standby facilities previously approved for renewable energy projects that were implemented without using the facilities. As a result, the unutilised commitments were cancelled. Other projects, including one to develop a smart city, were also cancelled. Compared to R2.9 billion in 2018, only R2.0 billion was disbursed in 2019.

In 2018, approvals included funding for a 100MW concentrated solar power project in Postmasburg in the Northern Cape to a group of young entrepreneurs. Additional funding was approved in 2019 for inclusion of community participation and project construction.

We also approved early-stage project funding for an independent power producer to construct a coal-fired power plant to provide electricity to Sasol's synfuels plant in Secunda, Middelburg.

Further afield, we are participating in the funding for the construction of a 450MW combined-cycle gas turbine power plant in Mozambique. The plant will contribute to the Southern African power pool and improve grid stability for the whole region.

In the telecommunications sector, we approved funding for a black women-owned consortium to buy out a turnkey fibre-optic services company.

DEVELOPMENT OUTCOMES

Infrastructure projects typically create large amounts of direct jobs only during the construction phase. The jobs created through business activity that is unlocked through the infrastructure projects that we fund are not accounted for in the numbers we publish. While cancellations of some previously-approved projects resulted in a negative net number of jobs for the year, we expect to create 291 direct jobs through newly approved projects.

Black-empowered companies will receive R1.4 billion of the funding approved in 2019 (2018: R297 million). Cancellations of transactions approved in previous years for women and youth entrepreneurs exceeded new approvals.

OUTLOOK

South Africa still faces a significant backlog in infrastructure provision. While cutbacks in direct spending investment by SOEs are impacting the industry, the IDC forecasts increased opportunities for the private sector to become involved in developing and funding projects.

We welcome the additional allocations to renewable energy projects indicated in the draft Integrated Resource Plan 2018. We also intend to widen our reach in the rest of Africa to support regional integration and intra-Africa trade, with specific emphasis on the energy, water, ICT, transport and logistics sub-sectors.

CASE STUDY

SUSTAINABLE HEATING HOLDINGS

ENVIRONMENTALLY FRIENDLY ENERGY

DEVELOPMENT IMPACT

- **9 jobs created**

Sustainable Heating Holdings was established in 2013 with a specific focus on generating steam from biomass and selling it to manufacturing plants for use in their production processes.

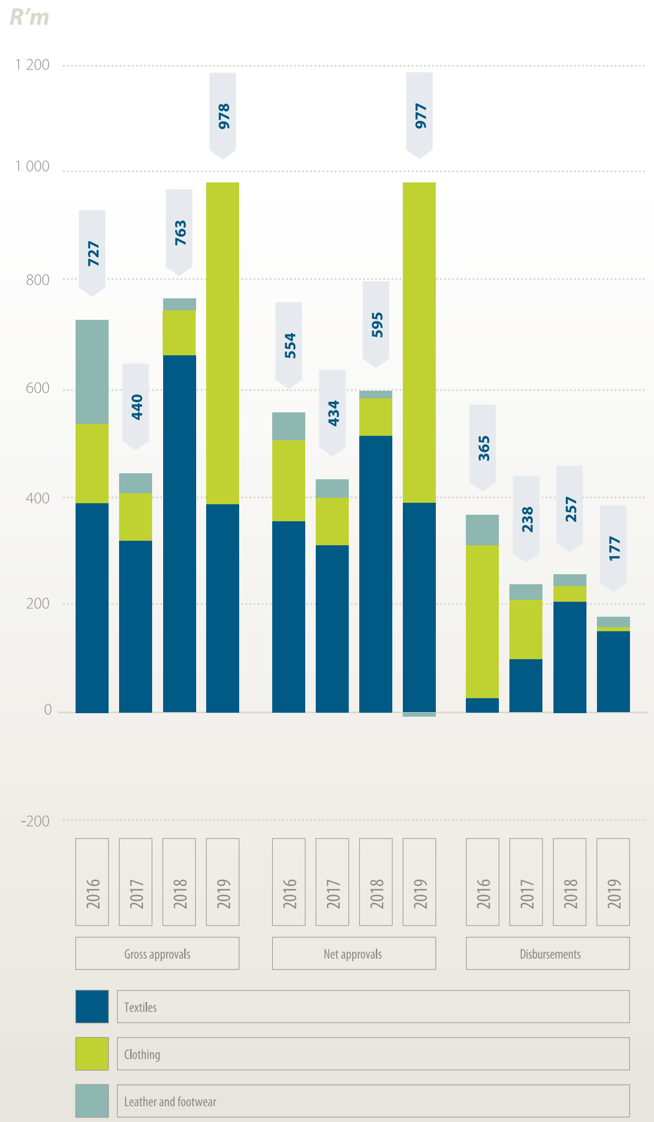
The company was awarded a contract with a large dairy in Port Elizabeth in the Eastern Cape to supply their plant with steam. The heat from the steam is used to produce ultra-high temperature treated milk.

Sustainable Heating Holdings uses woodchip-waste to produce the heat used to generate steam. This is considered more environmentally-friendly than using alternative fuels such as heavy fuel oil. It is also a more cost competitive alternative.

This will be the seventh similar plant that Sustainable Heating Holdings builds.

CLOTHING, TEXTILES, LEATHER AND FOOTWEAR

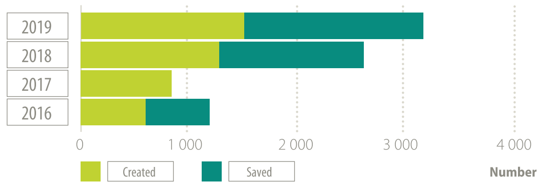
FUNDING ACTIVITY



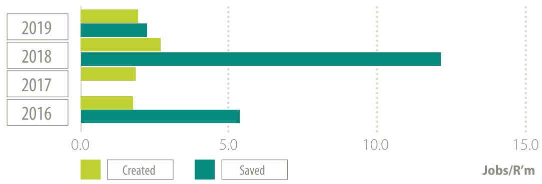
Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

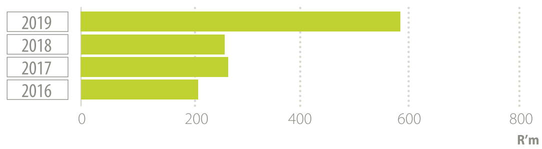
Jobs expected to be created and saved in South Africa



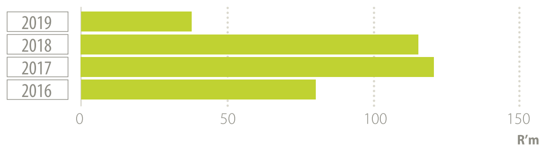
Jobs created and saved per R'm approved in South Africa (before cancellations)



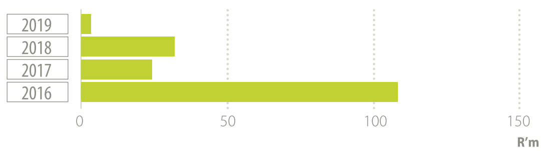
Funding to black-empowered companies



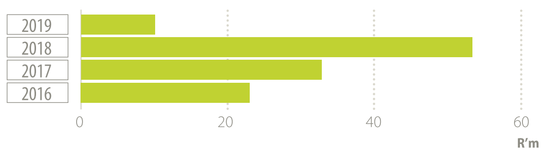
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



The clothing, textiles, leather and footwear industries are labour-intensive and, therefore, instrumental in creating jobs in the South African manufacturing sector. Interventions by government and the IDC over a number of years to improve competitiveness in the sector have been negatively impacted by the downsizing or closure of some manufacturers due to the prolonged economic downturn. Despite this stagnation, some businesses are thriving and growing.

FUNDING ACTIVITY

The IDC increased the value of funding approved for the industry, for the second consecutive year, in 2019 to R977 million, 64% higher than in 2018. Similar to previous years, the value of industry disbursements was far lower than that of approvals due largely to using payment guarantees to facilitate funding. These guarantees allow companies to obtain funding from commercial banks and allow the IDC to leverage its funding.

The largest portion of funding approved during the year went to a manufacturer of men's and ladies' clothing and footwear to enable business growth. Given the financial difficulties of Edcon, a major shareholder in the company, other retailers were reluctant to increase their orders. Our funding allows the business to continue with its modernisation and expansion plans, increase its retailer customer base, while continuing to support existing customers, and compete more meaningfully with imported products.

Funding of R385 million was approved for companies operating in the textiles industry in 2019 (2018: R511 million).

DEVELOPMENT OUTCOMES

Due to funding from the IDC, we expect to create 1 515 jobs and save an additional 1 674 (2018: 1 294 jobs created; 1 315 jobs saved). The total number of expected created and saved jobs is 22% higher than in 2018.

The R583 million in funding approved for black empowered companies was 120% higher than in 2018. These figures include companies where workers own more than 25% of the shares. The IDC often uses the incorporation of workers into the shareholding structure of companies to introduce broad-based black ownership into businesses. Unfortunately, the value of funding for women and youth entrepreneurs declined from R34 million to R3 million, and from R54 million to R10 million, respectively.

OUTLOOK

We are pursuing a number of opportunities in the sector. These include taking advantage of the fast fashion trend. We support retailers and especially local manufacturers to adapt to supplying into the fast fashion model. We continue to work closely with the industry to develop a strategic master plan that includes all stakeholders. We are also exploring projects in other areas, such as natural fibres and recycling.

CASE STUDY

GLODINA TOWELING

IMPROVING COMPETITIVENESS

DEVELOPMENT IMPACT

- **1 674 jobs saved**
- **1 385 new jobs expected**

Glodina Toweling was a powerhouse in the South African toweling industry, with over 60 years as the preferred provider of superior towel products to top retailers. The company is exploring ways to extend its brands and the CEO, Mark Goliath, believes that a higher level of product diversification and segmentation will lead to new avenues for growth.

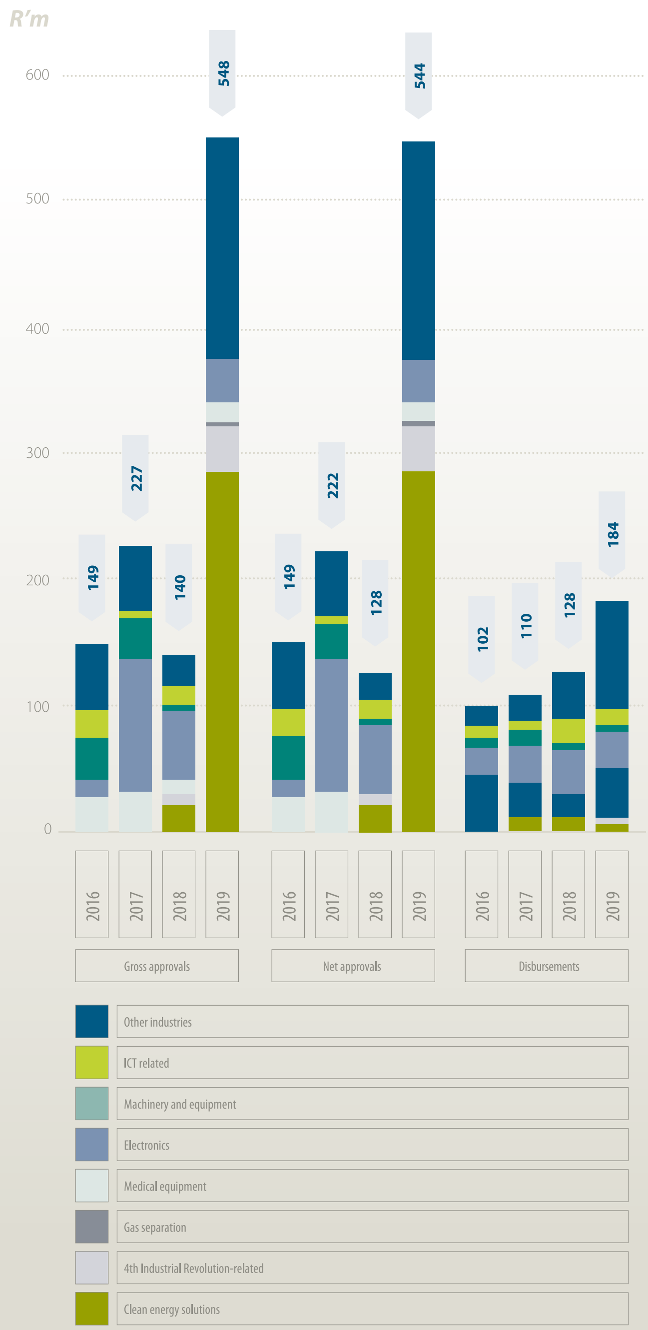
After many loss-making years, Glodina's shareholders opted to close the company and sell its assets. The IDC acquired these in 2018 and restarted the company's operations. The company aims to increase its production capacity to cater for national retailers and the hospitality industry and reclaim its esteemed brand position in the market.

"As production grows, we want to grow the number of employees," said Mark. The IDC investment boosted production and helped Glodina to acquire assets and source raw materials for its products.

Glodina plans to regain sustainability by realising the opportunities lost while the company was closed. The IDC investment could also contribute to the company trading in the export market.

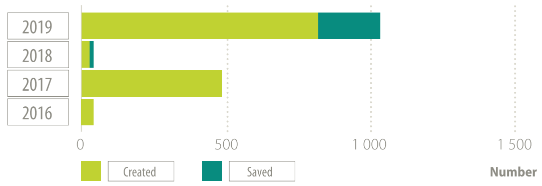
NEW INDUSTRIES

FUNDING ACTIVITY

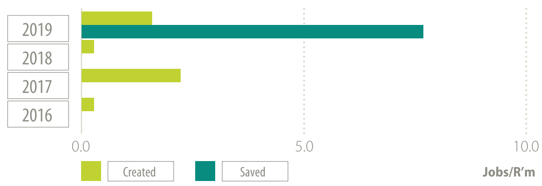


DEVELOPMENT OUTCOMES

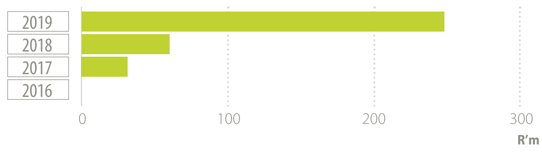
Jobs expected to be created and saved in South Africa



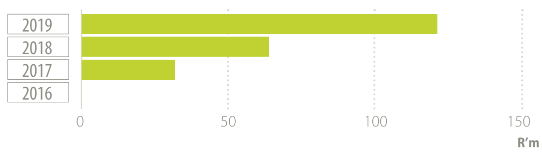
Jobs created and saved per R'm approved in South Africa (before cancellations)



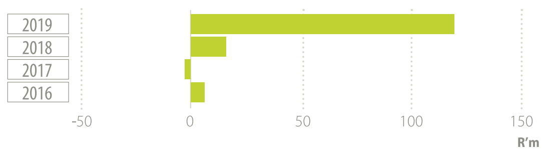
Funding to black-empowered companies



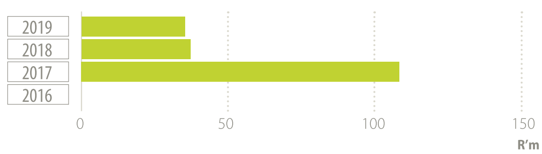
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



This IDC unit promotes the establishment of new industries as the foundation of South Africa's future economy. The unit is currently focusing on:

- The clean energy solutions industry
- 4th Industrial Revolution-enabled industries
- The natural products industry
- The gas separation value chain centred around an innovative, locally-developed technology.

FUNDING ACTIVITY

The unit has been developing projects and investing in smaller businesses since 2015. During the past financial year, several prioritised new industries received significantly large investments for the first time. This contributed to the R544 million in funding approvals for the year, compared to R128 million in 2018. The value of disbursed funding increased to R184 million in 2019, from R128 million in 2018.

The largest portion of funding was destined for companies pursuing clean energy solutions. This included funding for a company that developed an integrated energy generation and management solution using solar generation equipment. Operating in South Africa and neighbouring countries, the company uses Internet of Things (IoT) technologies to optimise energy consumption and facilitate the autonomous operation and maintenance of sites after installation.

We also approved funding for a black-owned company that produces inverters to be used with renewable and other sources of electricity generation. Our funding was also used to test a Vanadium Redox Flow Battery for the production of vanadium electrolytes and ultimately, should these tests be successful, the assembly and local manufacture of the batteries.

Support for Black Industrialists included funding approval for a company that will produce nano-precipitated calcium carbonate in Richards Bay in the first commercial-scale nanomaterials production facility in Africa.

The 4th Industrial Revolution spans several technologies and is typically defined as integrating the use of these technologies to create new business models that disrupt the status quo. One of the companies that we funded in this area is a black-owned business that uses telematic devices built into vehicles, cloud connectivity and data analysis to provide detailed analytics to fleet owners that enable safety improvements and cost reductions in fleet management.

DEVELOPMENT OUTCOMES

The higher levels of funding activity for these industries increased development outcomes, with the expectation of creating 827 jobs (2018: 28) and saving 209 jobs.

The funding of black-empowered companies increased from R60 million in 2018 to R263 million in 2019, while Black Industrialists received R136 million, compared to R63 million in 2018. Funding for women entrepreneurs increased to R120 million (2018: R15 million).

OUTLOOK

The pace at which new technologies and markets are developing, propelling growth and development of new and existing sectors globally, is creating significant investment opportunities. This provides opportunities for South Africa to establish itself as a significant player in such sectors going forward.

CASE STUDY

ARIOGENIX

SUPPORTING SOUTH AFRICAN TECHNOLOGY EXPORTS

DEVELOPMENT IMPACT

- **20 jobs created**

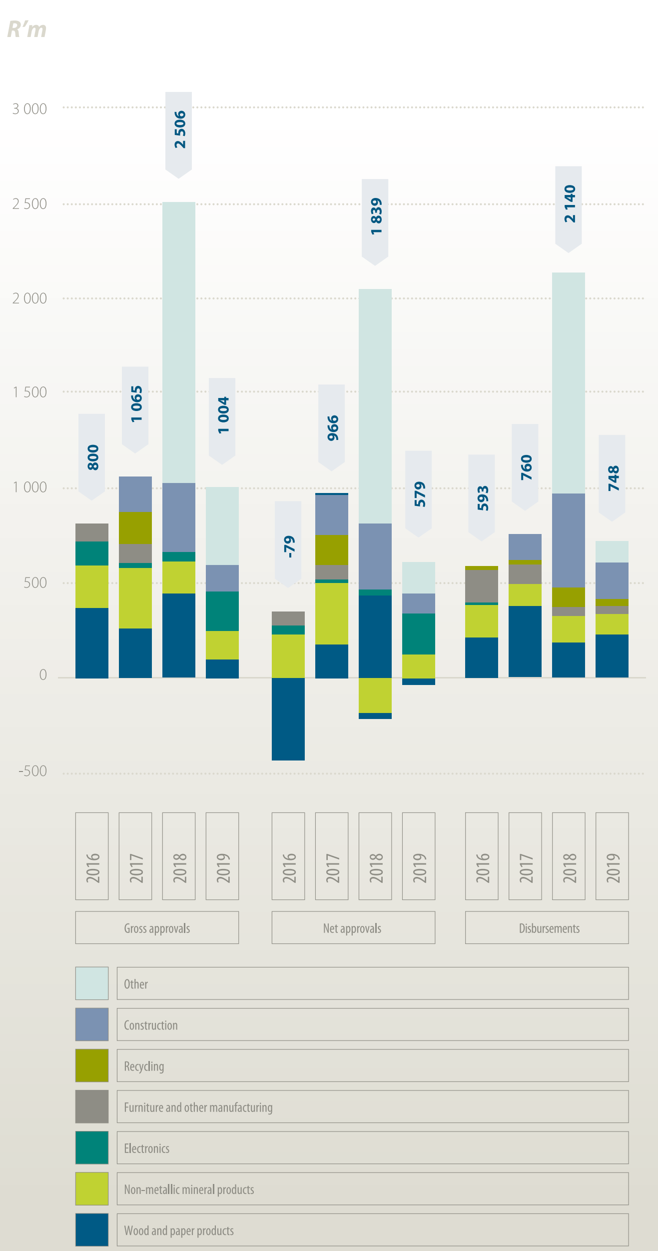
ArioGenix has established itself and built a track record as a project integrator in the nuclear, energy, defence, aerospace and mining sectors. Since 2015, ArioGenix has been developing a range of renewable energy solutions (inverters, rectifiers and soft-starters) targeting the growing global renewable energy generation market. The IDC funding will enable ArioGenix to fund product qualification, obtain certification and complete value engineering to reduce manufacturing and assembly costs, improve product reliability and streamline production processes for its products.

ArioGenix has also developed a strong relationship with Mitsubishi Electric Europe and the company was accepted as a Mitsubishi factory partner in 2017. Mitsubishi is currently marketing and selling ArioGenix's soft-starter products under the Mitsubishi brand in 41 countries across Europe and East Asia. Similar arrangements are being negotiated for its other product lines.

The state-of-the-art renewable energy products available from ArioGenix are easy to install, generate no harmful greenhouse gases and harvest renewable energy efficiently.

OTHER MANUFACTURING AND RELATED INDUSTRIES

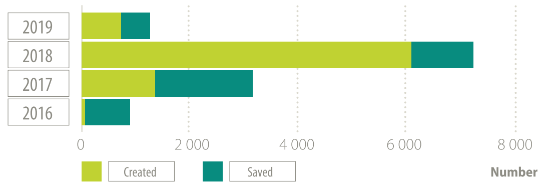
FUNDING ACTIVITY



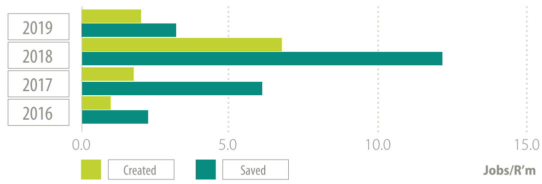
Negative values indicate cancellations of approvals made in previous years exceeding new approvals

DEVELOPMENT OUTCOMES

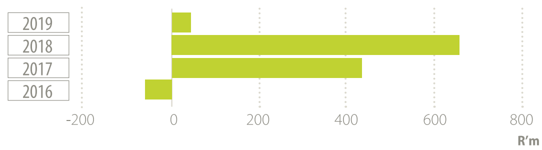
Jobs expected to be created and saved in South Africa



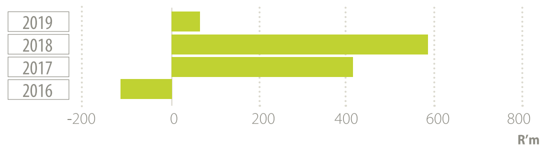
Jobs created and saved per R'm approved in South Africa (before cancellations)



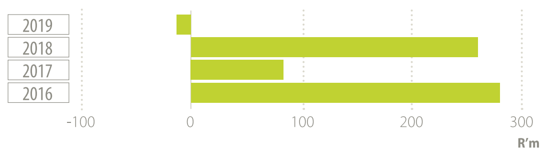
Funding to black-empowered companies



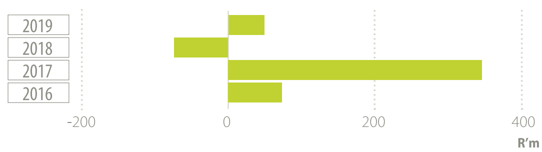
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



In addition to the support for the manufacturing industries covered in the previous sections, the IDC also funds the wood and paper, glass, rubber, cement, non-metallic minerals, electronics, furniture and other manufacturing industries.

FUNDING ACTIVITY

The value of funding approved during the year decreased by 68% to R579 million (2018: R1.8 billion), while R748 million was disbursed compared to R2.1 billion in 2018.

The lower value of approved and disbursed funding was due to a R1.5 billion line of credit approved for a Pan-African DFI in 2018 for on-lending to clients, particularly cement producers, the size of which could not be repeated in 2019.

During the past year, the IDC also supported other businesses with funding. These included a manufacturer of smart mobile phones in Durban, a Black Industrialist who is setting up factories to produce polyurethane insulated metal and flexible faced panels for building applications, a company that currently trades in finished melamine board to create manufacturing capacity and various companies manufacturing diverse cement products, including curb stones, roof tiles and bricks.

DEVELOPMENT OUTCOMES

Funding approved during the year is expected to create 794 jobs and save 500 (2018: 6 115 created and 1 155 saved). 2018 saw a large number of jobs expected to be created through funding for a construction company. No similar transactions were approved in 2019 and the numbers achieved are more in line with what can be expected from funding for the manufacturing industries alone.

Funding for Black Industrialists decreased to R65 million, from R583 million in 2018. The value of transactions for women entrepreneurs that were cancelled during the year exceeded new approvals, while funding for youth entrepreneurs stood at R47 million (2018: -R75 million due to cancellations).

OUTLOOK

Weak domestic economic conditions resulting in low investor confidence remain a challenge. There are, however, opportunities that are being pursued to develop and transform these sub-sectors. These include Black Industrialist participation in industry transformation, rationalisation and consolidation, assisting local manufacturers to expand into the rest of Africa, and pursuing opportunities related to alternative construction materials.

CASE STUDY

MARA PHONES

LOCAL MANUFACTURING OF HIGH-TECH PRODUCTS

DEVELOPMENT IMPACT

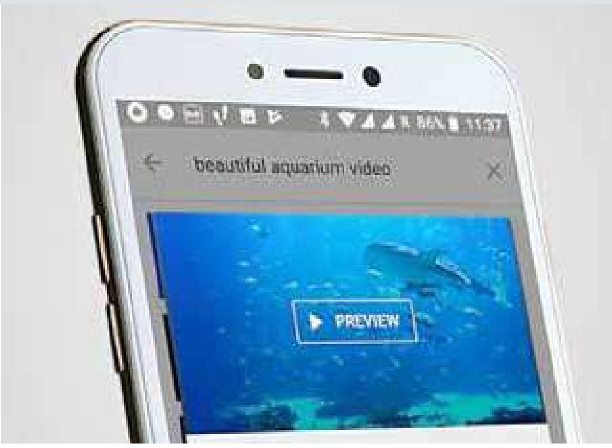
- **450 jobs created**

The Mara Group, founded by Ashish J. Thakkar, manufactures a range of smartphones for the consumer market. The Group's smartphones are produced under the Mara Phones brand and consist of the Mara X and Mara Z models. Established in 1996, Mara has been active on the continent for over two decades. It has grown from a small computer hardware trading firm in East Africa to a multi-sector group with investments and operations in 25 countries across the African continent.

"The first high-specification, affordable smartphone manufacturer in Africa, Mara Phones is committed to enhancing and enriching the lives of the people of Africa. Manufacturing in Africa enables job creation and also makes the smartphone more affordable to all, contributing to business growth and development on the continent. Manufactured in Africa, ready for the global market!", according to a statement by the Mara Group management.

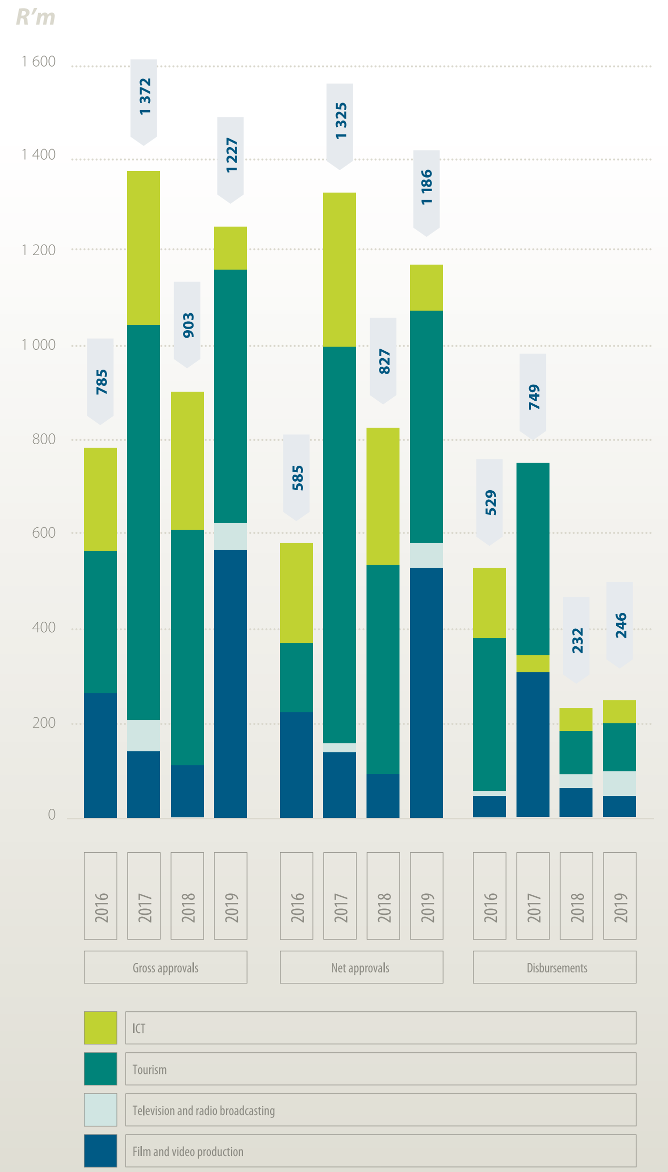
Mara's growth has been driven by selectively partnering with multinationals and individuals with subject matter expertise, thereby combining global best practices with Mara's local knowledge and operational know-how.

The Durban factory is situated at the Dube TradePort Special Economic Zone (SEZ). The phones will also be manufactured at another plant in Rwanda, with plans to expand its manufacturing operations into West Africa in the near future.



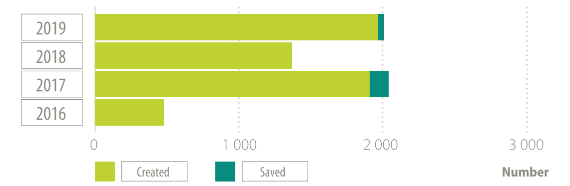
TOURISM, MEDIA AND ICT

FUNDING ACTIVITY

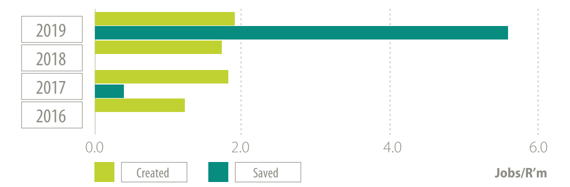


DEVELOPMENT OUTCOMES

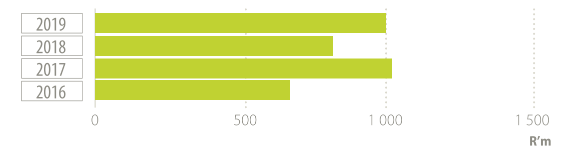
Jobs expected to be created and saved in South Africa



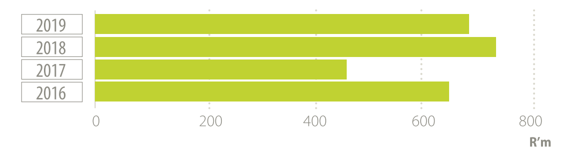
Jobs created and saved per R'm approved in South Africa (before cancellations)



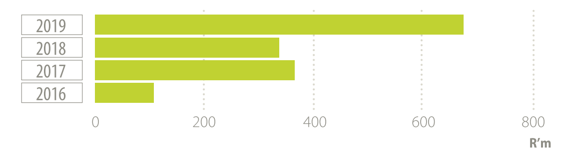
Funding to black-empowered companies



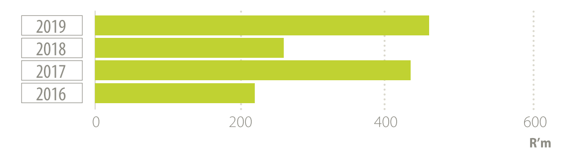
Funding to Black Industrialists



Funding to women entrepreneurs



Funding to youth entrepreneurs



In addition to funding development in manufacturing industries, we also provide development finance for high-value services in the tourism, media and ICT industries. The media industry includes funding for film production, studio infrastructure, and radio and television broadcasting.

FUNDING ACTIVITY

Funding for these industries increased to R1.2 billion in 2019, from R827 million in 2018. Funding allocations ranged from 49% of total funding for the media industry, 43% for the tourism industry and 8% for ICT services.

During the past financial year, we supported a number of film productions, some co-produced by local and international producers, as well as the production of television series, including a 10-part action-adventure series.

In the tourism industry, we provided funding for a luxury lodge in Mozambique, a 120-bed hotel and conference venue in Thohoyandou, Limpopo, and a lodge in the Mkhambathi Nature Reserve in the Lusikisiki district of the Eastern Cape.

DEVELOPMENT OUTCOMES

We expect our funding within these services sectors to create 1 937 jobs (2018: 1 371) and save an additional 27. Jobs created by films are typically of a short-term nature, as individuals move on from one film to the next. We do not account for these jobs as full-time and, as such, these numbers do not represent the total number of individuals who are impacted by our activity in this industry.

Funding for Black Industrialists declined to R686 million, from R733 million in 2018. The funding of women entrepreneurs doubled to R675 million and for youth entrepreneurs the amount increased by 76% to R460 million.

OUTLOOK

The tourism industry still holds many opportunities for development. Growth in our secondary and coastal cities and some countries elsewhere on the continent with expanding economies continue to increase demand for hotels.

The media industry has experienced significant technological disruption over the past number of years. This creates opportunities for the IDC to invest in other areas of the media and audio-visual value chains. New content distribution networks require investment into content that is more attractive to an international audience if costs are to be recouped.

CASE STUDY

TOUCH HD AND MARKETING

INVESTING IN NEW DELIVERY PLATFORMS

DEVELOPMENT IMPACT

- **21 jobs created**

Started in April 2017, Touch HD and Marketing is an internet radio station that strives to pioneer digital radio on the African continent. Internet radio is an audio service that uses the Internet as the broadcast distribution medium rather than traditional radio waves. The station is available through a dedicated website and smartphone applications on iOS and Android. The station offers online access to live sound streaming of radio content, pre-recorded podcasts and live and recorded video streaming. Touch HD offers a mix of 80% music, and the balance consisting of celebrity news, interviews, current affairs, news and entertainment updates.

Touch HD broadcasts live and recorded content from studios in Sandton. In its first year of operations, Touch HD secured over one million user connections at an aggregated growth rate of over 250% per month from April 2017 to January 2018.

The company approached the IDC for a loan facility to fund capex and working capital to expand their online digital radio station.

CEO and radio presenter at the station, Thabo Molefe, is one of the two shareholders at the company.

ADDRESSING THE MARGINALISED

BACKGROUND

The IDC embraces the development of a more inclusive economy by actively addressing social and regional development objectives that emphasise developmental returns with maximum impact. Sometimes, these activities involve enterprises that would not qualify for funding through the IDC's commercial business channels and that are often supported by donor grants and strategic partnerships.

We engage with the government and private sector, as well as with social partners and other role-players, to enhance the impact of identified funding opportunities, either as stand-alone projects or linked to regular commercial IDC projects.

The aim of these interventions is greater inclusivity and participation by marginalised groups and communities in economic opportunities and, specifically, to increase the impact of specific developmental outcomes. These include township economies, regional equity, community and worker empowerment, and employee empowerment.

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

OVERVIEW OF ACTIVITIES

Worker and employee empowerment and ownership

Where possible, in pursuit of transformational impact in support of workers and communities, some of the IDC's transactions include workers and communities as shareholders. Trusts are used as legal entities for workers and communities to acquire equity in IDC-funded companies, where appropriate. Most of the Workers' Trust beneficiaries who receive IDC funding are permanently employed, lower-level employees. Community trust beneficiaries are communities that live in close proximity to the IDC-funded projects.

Since 2002, we established 105 Workers' Trusts, 11 Community Trusts and 22 Renewable Energy Independent Power Producers Procurement Programme (REIPPPP) Trusts. During 2019, 10 transactions were approved that established trusts.

We take responsibility for assisting business partners to establish well-governed Workers' and Community Trusts. This includes the registration of trusts, alignment of the Trust Deeds with our Trust Policies and relevant government legislation, facilitation of processes to elect boards of trustees and beneficiaries and to manage the trusts. These activities help to ensure that the intended trust beneficiaries, typically inexperienced about trusts and their administration, can have a meaningful influence over the trust and ensure that the intended benefits are realised.

Formalising and implementing trusts do not automatically realise benefits for beneficiaries. Some benefits, such as dividends, depend on business performance. We are still piloting an Early Realisation of Benefits Initiative to address this. The objective is to fast-track the realisation of benefits to employees and community members by funding the 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, with an additional approval in 2019.

During the reporting period we undertook research to study the status of workers and community trusts that have been established since 2002. The research focussed on trust performance and impact.

Based on the research findings, we are considering some of the following to improve the performance of established trusts:

- Improving internal IDC collaboration
- Strengthening the training, capacitation and empowerment of trustees to execute roles and meet obligations effectively, including greater access to mentors and advisors
- Fast-tracking strategy implementation for earlier realisation and release of dividends and benefits
- Implementing a more robust monitoring and evaluation framework.

Funding within the social economy

The social economy is a response to the unmet social and environmental to address poverty, poor healthcare and infrastructure services, environmental issues, lack of access to basic services and resources, social market failures and the breakdown of social capital, among others. This sector's primary objective is to address social problems through financially sustainable business models where surpluses, if any, are reinvested for that purpose.

Experiences elsewhere in the world have shown that, compared to conventional businesses, this sector is more robust, innovative and agile when operating in deprived communities and actively employing disadvantaged groups who are generally shunned by conventional businesses.

Social Enterprises

In 2012, we introduced the Social Enterprise Programme to support private sector enterprises that focus on social outcomes rather than maximising profit.

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

Since the inception of the programme, we approved transactions totalling R165 million that support 23 329 beneficiaries. During

2019, we approved funding of R3.0 million for one social enterprise. The lower levels of activity in this area resulted from an increased focus on the Special Intervention Programme.

Special Intervention Programme

The Special Intervention Programme addresses 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, funding of R227 million has been approved for 68 projects. These projects support 31 417 beneficiaries. During the 2019 financial year, 15 projects to the value of R51 million were approved. These support 8 339 beneficiaries.

The Special Intervention Programme is also used to fund inclusive business opportunities for marginalised entrepreneurs to benefit from business procurement opportunities.

The Special Intervention Programme replaced the Development Agency Programme previously supported by the IDC since 2002. We do not provide new funding to Development Agencies but continue to provide technical assistance, advice and support on local economic development matters and projects to agencies and municipalities.

Corporate Social Investment (CSI)

Our CSI programme, introduced in 2002, aims to increase the IDC's social impact through welfare and social upliftment initiatives. The programme supports the priority areas of the NDP and selected SDGs.

In 2019, we disbursed R50.6 million, 61% more than in 2018, to support 28 CSI initiatives (2018: 35 initiatives). These funds assisted approximately 51 000 individuals and created 423 permanent and 85 temporary jobs.

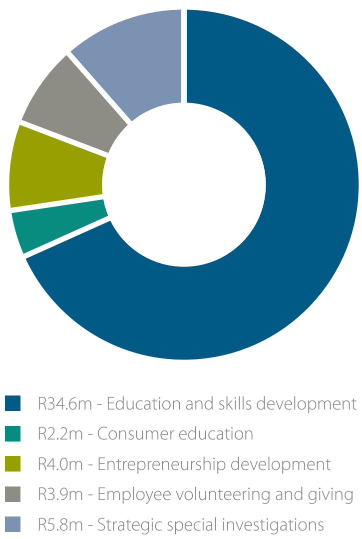
In line with the objectives of the programme, education and skills development initiatives received the largest benefit (68% of the total). One of the projects that benefited is an ICT programme where 14 schools received fully-fledged ICT centres. We partnered with the Adopt-a-School Foundation to roll out this initiative.

Entrepreneurship development received 8% of the IDC's total CSI spend in 2019. The Mogalakwena-Groenfontein Training Farm and Training Centre was one of the beneficiaries. The project included the expansion of the farm and training centre with an additional 50-hectare open land drip irrigation system and the establishment of 10 black-owned farming businesses. Our project partners were the Mogalakwena Incubator NPC and the NYDA.

Projects in other categories, including the new consumer education category, received the remaining 24% of the funding. Consumer education is a new CSI category that was added in 2019, partly to comply with the requirements of the Financial Services Sector B-BBEE Code.

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

Spending per CSI category



OUR B-BBEE RATING

BACKGROUND

As one of the country's transformation and empowerment facilitators, the IDC is leading by example in implementing the Codes of Good Practice for Broad-based Black Economic Empowerment (B-BBEE).

The Financial Sector Codes (FSC), published in December 2017, require DFIs to be measured against this scorecard. In July 2018, the IDC was rated as a Level 4 contributor according to the FSC scorecard, the same level as was achieved in the previous year under the Generic Codes.

The FSC evaluation of the IDC affected the IDC's B-BBEE strategy and required an evaluation of the budgetary and other impacts that these Codes have on the IDC. The FSC were developed specifically for the private banking and insurance sectors and not for the unique role of DFIs. DFIs are currently engaging with the Financial Sector Transformation Council (FSTC) to address this issue.

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

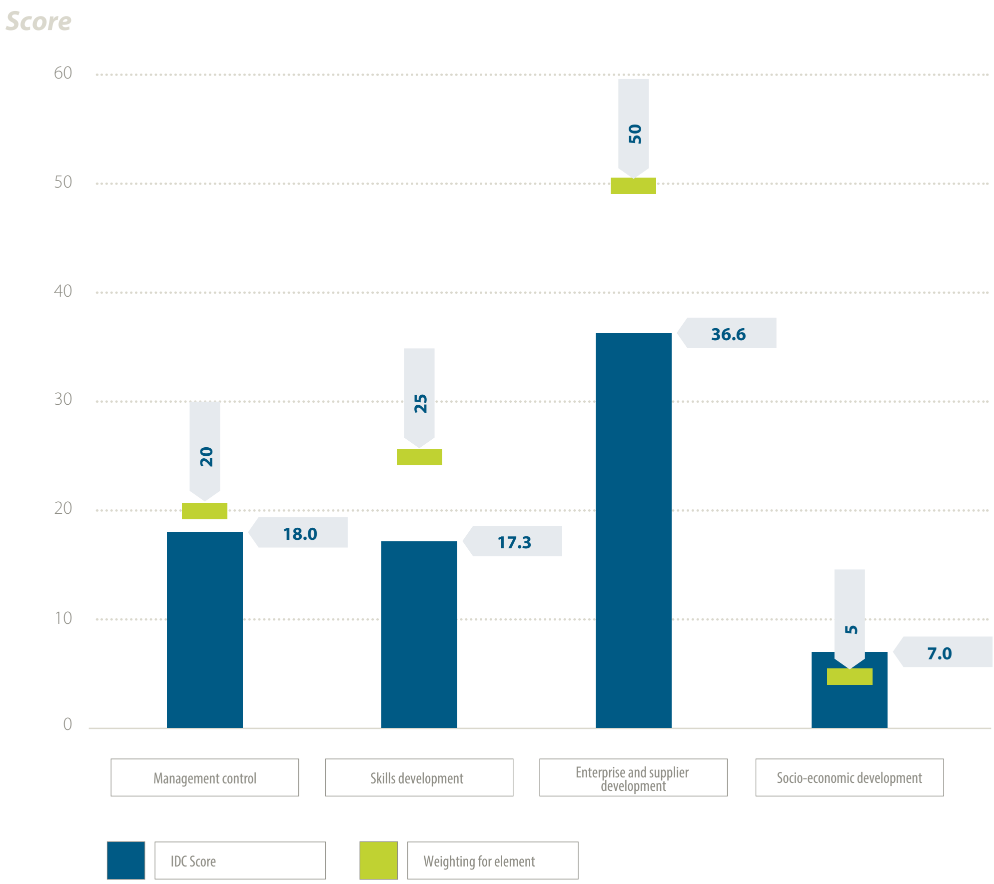
We expect all clients to achieve at least a Level 4 contributor rating to expedite transformation. Where clients do not meet this level when applying for funds, we provide advice and support and expect them to achieve the required rating within two years of funding approval.

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 done for organs of state. This applies to early-stage projects, venture capital investments and distressed businesses only.

Clients that fall into these categories need to apply to recognise the IDC's shareholding as Black. Each application is considered individually and approved in conjunction with the dti. Two of IDC's clients currently benefit from this provision, namely Sheraton Textiles and Cast Products SA.

Score by Element of the B-BBEE Codes

Full B-BBEE scorecard and report



IDC VALUES

The IDC has always strived to achieve and maintain the highest standards of ethics and corporate governance. Sound governance is a cornerstone of our sustainable business model and is integrated in all our operations.

We live the IDC values of passion, partnership and professionalism by implementing our Corporate Governance Framework and Code of Ethics and Business Conduct. We also take the lead, as part of our development agenda, in introducing the principles of sound governance to our clients.

Our corporate governance structures are designed to ensure that the Board and Executive Management can exercise their fiduciary duties in a fair and transparent manner.

KEY GOVERNANCE ENHANCEMENTS

We continued to place particular emphasis on the governance structures of our subsidiaries and investee companies during the reporting period. The table below summarises the key enhancements achieved during the past financial year.

Key governance enhancements for 2019

Enhanced governance reviews for large transactions	Implemented a process of enhanced reviews of the corporate governance systems and processes of larger clients, i.e. transactions for investments of R250 million and above.
Directors' training	Implemented a comprehensive directors' training programme as part of the implementation of the Director Nominations Policy to address needs identified during our ongoing communication sessions with nominee directors.
Enhanced data and information management and security	Approved a roadmap for the development and implementation of the Protection of Personal Information Act, 4 of 2013, in terms of the Data and Information Management Policy, approved in 2018.

GOVERNANCE FRAMEWORK

Legislation, Codes of Best Practice and Policies

The IDC's governance framework consists of:

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

BOARD OF DIRECTORS

Responsibilities

The Board of Directors regard corporate governance as integral to the success of the Corporation and is committed to applying the principles necessary to ensure that sound governance is practiced in all the IDC's dealings. The Board determines the strategic direction of the Corporation, approves the related policies and plans and monitors implementation by the Executive Management.

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

Composition

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

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

As at 31 March 2019, the Board comprised of one executive and 11 non-executive members, with a gender composition of seven female and four male non-executive directors. The positions of Chairperson and CEO are held separately 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 and reporting systems are used to achieve the performance objectives set by the shareholder.

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

Induction

New directors participate in a formal induction process coordinated by the Company Secretary. The induction process includes briefings on financial, strategic, operational and risk management policies and processes, the governance framework, organisational culture and values, and key developments at the IDC and in the sectors and environments in which the Corporation is active. This ensures that, from the outset, new directors are provided with sufficient knowledge about the Corporation.

The directors' initial induction is the first step in a continuous process of keeping our Board members equipped for their task. Additional meetings, training and information sessions are provided to ensure that the Board can deal timeously and efficiently with all important issues that the IDC faces. Priority is given to providing directors with additional information about specific matters when requested, and care is taken to ensure that directors have sufficient knowledge to exercise their duties of care, skill and diligence.

Board meetings and attendance

The Board meets at least seven 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 11 times and, in addition, Board strategy sessions were held during September 2018 and February 2019.

Changes to the Board

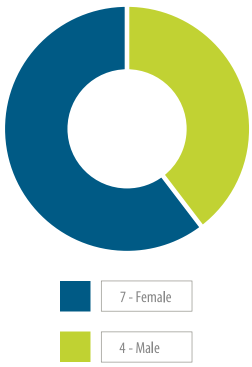
Our previous CEO, Mr MG Qhena, resigned from his position and left the Corporation at the end of December 2018. The new CEO, Mr TP Nchocho, commenced his duties on 1 January 2019. There were no other changes to the Board during the reporting period.

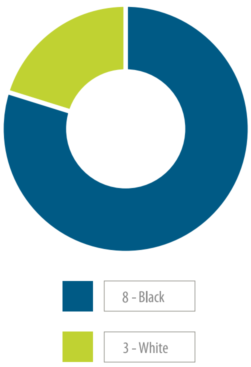
Terms in office

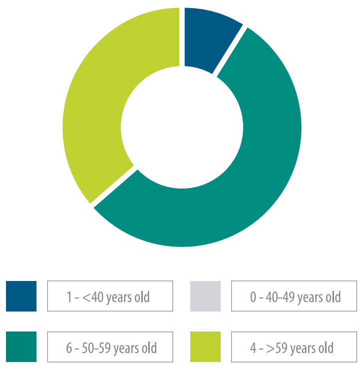
The non-executive Board directors have been in office for the periods indicated below:

- Ms Mabuza: 7.5 years
- Ms Bethlehem: 10.5 years
- Mr Dames: 7.5 years
- Mr Godsell: 7.5 years
- Mr Kriel: 3 years
- Dr Magwentshu-Rensburg: 7.5 years
- Ms Mnxasana: 4.5 years
- Ms More: 3 years
- Ms Mthethwa: 7.5 years
- Adv Orleyn: 4.5 years
- Dr Zalk: 7.5 years

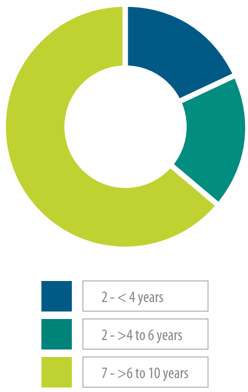
Demographics*







Tenure*



*Non-executive directors

Board Charter

A Board Charter is in place that sets out the Board's responsibilities, including the adoption of strategic plans, development of a clear definition of materiality, monitoring of operational performance and management, determination of policy processes to ensure the integrity of the Corporation's risk management and internal controls and communication policy and director selection, orientation and evaluation. The Board Charter was reviewed during the reporting period and the amended Charter approved by the Board on 28 February 2019.

The Board Charter provides that Board and Board Committee members may obtain independent professional advice as considered necessary to carry out their duties, which is paid for by the Corporation. If required, such advisors are invited to attend Board and/or Board Committee meetings.

The Board Charter sets out processes for arranging Board or Board Committee meetings and managing Board documents, confidential information and conflicts of interest.

Board structure and meeting attendances

The Board Charter requires Board members to use their best endeavours to attend Board meetings and to prepare thoroughly beforehand. The IDC's Board structure and a summary of members' meeting attendances during the reporting period are provided in the table below.

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 a Board-approved and regularly updated Terms of Reference to stay abreast of developments in corporate law and governance best practice.

The Chairperson of each Board Committee is a non-executive director. All Board Committee members 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. Board Committees submit reports on their deliberations, conclusions and recommendations at a Board meeting following sub-committee meetings.

	IDC Board	Board Investment Committee	Board Human Capital and Nominations Committee	Board Audit Committee	Board Risk and Sustainability Committee	Board 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 60	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	11	15	7	7	5	4
Non-executive directors						
BA Mabuza	11[1]	14	5			
LI Bethlehem	10				5[1]	
BA Dames	10		6[1]		5	
RM Godsell	7		6	5		
AT Kriel	10		5		1	4
SM Magwentshu-Rensburg	10	14[1]		7		
NP Mnxasana	10	13		7[1]	5	
M More	9			5		4
PM Mthethwa	8	11			5	
ND Orleyn	8	13	4			3[1]
NE Zalk	8	13				4
Executive directors						
MG Qhena[2,3]	5					
TP Nchocho[2,4]	2					
Other members of committees						
R Pitot[5]				7		
Z Luthuli[6]						4
B Makwane[7]						3

[1] Chairperson of the respective committee
[2] Not a member of any sub-committee
[3] Resigned 31 December 2018
[4] Appointed 1 January 2019
[5] Co-opted member of the committee
[6] Divisional Executive: Corporate Affairs
[7] General Counsel and Group Company Secretary

Reports by the Board Committee Chairpersons appear on pages 74 to 81 of this report and a summary of Committee members' qualifications on pages 24 and 25.

Board Audit Committee

The Board Audit Committee provides independent oversight of the effectiveness of the IDC'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. The CEO, Chief Financial Officer, Auditor-General and external auditors are permanent invitees to the meetings of the Committee.

The Committee currently consists of five members and held seven meetings during the reporting period. The key focus areas are contained in the Chairperson's report on page 75.

Board Human Capital and Nominations Committee

The Committee was constituted by the Board to assist with the development of remuneration policies, succession planning, performance goals and specific remuneration levels. The Committee also manages the Board's annual evaluation of the CEO's performance.

The Committee currently consists of five non-executive members including the Board Chairperson. The CEO and the Divisional Executive: Human Capital are permanent invitees to Committee meetings.

The Committee held seven meetings during the reporting period. A summary of key focus areas during the reporting period is contained in the Chairperson's report on page 74.

Board Investment Committee

This is a credit-granting Committee, constituted by the Board to consider transactions mandated by the Board. The Committee's approval thresholds are provided in the summary of the IDC's Delegation of Credit Approval Authority on page 60.

The Committee currently has six non-executive members, one of whom is the Board Chairperson. The CEO, any Board members and other interested parties are invited to attend Committee meetings.

The Committee held 15 meetings during the reporting period. A summary of key focus areas are summarised in the Chairperson's report on page 74.

Board Risk and Sustainability Committee

The Committee was constituted to assist the Board with risk governance oversight.

The Committee currently has five non-executive members, including the Board Audit Committee Chairperson. The CEO and Chief Risk Officer are permanent invitees to Committee meetings, while the Chairperson, at her discretion, may invite other Board members, executives or employees to attend meetings.

The Committee held five meetings during the reporting period. A summary of the key focus areas appears in the Chairperson's report on page 78.

Board Social and Ethics Committee

The Committee assists the Board in discharging oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships.

The Committee is constituted in terms of Regulation 43 of the Companies Regulations. The six-member Committee consists of four non-executive directors and the IDC's General Counsel and Divisional Executive: Corporate Affairs as the two executive directors. The CEO is a permanent invitee to Committee meetings 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 four meetings during the reporting period. A summary of key focus areas are contained in the report Chairperson's report on page 79.

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 the Conflict of Interest Policy. The declarations are made at each Board meeting, at meetings of the Board Committees and in particular, the meetings of the Board Investment Committee and all other committees responsible for considering transactions.

High ethical standards and business acumen are among criteria set for Board membership. The Board Charter states clearly that members must act in the best interests of the Corporation at all times. The Board's Code of Conduct requires Board and Board Committee members to conduct their fiduciary duties in an ethical manner to ensure compliance with relevant laws and regulations, audit and accounting principles, and the Corporation's own governing documents and Codes of Conduct.

Board evaluations

The overall effectiveness and performance of the IDC Board and individual Board Committees was not evaluated during the reporting period. However, feedback on the Board's effectiveness through a review in 2017 was positive and assessed the Board as well-functioning and professional. Matters that required attention included:

- **Succession planning** for the CEO, senior management and other key employees is in place at Board level
- **Selection and appointment** of Board members take into account the views of management and existing directors about the skills and experience Board members require
- **Ongoing training** takes place through continued professional development programmes for directors, regular

briefings on changes in risks, laws and the environment and mentorship programmes for inexperienced Board members.

Board remuneration

The Board Human Capital and Nominations Committee plays an advisory role in 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.

The table below reflects the remuneration paid to non-executive directors during the reporting period.

Directors' remuneration

Name of director	2019[3]	2018
	R'000	R'000
BA Mabuza	1 895	930
LI Bethlehem[1]	523	262
BA Dames	613	427
RM Godsell	547	384
AT Kriel	470	422
SM Magwentshu-Rensburg	791	498
NP Mnxasana	807	541
M More	396	282
PM Mthethwa	460	378
ND Orleyn	634	421
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] Dr. 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] The increase in amount of fees payable to directors during the financial year can be directly attributed to establishment of two ad-hoc Committees. The first Committee was established to assist in the sourcing and placement of a new Chief Executive Officer of the IDC. This Committee met seven times during the year. The second Committee was established to review the operations of Foskor and met six times during the year.

Further information about the remuneration of directors and senior managers are provided in Note 26 to the Annual Financial Statements.

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 the applicable statutes and regulations.

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

The Company Secretary, Mr P Makwane, fulfils a dual role by also serving as General Counsel for the Corporation.

The Chief Executive Officer

The CEO's contract stipulates a notice period of three months. The contract of the newly appointed CEO expires at the end of 2023. The CEO currently holds no significant directorship apart from the IDC mini-group positions. As indicated above, succession for the CEO position is in place.

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 regularly and updated. Since the last comprehensive revision was done in December 2016, the entire Delegation of Authority document is currently being reviewed.

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

As depicted in the diagram on page 60, specific powers and authority have been delegated to Board and Executive Committees responsible for credit approvals. Approval thresholds are in place for each credit-granting committee.

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 funding 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 these 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 funding 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 funding plus old if within a rolling 12 month period) is less than R25 million and the counterparty exposure is below R250 million

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 application of and compliance with the policies, systems and processes of an organisation.

The IDC has a well-developed system of processes and controls to implement ethics-related risk policies. Our Ethics Policy Framework consists of:

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

Employees, customers and other stakeholders can also use an anonymous tip-off hotline, administered by an external service provider, to report unethical behaviour. We use awareness campaigns to encourage stakeholders to report any fraudulent, unethical or corrupt activities. During the reporting period, 19 incidents were reported through the tip-off hotline. We are dealing with these incidents by subjecting each to a preliminary assessment in order to determine the veracity of the allegations, followed by a full investigation, if required. The matters reported mainly relate to the misapplication of funds by IDC clients.

Key focus areas

Given the increasing focus on accountability by our shareholder and other stakeholders, we conducted an ethics attitude survey throughout the IDC. Results indicated that employees want to work for an organisation with business ethics and an organisational culture that align with their own, suppliers depend on fair and transparent procurement practices and clients insist on fair, ethical and transparent business processes when approaching the IDC for funding.

Monitoring of ethics

The internal review also revealed a clear commitment to ethics that are largely rules-reliant. Conflicts of interest, the temptation to accept gifts in excess of the prescribed limit and fraudulent behaviour by employees, suppliers and business partners are, however, ever-present threats that policies and rules may not manage effectively.

Future focus areas

In the final evaluation, we have concluded that the IDC's policy framework is adequate 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. Going forward, we will continue to prioritise ethical business conduct in all we do.

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 a vital indicator of an organisation's ethical culture.

The IDC has a Procurement Policy that promotes a fair, equitable, transparent, competitive and cost-effective procurement system aligned with Section 217 of the Constitution of the Republic of South Africa. Our established Procurement Committee monitors adherence to 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 committee meeting where bids are evaluated and proceedings are adjudicated.

Procurement and the Code of Ethics and Business Conduct

Our Code of Ethics and Business Conduct governs business conduct and deals specifically with matters such as conflicts of interest, gifts and relationships with service providers and customers. As standard practice, we conduct risk assessments on all entities recommended for procurement contracts and background checks on all bidding entities and their shareholders. These include references 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 for the strengthening of due diligence processes with an emphasis on validating supplier information received through the procurement process.

Compliance controls are aimed at discouraging supplier fronting practices and the misrepresentation of information. The IDC's Procurement Policy conforms with the directives of the B-BBEE Act, 53 of 2003, and its Codes of Good Practice. Where we detect fronting and any related offences, the IDC reserves the right to cancel the contract and claim damages. We also report suspected fronting practices to the dti through the office of the BEE Commissioner. No such cases occurred during the past year.

INVESTING IN HUMAN CAPITAL

Enabling a high-performance organisation

The IDC achieves success through the ability of our people to pursue our strategic intent and fulfil our mandate. We continuously enhance operational performance by improving operational efficiencies and the capabilities of our people.

A high-performance organisation is characterised by a culture that consistently fosters, recognises and rewards performance excellence in an environment where our people are engaged, committed and passionate about our purpose. Embedding a working environment in which employees can thrive and excel is at the heart of our people strategy.

Our Human Capital division supports the business by administering its people's needs and ensuring appropriate investment in talent development, recognition and retention. Our Human Capital strategy and operational plans prioritise 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 facilitate an environment that enables a diversified workforce at all levels.

Instilling a high-performance culture

The IDC's organisational culture is defined by leadership and employee behaviour that displays the key attributes of accountability, responsiveness, collaboration, being proactive, embracing innovation, integrity and leading selflessly. This is given effect by employees who embrace and live our values of professionalism, partnership and passion with a strong customer-orientation.

Going forward, we will pursue a progressive people strategy to embed the attributes of a truly high-performance organisation by continuing to focus on the aspects discussed below.

Embedding a culture and work environment conducive to performance excellence

The IDC's 'People-First' approach to managing human capital rests on mutual trust, accountability and high performance. Recent organisational culture research and robust conversations with employees indicated low levels of staff morale and engagement. As a result, during the reporting period, we focused on co-creating corporate and divisional-level culture action plans to address the issues. In the year ahead, we will focus on the implementation, monitoring and measurement of these action plans to increase levels of morale.

Aligning the roles and influence of key internal stakeholders to improve morale and create a positive culture is vital. Additionally, leaders, teams and individuals will be measured on how well they live our values and model the expected key behaviours of a high-performance culture. A key focus is the implementation of a culture toolkit to capacitate leaders to drive and facilitate culture transformation in their teams.

Driving employee engagement and commitment

During the reporting period, we reviewed the IDC's employee value proposition to ensure that it remains sufficiently compelling and competitive to attract and retain talent. As a result, we will enhance the value proposition in the next financial year to improve levels of employee engagement and increase their commitment to delivery.

We will measure the increase in employee engagement, formally following the implementation of our culture transformation plans and value proposition offerings after a period of approximately 12 months after implementation with a tailored yet benchmarked employee engagement survey.

We will also establish Employee Forums to improve dialogue between employees and leadership to further improve engagement and communication and foster an environment of mutual trust, consultation and direct engagement.

This drive aims to ensure that our employees are our ambassadors and remain committed and connected to our purpose.

Managing, supporting and enabling our talent

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

As at end March 2019, the Corporation had a diversified workforce of 846 (2018: 849) employees, indicating a marginal decrease of 0.4% in our talent pool year-on-year. A breakdown of employee numbers, overall, by race, gender and division is available in the online version of this report. In total, 68% of our employees are involved directly in delivering the IDC's operational objective (client-facing and support), which is consistent with the previous financial year. We also maintained the capacity in our regional and satellite offices with a consistent and continued presence to support our regional footprint.

The past year also saw the implementation of a comprehensive talent management strategy with prioritised metrics. We have made good progress with talent automation as a key enabler in practically and seamlessly managing talent and talent mobility across the Corporation.

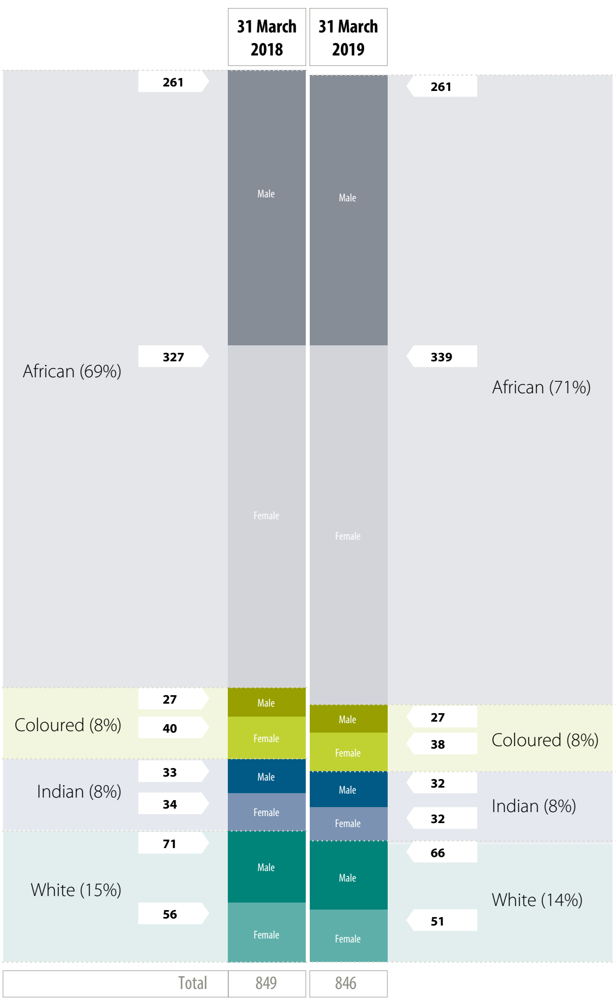
Managing a succession and business continuity plan for identified critical roles is another focus area to ensure that sufficient capacity exists for the Corporation to replace staff in key functions when necessary. During the reporting period, the voluntary turnover of individuals in critical roles decreased from 8.0% to 6.4%. LA

We also conducted a comprehensive talent review during the past financial year to reconfirm critical roles in line with our business priorities and strategies and identify potential successors for such critical roles to ensure that the Corporation is continuously capacitated. To this end, we have determined the coverage ratio for the IDC (i.e. the percentage of potential successors identified at different readiness levels for all critical roles).

Currently, our overall coverage ratio for all critical roles, excluding executive roles, across all readiness levels, is 68% (2018: 73%). In the immediate readiness level, the coverage ratio is 62% (2018: 64%). In the 1-3-year readiness level the coverage ratio is 78% (2018: 86%) and for 3+ years it is 65% (2018: 69%) of roles that are covered with identified potential successors.

In the forthcoming financial year, we will focus on goal-directed development to ensure the retention of high performing employees and the availability of 'ready' talent for our talent mobility requirements. The focus will also be to enhance readiness levels across all levels.

Staff composition



Talent recognition and retention

The IDC's remuneration and benefits philosophy is designed to attract and retain high-performing employees. Our total remuneration consists of:

- A guaranteed package based on cost-to-company that consist of a cash portion and compulsory benefits, such as a retirement fund and medical aid.
- Short-term incentives that consist of two components and are awarded when predetermined performance objectives and targets for the IDC are met. A non-pensionable allowance is payable at a performance rating of '3' and a performance incentive at a performance rating of '3.5' and above. All permanent employees, irrespective of job level, are eligible to participate.
- Our long-term, three-year incentive scheme aims to support employee retention in critical leadership, management and professional roles. Administrative and support bands are not included in the long-term incentive scheme. As the Corporation did not achieve the long-term performance measures that inform long-term incentives, this has affected our recognition and retention efforts.

During the reporting period the focus was on extensive benchmarking and employee engagement to identify aspects for our Employee Value Proposition. Aligning the total rewards offering with our employee value proposition will enhance engagement and retention efforts, particularly as the review is focused on the needs of different generational cohorts. This will ensure our rewards and recognition platforms are competitive, meet the needs of our diverse generational mix of employees and provide them with greater choice and flexibility in what is important to them, while aligning with best practice and market trends.

Aligned with the outcomes of our employee value proposition, the focus will be on designing and implementing a suitable retention strategy to attract and retain employees. In the period ahead, we will continue the review of our recognition platforms, started during the past year, to enhance and align them with our diverse employee profile. We will also implement recognition enablers that talk to the needs and expectations of employees.

Remuneration policy

Our Remuneration Philosophy and Policy sets out remuneration practices that aim to facilitate goal-directed and outcomes-based recognition and rewards. The philosophy outlines the main remuneration structure of the IDC, which includes annual guaranteed pay, variable incentives and benefits payable at the various levels. The policy sets out how total remuneration must be managed and aligned with performance management.

Policy objectives

The main objectives of the Remuneration Policy are to:

- Provide a transparent strategy that aligns rewards and performance
- Promote and position the IDC 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 recognition and reward in line with individual performance and contributions.

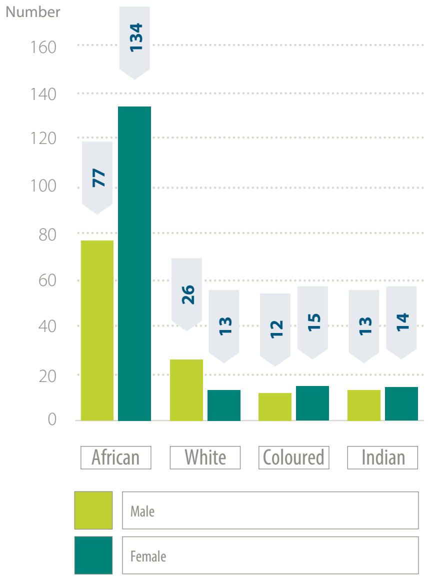
Other remuneration considerations

We concluded a review of the variable pay scheme during the financial year to ensure that our reward mix and offering remains relevant, competitive and supports corporate objectives. In the forthcoming financial year, we will focus on implementation. The review is a key enabler in ensuring that our reward mix is reviewed periodically in terms of relevance and alignment with best practice.

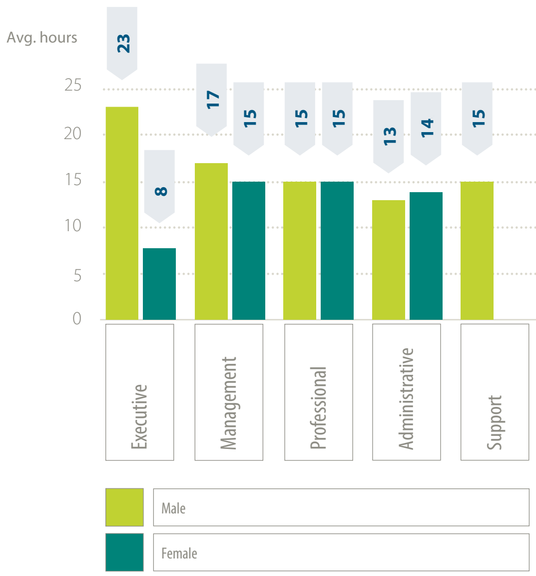
The Corporation's remuneration philosophy aims to drive a performance orientated culture that recognises and rewards our people through our variable pay scheme. During the 2017 financial year the short-term variable pay incentive was conditional on the achievement of three key pre-determined measures being: jobs created/saved, disbursements and level of impairments. Due to the interdependent nature of these measures it is challenging to achieve all three measures. In addition, it was concluded that a balanced scorecard should not raise the importance of certain measures above others outside of disproportionate weighting. Subsequently the conditional achievement of these measures was rescinded in October 2018.

A dispute was registered by staff regarding the 2017 incentive payment that was not effected as one of the conditional measures was not achieved even though the Corporation achieved the performance score threshold to result in an incentive payment. Staff and management engaged and amicably resolved the dispute. In the interests of the Corporation as well at restoring and enhancing the levels of trust and engagement amongst employees it was resolved to pay employees an amount provided they were still in the employ of the Corporation as at 15 July 2019 and provided individuals met the requirements as per the rules of the incentive scheme in 2017.

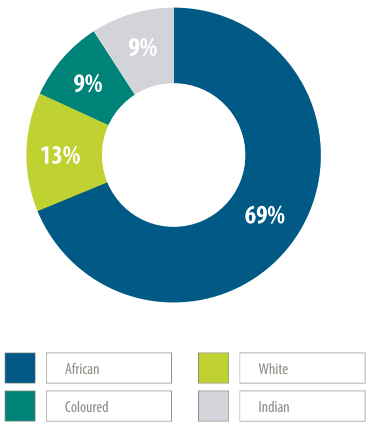
Number of employees trained by race and gender



Average training hours by band and gender



Percentage of employees trained, by race



Summary of training indicators

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Indicator	2019	2018	2017
Total number of employees trained	304	375	708
Total number of days training: female	340	799	597
Total number of days training: male	277	629	493
Average number of hours training: female	13	15	12
Average number of hours training: male	16	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*

The Corporation manages a provident fund on behalf of all employees. The total market value of the fund as at 31 March 2019 was R1 031 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 because of voluntary buy-out programmes. Currently, there are 143 beneficiaries (2018: 155) with a total liability to the Corporation of R182.6 million.

Investing in talent and leadership development

The IDC promotes and fosters people development. We provide employees with an array of innovative, diverse and fit-for-purpose learning solutions to build the capabilities with which to achieve our business objectives. We invest in employee development 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 and behavioural competencies
- Implement function-specific and legislative training to ensure compliance and the continued promotion of professional development
- Build knowledge management capability that supports the retention, transfer and protection of the IDC's intellectual property and promotes knowledge sharing and harvesting.

The leadership development strategy was approved during the reporting period. As a key enabler, leadership development and capacitation are driven through specific initiatives, including management, mentoring and executive development programmes and coaching. In addition, employees developed critical leadership skills to enhance culture alignment by engaging and driving crucial and difficult conversations and participated in crucial accountability training in line with our culture vision.

The adoption of a development approach supports the use of experiential, social and formal learning that is self-directed and aligned with the defined leadership competencies that are required for our business.

In the coming year, we will undertake a customised, yet benchmarked, 360° leadership survey to identify areas of strength and development opportunities for our leaders in line with being a leadership brand and developing the 'DNA' we are striving to achieve. The focus for the coming financial year will be to capacitate leaders in a structured leadership development academy that provides needs-based leadership programmes for all leadership levels and will support the building of our leadership pipeline of potential successors for leadership roles.

During the past year, we reviewed our core operational skills training along with a detailed skills audit of critical project development related competencies.

Going forward, we will continue to implement the customised project development programme, which contains a strong mentorship focus. We have a pipeline of 15 Business Analysts in our operational training programme to continuously build operational capacity.

Our training plan outlined the number of employees to be trained in various interventions across the different levels in the Corporation. This included formal and informal learning that supports the learning approach adopted in the previous year. This approach promotes the use of informal methods like on-the-job and social learning over formal classroom learning. Particulars of training provided to employees during the reporting period are depicted in the graphs on page 64.

The IDC also continued to support the formal studies of employees through our bursary programme. The percentage of employees supported increased from 15% in 2018 to 20% in 2019. Study fields include Business, Marketing, Law, Finance and Development Finance-orientated programmes. At least 20% of the funded studies are at Masters level.

Youth development

During the reporting period, we prioritised providing practical work experience to newly-qualified graduates through our Chartered Accountant Learnership and Graduate Internship Programme. We supported a total of 11 trainees, four of whom successfully completed the learnership and qualified as chartered accountants. Twenty interns were also supported during the year on our two-year Graduate Internship Programme.

Our external bursary programme continues to support talented and deserving students who cannot undertake tertiary studies due to affordability. The success rate of individuals undertaking tertiary studies has increased to 96% (2018: 87%). This can be attributed largely to our partnerships with tertiary institutions, other funders and personal support through the IDC wellness offering. Further information on this support is provided in the online section of this report.

Diversity, transformation and inclusion

Development of an intentional and focused transformation strategy was undertaken with the objective to address our ongoing, positive diversity profile. 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% to 92.2% (2018: 91.2%). In addition, gender diversity is an imperative and, as such, 54.4% of all employees are female and 45.6% are male, while the percentage of people with disabilities remained constant at 1.5%. In the 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.

The Corporation also concluded a new three-year employment equity plan for the period 2019 to 2022 that aims to address areas of transformation that may still be required at various levels to ensure representivity in line with the economically active population (EAP) profile, thereby ensuring a truly South African entity that embraces and displays transformation as a business enabler and imperative.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

Overview

We subscribe to environmental, health and safety (EHS) practices aligned with our commitment to sustainable and responsible development. The Board Social and Ethics Committee oversees the Corporation's EHS 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, in terms of which 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 have minimal adverse environmental and social impacts
- Monitor the IDC's impact on the environment and improve environmental, health and safety performance for investments and our activities within the Corporation.

Environmental and social due diligence framework

Each due diligence assessment conducted by the IDC includes an assessment in terms of an environmental and social review framework that employs a generally accepted system of classification of projects according to type, impact and scale. The types of impact associated with each category are based on case histories, the likelihood of such impact occurring for certain industries, the scale of the project and the period over which the activity will take place.

A classification measuring environmental and social performance, is assigned per project in the form of a sliding scale (from 1 to 4 with '1' denoting excellent performance, '2' good performance, '3' poor performance and '4' unacceptable performance). The performance of each client and business partner is assessed in terms of local legislative requirements.

Environmental and social risk monitoring

Continuous monitoring of our clients' post-investment activities contributes to improved environmental and social performance of the IDC's business partners. This is especially important amid the tough economic conditions that can cause some companies to reduce resources allocated to environmental, health and safety matters.

LA During the year under review 58 existing clients were assessed. Of these clients, 45 received a 'good' rating and 13 business partners were rated 'poor'. No business partners assessed received an 'unacceptable' rating.

Our focus in the next financial year will be on further improving the environmental and social performance of clients who received a 'poor' risk category rating. We will also advise our subsidiaries with environmental legacy projects to improving their performance overall.

Carbon footprint

The IDC has reviewed its carbon footprint boundary conditions to include all our subsidiaries. However, only Scope 1 and 2 of the greenhouse gas (GHG) emissions inventory of material subsidiaries have been included in the carbon footprint calculation. Foskor is a significant contributor to GHG emissions.

The IDC showed a substantial decrease in emission intensity relative to the base year (by 17%), presumably due to an improvement in energy consumption efficiency. Scaw Metal GHG emissions data have been excluded due to its unbundling. The result has been a large drop in the IDC's and subsidiaries' emission data.

Scope 1 and 2 emissions (tCO_2e)	2019	2018	2017	2013 Baseline
The IDC offices	5 025	6 503	5 638	6 220
IDC energy intensity	6.46	7.66	6.64	7.79
Major subsidiaries[1] total	707 984	1 439 150	1 220 663	1 798 586
Total IDC and subsidiaries	713 009[2]	1 445 653	1 226 301	1 804 806

[1] Major subsidiaries in 2019 include Prilla, Colibri, Sheraton Textiles, Foskor, and sefa . Previous years also included Scaw.
[2] Excluding Scaw

Carbon tax implications

The Carbon Tax Act has been implemented from June 2019. The Act is a legislative instrument designed to regulate GHG emissions and foster the transition to a low carbon economy to support South Africa's National Determined Contribution (NDC) commitments made under the Paris Agreement.

The IDC will be impacted directly and indirectly by the carbon tax legislation through potentially reduced dividends and income from some of the business partners in our investment portfolio. As Carbon Tax is payable irrespective of company performance, the IDC may be required to fund any shortfall at some of our distressed business partners. The IDC's total greenhouse gas emissions are far lower to can pay the tax based on the minimum threshold of 10 MW set in the Carbon Tax Act.

The IDC has embarked on a project to determine a portion of comprehensive carbon tax liability risk exposure based on the Carbon Tax Act.

Occupational Health and Safety (OHS)

The IDC's commitment to a healthy and safe working environment for all employees, visitors and contractors on site has been enhanced by the implementation of progressive occupational health and safety programmes based on the lessons learned from the benchmarking exercise conducted in 2018. For the second year running, no 'Lost Time Incidents" were recorded. Six minor injuries were recorded at the head office in Sandton.

To ensure continuous compliance with the Occupational Health and Safety Act, 85 of 1993 and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993, the IDC management will reinvigorate the OHS Committee by ensuring all the OHS legal appointees (Health and safety Representatives, Fire Marshals and First Aiders) are available and trained.

The terms of reference for the OHS committee, Emergency Response and Incident Reporting and Investigation Procedures were reviewed during the year to enhance the state of readiness of the Emergency Response Team (ERT) in case of an incident. Our last emergency evacuation drill at the head office was conducted in conjunction with the Sandton disaster management and emergency medical services.

Engaging subsidiaries on environmental and social matters

Dedicated company compliance engagements were held with the following subsidiaries during the reporting period:

Scaw Metals: The IDC has continued to monitor the performance of Scaw Metals and three entities formed after the corporatisation process to ensure compliance with relevant statutory and regulatory requirements. Scaw Metals has been granted the environmental authorisation for the cap and closure of the Dimbaza landfill. The cap and closure project is scheduled for completion by December 2019.

African Chrome: The removal of last source of contamination at the African Chrome site in Brits was started in April 2019. The IDC has also spent a total amount of R2.8 million on care and maintenance of the site.

Columbus JV: An amount of R13.9 million has been spent towards the effective management of the Columbus landfill in Middelburg.

Corporate Social Investment (CSI)

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 to the strategy of the IDC. More information about the IDC's CSI initiatives are provided on page 53 of this report.

Development Impact Support (DIS)

The IDC's DIS department provides support to our operational and deal making units to achieve greater, sustainable impact relating to the specific developmental outcomes of 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 52 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 69 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 considerations of investors with their financial objectives. As an institutional investor, we follow an ethical investment approach, in which we use our investment to bring about positive social and environmental changes.

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 values of the IDC and identifies activities, listed in an exclusions list, for which the IDC will not provide funding based on ethical considerations. Matters listed in the exclusions list include activities related to the production or trade in arms, gambling, tobacco and transactions where environmental impact assessments have not been concluded or geological reports are not available.

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 or a loan. As far as we can, we take care to ensure that all our clients have effective and fit-for-purpose governance structures in place.

Governance frameworks

As part of its responsibility to govern responsible investing, the IDC's Board has approved a Corporate Governance Framework for IDC Subsidiaries and Investee Companies. The aim of the framework is to establish a uniform governance structure that enables effective governance oversight and, where applicable, ownership control.

The framework is a tool for 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 the IDC's financing subsidiaries. Currently, the IDC has one financing subsidiary, the Small Enterprise Finance Agency SOC Limited (sefa). This framework guides governance in credit approvals by entities that are subject to the PFMA.

TECHNOLOGY AND INFORMATION GOVERNANCE

Digital transformation

The Corporation is undergoing a digital transformation process to improve and optimise the efficiency and effectiveness of its business value chain while laying the foundation for 4IR technologies.

We expect the deployment of high-performance technology infrastructure, cloud-based services and the strengthening of IT governance practices in cost containment, service level management, risk management, project governance and portfolio management to assist the IDC in maintaining its position as a funding partner of choice.

Strategic initiatives

During the year under review, the accomplishment of key strategic IT initiatives included:

- Installation of agile, scalable, cost-effective and efficient regional server and storage technology infrastructure for high-service availability
- Implementation of an integrated enterprise-wide, unified communications solution for collaboration and communications incorporating IP-based voice calling, messaging, video, meeting and team collaboration functionalities on end-user computing, mobile and desktop devices
- Strengthening the cyber security and IT governance controls by minimising and countering potential threats.

Business process optimisation

The Corporation is planning to automate the internal contract management and business funding application processes as part of the ongoing business process re-engineering and optimisation programme.

Cybersecurity

An artificial intelligence (AI)-driven cybersecurity technology solution will be implemented, while hardening the current IT infrastructure, to strengthen the Corporation's cybersecurity posture and comply with prevailing legislation and cybersecurity governance frameworks.

IT modernisation

We are planning a review and modernisation of the current IT legacy systems and infrastructure to leverage and extend current system features, reduce expenditure and maximise the return on IT investment.

COMBINED ASSURANCE

Combined Assurance Model

The Board and Board Committees promote a common approach to governance and risk management based on the IDC's Integrated Risk Management Framework to support the Corporation's strategy. The Integrated Risk Management Framework sets the standards by which our strategic risks are managed.

We adopted a Combined Assurance Model based on the framework that provides assurance about the management of the Corporation's key strategic risks. The model is based on the notion of three lines of defence, as depicted in the diagram below.

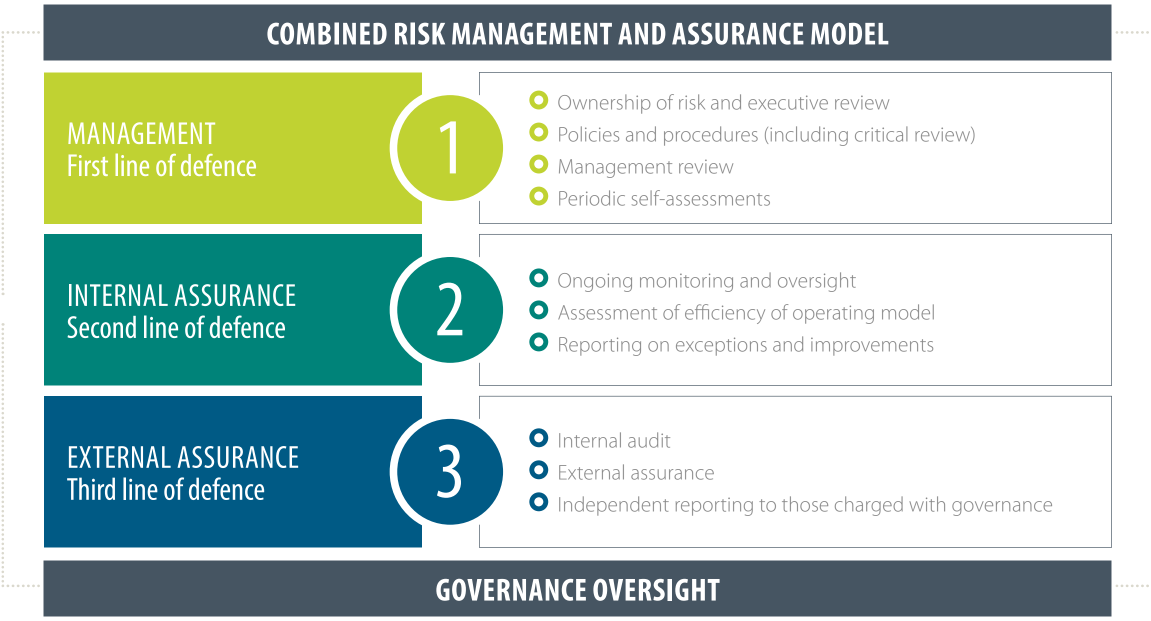
First line of defence

This involves operational management processes that include the development of the systems and procedures, management review, risk ownership 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).

Second line of defence

This involves those responsible for the oversight of management activities and is separate from those responsible for delivery, but not independent of the organisation's management chain, e.g. the risk management and compliance functions.



Third line of defence

This relates to independent and more objective assurance about the adequate design and effectiveness of the IDC's systems and controls, governance and risk management processes, and focuses on the role of the Internal Audit function and other external assurance providers (such as regulatory and supervisory bodies).

The mandate and activities of the various lines of defence, i.e. the Risk Management Department, Compliance and Regulatory Affairs Department and Internal Audit Department, are explained in the rest of this section.

Combined Assurance Policy

The Board Audit and Board Risk Committees approved a Combined Assurance Policy in 2018 that was codified from the adopted Combined Assurance Framework referred to above. Combined assurance integrates and coordinates all assurance activities by understanding an organisation's risk exposure and assurance providers within its governance structures. King III and IV state that a combined assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers about the key risk areas that affect the organisation. King also indicates that combined assurance should be based on identified risks and how assurance is achieved and reported to the Board.

Combined Assurance Forum

The Forum is governed by a Charter and its ongoing role is to determine, review and monitor the progress of assurance activities for 2019 and any remedial actions if required. The Forum comprises the Compliance and Regulatory Affairs Department, Internal Audit Department and Risk Management Department. The Chief Risk Officer chairs the Forum.

Focus areas

In 2019, the Forum developed its inaugural Combined Assurance Plan against the IDC's strategic risks for the year. The Board

Audit Committee and Board Risk and Sustainability Committee subsequently approved the plan.

We developed a Combined Assurance Dashboard to track the various assurance activities against the approved plan. The various assurance providers, including the Risk Management Department, Compliance and Regulatory Affairs Department, Internal Audit Department, External Auditors and regulators, such as the FIC, carried out the relevant assurance activities.

Future focus area

As aligned with the approved 2019 Combined Assurance Plan, the Forum will present a consolidated report on the outcomes of the various assurance activities to Executive Management and the Board during 2020.

We will also review the Combined Assurance Policy to ensure that it remains relevant and aligned with King IV requirements. In addition, the Forum will seek to implement a software system to enhance efficiencies.

Governance oversight

The primary objective of the Board Committees tasked with oversight of assurance-related matters (the Board Audit Committee and Board Risk and Sustainability Committee) is to evaluate the effectiveness of the IDC'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, including operating controls over key risks, are being conducted.

Risk management – second line of defence

Annual risk assessment

The Risk Management Department employs different methodologies during the risk assessment process to identify the IDC's risks. These methodologies vary from one-on-one interviews, the distribution of surveys and workshops with the Board, management and employees. During 2019 the Risk Management Department facilitated risk identification workshops with the IDC's Divisional Executives, SBU and Department Heads. The purpose of the workshops was to review and validate risks listed currently in the IDC's risk register and identify any emerging risks.

The risks are captured on an integrated governance, risk management, compliance and audit software solution. The system is also used by the Compliance Department and Internal Audit Department for greater alignment.

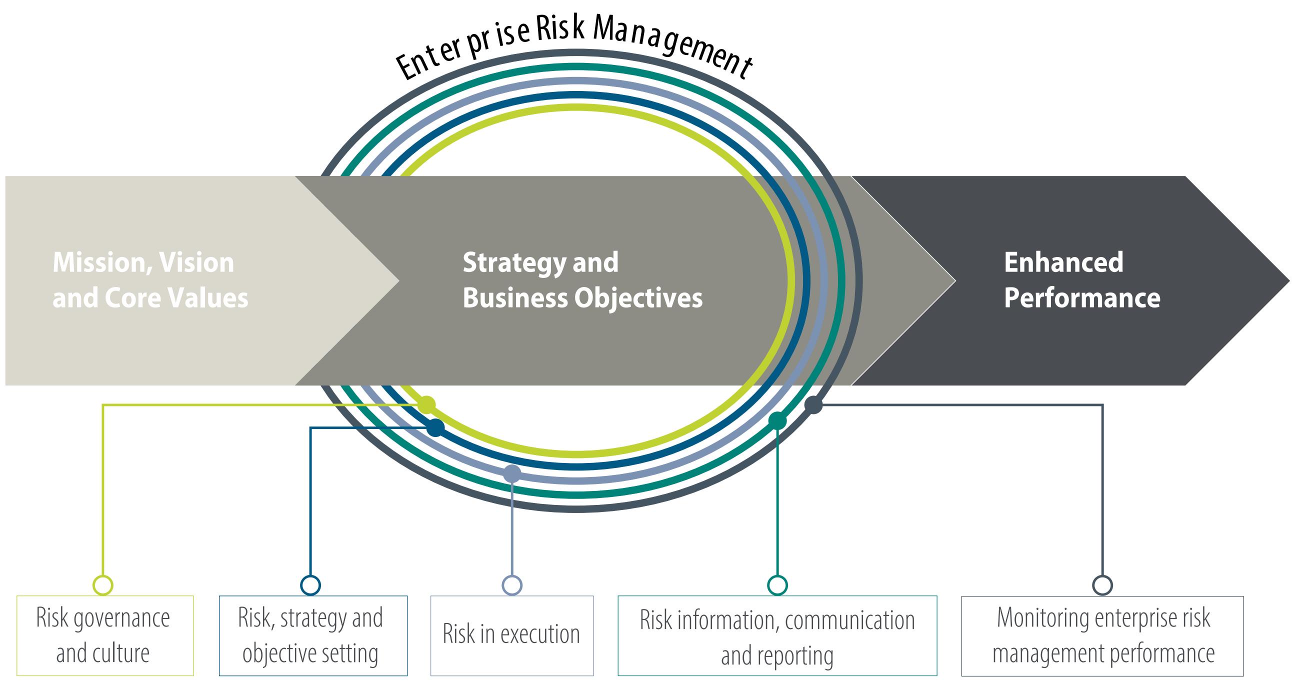
Strategic risks

Through our risk assessment process, we identified several strategic risks that could have a material impact on achieving our objectives. These risks are shown on page 15.

Operational risk and business continuity management

Assessments

Given the changing risk landscape, we review the Risk and Control Self-Assessments (RCSAs) of all the departments annually. The RCSAs are a key component of the Operational Risk Management



framework and enable a dynamic and iterative process for identifying and assessing key operational risks and controls. Mitigation to proactively address identified control deficiencies is in place. We review business continuity plans annually and test critical plans at the work area recovery site to ensure that the plans are fit-for-purpose to respond to the occurrence of any disaster.

Focus areas

We incorporated the Operational Risk Management (ORM) function into the existing Business Continuity Management (BCM) Forum as the oversight body for operational risk activities. The Forum comprises representatives from the Compliance, BCM, Internal Audit, Facilities Management, Risk Management, Information Technology, Corporate Communication & Marketing, Environmental Health and Safety departments, representatives from operations, the CRO (chairperson) and the Human Capital Divisional Executive.

RCSA results, received per division from all departments and strategic business units that contain key operational risks in excess of the levels set by key risk indicators, as well as action plans and operational loss incidents/events, are reported to the BCM Forum for deliberation and recommendations to the IDC's Executive Committee.

We provided operational risk and business continuity training to all risk champions to update the RCSAs and business continuity plans for their respective areas. The purpose of the training was also to embed a sound risk ownership culture in the Corporation.

Credit Risk Management

Credit risk processes

Our credit and investment risk management process is well-entrenched and entails robust engagement with various internal departments and stakeholders. Our core credit risk processes consist of:

- A multi-disciplinary due diligence team with financial, marketing and technical skills and operational support resources that include the Legal, Environmental, Health and Safety, Fixed Asset Valuations and Credit Risk Management departments
- An independent credit and investment risk assessment by the Risk Management Department
- Credit approval committees that include the executive management team, external members and independent non-executive directors
- Our Post-Investment Management Department, which manages the portfolio from the first disbursement until final settlement. A dedicated and experienced team is assigned to monitor and manage the IDC's subsidiaries and significant investments
- A Workout and Restructuring Department that manages the accounts of clients under restructuring and supervision.

The Risk Management Department, under the leadership of the Chief Risk Officer, reports to the Executive Committee and the Board Risk and Sustainability Committee on a quarterly basis on the overall performance of the IDC's portfolio, including the 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, where appropriate, remedial action is proposed. The credit risk metrics are monitored as part of the key risk indicators in the strategic risk register.

Impairments

The Corporation adopted the IFRS 9 standard during the reporting period for the first time and reliably quantified the impact of the implementation.

The 2019 financial year was a challenging period for our clients, who were affected negatively by macroeconomic conditions. These conditions included a weakening rand, weak consumer demand and an uncertain political environment. The protracted subdued economic growth derailed the turnaround strategies of some material exposures that could have been resolved in a economic and political climate conducive to growth. In addition, some of the projects that we invested in in the rest of Africa suffered from implementation delays that resulted in impairments.

The level of impairments rose from R14 billion in 2018 to R15 billion in 2019, which increased the impairment ratio from 17.4% to 28.4%. The increase in the ratio was due to the first-time adoption of the IFRS 9 standard and associated earlier recognition of impairments on commitments and guarantees, as well as the reclassification of some equity type instruments as debt. The impairment charge to the income statement reached R4.8 billion in 2019.

Non-performing loans

The non-performing loans (NPL) ratio increased from 22% in 2018 to 24% in 2019, with a similar trend noted in the level of total arrears. The level of NPLs remains an area of concern and we are implementing client-specific interventions to remedy the non-performing. There are some high-value exposures that had migrated into the NPL category and due to their inherent complexities, the projected timeline for a suitable resolution has taken longer than expected.

High-risk exposures

Our high-risk exposures are managed through a watchlist process that includes our material investments. The process serves as an early-warning indicator for material, currently-performing exposures that may be at risk of migrating into the non-performing category.

Future focus areas

We increased our focus on managing asset quality to protect the IDC's balance sheet, as it will act as an enabler for the competitive borrowing of funds on the capital markets and for the Corporation to further entrench its developmental impact. We are currently reviewing the prevailing risk appetite levels and this will remain an area of priority to ensure compliance with the Corporation's risk appetite and align business activities with approved risk appetite levels.

Liquidity Risk Management

Liquidity risk is governed by the Liquidity and Liquidity Risk Premia Policy. The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions within the Board-established prudential guidelines and policies that relate to liquidity risk exposures.

Liquidity stress testing

The IDC uses liquidity coverage ratios (LCRs) to test liquidity stress. The LCRs are used to weigh potential liquidity outflow exposures under stressed scenarios (net stressed outflows) against the available counterbalancing capacity (available high-quality liquid assets). The stress scenarios are aligned with the Corporation's risk profile and take into account that currency convertibility and the ability to raise funding, including foreign currency funding, is not guaranteed.

Early warning indicator methodology

The IDC's early-warning methodology is based on a set of early-warning indicators (EWIs) that are considered appropriate for the Corporation. As such the Red, Amber or Green status (RAG status) of each indicator is tracked using both quantitative and qualitative trigger levels that indicate:

- Green: Business-as-usual
- Amber: Potential liquidity problems that currently do not threaten the IDC's financial standing
- Red: Potential liquidity problems that may threaten the IDC's financial soundness.

Contingency Funding Plan

The IDC's Contingency Funding Plan (CFP) aims to mitigate, as far as possible, the impact of liquidity stress on the IDC mini-group. The CFP has established a robust and operational governance framework to:

- Link liquidity stress testing and contingency planning
- Articulate mechanisms for monitoring early warning signs
- Itemise the IDC's contingency funding sources
- Define CFP escalation processes
- Outline responsibilities for managing the Corporation through a liquidity stress
- Identify the names and contact details of people instrumental in implementing the CFP.

As the delegated authority accountable for managing liquidity risk, ALCO is responsible for managing the Corporation through a liquidity stress event. Operationally, the heightened management information required by the committee, as well as the execution of approved management actions primarily involves daily liquidity management (Corporate Treasury Department), funding liquidity management (Corporate Funding Department) and liquidity risk management (Risk Management Department).

We arrange liquidity crisis simulation workshops at least annually and the identified shortcomings are incorporated into the CFP.

Compliance – second line of defence

Governing and managing compliance

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

The IDC's Compliance and Regulatory Affairs Department performs the day-to-day compliance tasks and assists the Board in creating an enabling environment for establishing an ethics-based compliance culture. The Department also 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 them. Regulatory risks are monitored continually and reported to relevant stakeholders.

Key focus areas

During the year under review, the Board oversaw the implementation of processes and controls to meet the requirements of the newly promulgated Financial Intelligence Centre Amendment Act, 1 of 2017. This supports 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.

We adopted a risk-based approach to customer due diligence in accordance with the requirement that accountable institutions should identify, assess and understand its anti-money laundering and combating of terrorist financing risks, as this will allow for a more efficient classification of its clients in terms of high, medium and low risk.

Other initiatives during the past year included the heightening of awareness in respect of the Public Finance Management Act, 1 of 1999 (PFMA), the Protection of Personal Information Act, 4 of 2013 (POPI), the Promotion of Access to Information Act, 2 of 2000 (PAIA).

Monitoring of Compliance Management

The IDC's Internal Audit Department conducts annual reviews to monitor the effectiveness of compliance management in the Corporation and reviewed the Anti-Money Laundering and Sanctions framework during the reporting period. The Compliance Department continues to remediate the Internal Audit Department's recommendations in this regard.

Future focus areas

Implementing the anti-money laundering control and sanctions programme is a specific current and future focus area. We are also considering the automation of the IDC's client management process (i.e. both client on-boarding and post investment monitoring).

Internal Audit – third line of defence

Governing and managing Internal Audit

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

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

An independent quality assurance review of the Internal Audit Department was conducted during the period under review, as required by the Institute of Internal Auditors. The Department received a 'General Conformity' rating, which is the highest available rating.

Key focus areas

The Internal Audit Department implemented a risk-based internal audit plan, based primarily on the Risk Registers compiled by the Risk Management Department (RMD), as well as the IDC's Corporate Plan and other key emerging risks highlighted by the External Auditors and Internal Audit experts, to fulfil its mandate. In addition to the internal audit plan, the department also has a dedicated team responsible for dealing with forensic matters.

The IDC maintains financial and operational systems of internal controls to fulfil its responsibility of providing reliable financial and performance information. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with the laws and regulations and delegation matrix and that assets are protected adequately against material loss and recorded fully and correctly. The design of the control environment architecture was adequate to manage identified risks effectively, apart from the Business Support Expert Panel programme that required significant improvement. Management is committed to enhancing the control environment.

We report the status of actioning audit findings to the Board Audit Committee every quarter. As at 31 March 2019, a total of 128 audit findings had been resolved during the past financial year and 25 remained open, of which seven were overdue. Generally, the delay in resolving overdue findings is due mainly to dependencies on external service providers and user-testing of the enhanced IT systems. However, management is driving an initiative to resolve all previously reported audit findings timeously.

The Internal Audit Department also provided fraud awareness training and education to our business units, departments, regional offices and four Exco members. In total, 182 employees received face-to-face training. Internal Audit provided all IDC employees with printed copies to increase their awareness about financial crime. The department distributed the same training material to 720 business partners. LA

We are seeing a greater awareness of crime among clients and employees, possibly due to the awareness campaigns. The number of cases reported during the past year compared to the prior year decreased, with 12 cases reported for investigation (2018: 30). Three of these related to internal matters and nine to business partners.

Key operational areas are investigated for corruption risks. Five out of 16 (31%) high risk areas were assessed during the year. LA

Future focus areas

The Internal Audit Department submitted a proposal in March 2019 for consideration by Exco to implement a Group Internal Audit Forum (the Forum) comprising Internal Audit representatives from the IDC and its subsidiaries. The proposal will be tabled at the Board Audit Committee in the 2020 financial year for final approval. The Forum will aim to improve knowledge sharing and implement lessons learnt from across the Group, including those from current audit and forensic practices, norms and methodologies. This will assist in establishing a standard approach to our audits and forensic investigations to serve the needs of the Group.

The department also keeps abreast of other key developments in the profession, such as the disruptive nature of Fourth Industrial Revolution technologies as well as Cyber Security and Cloud Computing risks. We are well aware of these 'Audit Hot Spots' and will continue to provide the required level of assurance and value-adding services to all our stakeholders.

Board Investment Committee (BIC)

The Board Investment Committee is a credit-granting committee that considers transactions which, before the establishment of the Committee, would have vested in the Board. Aligned with the IDC's Delegation of Credit Approval Authority, the BIC considers transactions where the IDC's transaction exposure is R250 million or more but less than R1.5 billion and counterparty exposure is between R1 billion to R7 billion. We submit transactions that exceed these limits to the Board for approval.

The Committee also reviews transactions that breach the transaction or counterparty limits and considers transactions of a strategic nature, for recommendation to the Board. Transactions that breach sector or regional limits are also referred to the Committee.

Activity

In addition to ordinary business as indicated above, we met jointly with the Board Risk and Sustainability Committee to review the business operations of Foskor prior to the establishment of an ad-hoc committee for this purpose.

We also considered a number of reports on the industries in which the IDC operates. Most notably, we reviewed the Corporation's exposure to the coal mining industry from a concentration risk perspective and provided comments on how sustainable coal exposure levels could be maintained within the IDC's risk parameters. In our contribution, the Committee focused on multiplier Board effects that would emanate from coal investments for small BEE entities that offer related services in the value chain. We requested further work be done to analyse the potential for development and the exploitation of overlaps between related sectors.

The Committee's total funding approval of more than R10.5 billion (inclusive of guarantees and amendments to existing facilities) in 21 transactions contributed significantly to the Corporations' overall funding approvals during the period under review. Details of these and other transactions are provided throughout this report. These transactions are expected to create 3 826 jobs, with 2 174 jobs expected to be saved.

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
29 July 2019

Board Human Capital and Nominations Committee (HCNC)

The HCNC assists the Board to develop 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 regarding people-related matters to ensuring a robust and focused people agenda for the Corporation.

We place a special emphasis on aspects that drive leadership transition and succession planning, as well as overall remuneration 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 to:

- Recommend key performance indicators and evaluate and recommend the Corporation's performance to the Board
- Recommend the appointment of non-executive directors, including independent non-executive directors to the Board for consideration by the shareholder
- Recommend the appointment of directors to the boards of key subsidiaries and investee companies for consideration by the Board
- Recommend the appointment of the CEO to the Board and set the criteria to evaluate the performance of the CEO
- Assist the CEO in setting criteria to evaluate the performance of individual Executive members in the discharge of their functions and responsibilities and evaluate performance in relation to corporate goals
- Review the performance of the CEO and determine his salary based on the evaluation of his performance and taking into account market related imperatives
- Oversee the setting and administering of remuneration at all levels of the Corporation
- Oversee the establishment of remuneration strategies and policies to promote the achievement of strategic objectives and encourage individual performance
- Review remuneration policy implementation outcomes to ensure that set objectives are being achieved
- Ensure that the mix of fixed and variable pay, in cash and other elements, meet the Corporation's strategic objectives.

Activity

During the year under review, the Committee supported the Board in identifying and appointing the CEO to replace Mr Qhena, who resigned from the Corporation during the year. We also ensured that the performance objectives of the CEO, Executive and the Corporation are aligned with the required strategic outcomes.

We reviewed and approved the corporate short-term and long-term performance targets. The Target Setting and Performance Assessment Committee, consisting of internal members and an external member, assisted by providing assurance on targets and performance information.

The Committee provided continued oversight over the implementation of the Corporation's Remuneration Philosophy and Policy as reported on in the Human Capital section of this Integrated Report. We considered enhancements to the policy to drive and enable talent recognition and retention efforts. The Board also guided the Corporation and supported the culture transformation initiative aimed to create a more enabled working environment.

We considered reports on the IDC's Employment Equity and Skills Development plans, the nature of the Executives' employment contracts and key policies to ensure Corporate robustness. The main focus of the polices are to manage secondments, sexual harassment and the Corporation's integrated talent management and succession strategy. As a Committee, we engaged on executive leadership assessments and a development approach that is aligned with our approach of talent recognition and implementation.

Future focus

Our efforts to enable a high-performance culture and facilitate and entrench leadership capacitation and development is an ongoing priority. As a Committee, we remain mindful of the need to retain our talent through an enhanced employee value proposition that includes the continued alignment of the IDC's total rewards strategy. The onboarding, transition and alignment of the new CEO is a priority. The focus in the year ahead will be to support management in resolving employee concerns that have been raised formally with the Board.

Conclusion

During the year under review, there were no deviations from the Remuneration Policy and we are satisfied with the Corporation's compliance in this regard. 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
29 July 2019

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, specifically with regard to evaluating 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 independence and effectiveness of the External Auditors.

The Corporation's management has primary responsibility for the financial statements, for 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 according to the Public Finance Management Act of 1999 (as amended), the requirements of the King IV Code of Governance, the Companies Act, 71 of 2008 (as amended) and the responsibilities assigned to it by the Board.

As a Committee, we report that we adopted the appropriate formal Terms of Reference as approved by the Board and are satisfied that we have discharged our responsibilities according to the Companies Act, King IV and PFMA.

The Committee carried out its functions through attendance at Audit Committee meetings and discussions with executive management, Internal Audit, external auditors and external advisors where appropriate.

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

In executing its key functions and discharging its responsibilities as outlined in its Terms of Reference during the period under review, the Committee:

- 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 the IDC Group)
- Nominated and recommended for appointment of registered

auditors, SNG Grant Thornton and Ngubane & Co, as the Corporation's external auditors the firms who, in the opinion of the Committee, are independent of the IDC
- Approved 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
- Reviewed legal and compliance matters that could have a significant impact on the financial statements
- Monitored internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance.

Internal control

We monitored the effectiveness of the 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 Departments, 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, internally and with all the 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 respects 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 and 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 the 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 related 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 Auditors, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Corporation's Independent Auditors and determines whether to re-engage the current Independent Auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' capabilities, technical expertise and knowledge of the Corporation's operations and industry. Based on this evaluation, the Audit Committee has retained both SNG Grant Thornton and Ngubane & Co 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 2019.

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
- 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 the 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 Chairperson, the Chief Executive Officer and the Chief Financial Officer
- Reviewed the external auditors' report and management's response to the report
- 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 Internal Audit.

Expertise and experience of finance function

We have considered and satisfied ourselves of the overall appropriateness of the expertise and adequacy of resources of the 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 assessed its consistency with operational and other information known to Committee members and for consistency with the Annual Financial Statements. We discussed the information with management and 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 take place continuously and we are of the view that adequate coordination occurred between the external auditors and Internal Audit.

A Combined Assurance Policy is in place that integrates Internal Audit, Compliance and Risk Management Plans and other external assurance providers. Furthermore, a Combined Assurance Plan was approved and used to monitor the activities in relation to the Combined Assurance Process.

During the year, the committee assessed combined assurance from the external auditors, internal auditors and management, and ensured that the combined assurance received is adequate to address all material risks.

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 the 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 a 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, an operational reporting line to the CEO and full access to other BAC members.

The BAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from Internal Audit on a quarterly basis, assesses the effectiveness of the 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, 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 the risk management and internal controls were evaluated. These evaluations were the main input 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 the external auditors, 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 2019, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS and that they present fairly the results of the operations, cash flow and financial position of the Corporation.

We have complied with all the King IV principles and with the inclusion of integrated reporting, as evidenced by this issue of the Corporation's Integrated Report for the financial year ended March 2019. The Committee is satisfied that it has complied in all material respects with its legal, regulatory and other responsibilities.

The BAC recommended this Integrated Report to the Board for approval.

Ms NP Mnxasana
Chairperson of the Board Audit Committee
29 July 2019

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 risk. The Committee ensures that the Corporation has an appropriate risk management strategy and that it is implemented. The Committee, through Executive Management, has a responsibility to ensure that adequate risk management processes and resources are in place to assist the Corporation in setting and achieving its strategic objectives.

During the year under review the Committee deliberated on a number of important matters, as summarised here:

Risk appetite and concentration limits

We considered a report on the review of the IDC Risk Appetite Framework and Risk Appetite Statement (RAS). The RAS is a Board-approved statement that defines the types and aggregate levels of risk that the Corporation is willing to accept in pursuit of its business objectives. It informs risk-based decision-making for the Board, executive management, risk management functions and the business and operating units. The RAS offers a holistic approach to control risk exposures and concentrations.

The report highlighted that the impairment ratio at 22.6% (December 2019) exceeded the approved threshold of 20%. The implementation of IFRS 9 had various implications that affected cumulative impairment numbers and led to the breach. An IFRS 9 impact analysis study is currently underway., The results will be reported to the Committee during the current financial year.

We condoned the risk appetite metrics that were outside approved levels and recommended the implementation of a number of interventions and close monitoring to avoid future breaches.

Review of non-performing loans

Due to concerns raised by the Board about the alarming increase in non-performing loans, we reviewed these loans to understand the root causes and provide oversight on the steps taken to manage the growth. Reasons identified for the increase included:

- Macroeconomic conditions (slump in economic activity)
- The IDC fulfilling its mandate to address market failure by supporting distressed businesses
- Poor performance of Rest of Africa investments.

We proposed client-specific interventions that the relevant management teams are currently implementing.

Operational risk and business continuity review

The Risk Management Department submitted an Operational Risk and Business Continuity Review Report to the committee that provided an overview of all operational risk activities undertaken by the department.

The activities included an update on departmental and business unit Risk Control Self-Assessments used to formulate and embed key risk indicators. These assessments have proven to be a very effective risk management tool.

Collection of loss data continues to be a challenge and the risk management team continues to work on new initiatives to ensure improvement.

Corporate treasury limits review

The IDC Board approves corporate Treasury counterparty limits annually. In addition, authorised dealers who can bind the Corporation telephonically, are appointed by the Board on an annual basis.

During the year under review, we approved Treasury counterparty limits by product and nominal capital exposure and considered yearly criteria for further proposals relating to counterparty limits. A summary of the principles that the Committee applied in considering reports about counterparty limits are given below.

Treasury counterparties are limited to central government, registered banking entities and selected public entities to ensure that primary clients of the IDC do not receive support from Corporate treasury investments. A fundamental principle is to remove credit and liquidity risk from cash and near-cash instruments and we take care to ensure that the principals for counterparty limit approval comply with PFMA regulations and National Treasury Guidelines. The nominal quantum of limits is set to facilitate envisaged or probable business activities in the medium-term.

Board subcommittee on Foskor

During the reporting period, the Board established an ad hoc committee to continue with the work performed previously by the BR&SC and the Board Investment Committee in reviewing the position of the IDC subsidiary, Foskor (Pty) Ltd and deciding on the way forward for the subsidiary.

I chair the Board Subcommittee on Foskor and am mandated to consider the appropriate scale and nature of Foskor's production profile as highlighted by reports obtained from external consultants and Foskor's management, the role of current and future equity partners, the socio-economic impact of Foskor and relevant corporate governance matters.

The Committee met eight times during the year and we are in the process of formulating our report, with proposals, to the Board.

Conclusion

The Board continues to be concerned about the deterioration in the asset quality. We identified key indicators to monitor the situation on a quarterly basis.

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
29 July 2019

Board Social and Ethics Committee (BSEC)

The Committee assists the Board with its duties that relate to oversight of the IDC's social and ethical matters and setting strategies to integrate sustainability into the daily business activities of the Corporation. The Committee 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

We monitor the IDC's activities, taking due regard of 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, and on health and public safety.

Potential conflicts of interest

During the past year, we considered one report relating to a matter in which an IDC director had a potential conflict of interest, as summarised below.

In a transaction referred to as Newco Project SPV, we considered the relationship between a Board member and Mr K Buthelezi, who is involved in the project through the Emthunzi Trust, a passive shareholder with a 4% shareholding in the project. Mr Buthelezi, who is a member of various committees and boards of state-owned institutions, was identified as an influential person in terms of the IDC's Prominent Influential Persons (PIP) Policy. In addition, he is a brother of Ms P Mthethwa, a member of the Board of the IDC. We found that the Emthunzi Trust is a family trust set up for the immediate family and descendants of Mr Buthelezi and does not involve Ms P Mthethwa as a beneficiary or in any other capacity.

We requested an amended report at the next meeting of the Committee, with more information on a number of aspects. These include the potential for reputational risk having regard for the transaction in its entirety and the IDC's position on funding trusts, with the emphasis on family trusts.

Reputational risk

We have an oversight role in respect of reputational risks emanating from the Corporation's social and those that arise from unethical business practices. During the past year we reviewed the processes and policies that are in place to manage unethical conduct and behaviour, legal and regulatory compliance risk and credit and investment risk.

The Committee is satisfied with the assurance provided on the comprehensiveness and adequacy of the controls in place to manage the Corporation's strategic risks.

Compliance

The Committee oversees the administration of the IDC's Politically Exposed Persons (PEP) Policy and approves the list of all funded clients for publication on the IDC website on a quarterly basis.
During the past year, we considered quarterly Anti-Money

Laundering (AML), Sanctions and Financial Intelligence Centre Act, 38 of 2001 (FICA) status reports. The IDC had undergone a Financial Intelligence Centre inspection during August and September 2018. At the time of publishing this report, the Committee still awaits the Regulator's report in this regard. We also approved amendments to the IDC's Domestic Persons of Interest and Foreign Prominent Public Official Policy that aims to align it with the recent amendments to FICA. These changes relate to the requirement for institutions to assign prescribed risk measures to PIPs according to the categories identified in the new FICA definitions.

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 BSEC's attention.

Oakbay Resources

The Board delegated oversight of the collections and other legal processes instituted by the IDC against Oakbay Resources to the BSEC.

The litigation instituted by the IDC, claiming arrears amounting to R37.5 million and payment of an amount of R250 million, which had been converted into equity, is ongoing. Our goal is to ensure that the IDC's reputation is maintained and protected and that the matter is pursued to its fullest extent as provided for in law. We receive progress reports on this matter at every Committee meeting.

Stakeholder relations

The Committee discussed a report outlining the various initiatives undertaken by the Corporation to improve customers' interface and experience. Key focus areas were greater efficiency in managing existing customer accounts to promote repeat business, as well as a special focus on service-related complaints and the creation of a personalised and differentiated service offering. We requested management to investigate the reasons for the apparent increase in the number of customer complaints compared to the previous year and will discuss their report, together with the results of a planned independent customer satisfaction survey, at an upcoming meeting of the Committee.
We also considered an Employee Relations report dealing with matters such as the Corporation's compliance status in relation to relevant labour and employment legislation, the International Labour Organisation's Protocol on Decent Work and Working Conditions, employee relations and the Corporation's contribution towards the educational development of its employees.

We noted that key focus areas from an employment equity perspective pertained to ensuring that employment targets for people with disabilities and female senior managers are met. Skills development initiatives to support the Corporation in fulfilling its mandate included leadership development and operational, functional and behavioural skills development for employees, including a bursary scheme for the formal education and development of employees.

Broad-Based Black Economic Empowerment

During the 2019 financial year, the Corporation achieved an audited Level 4 Broad-Based Black Economic Empowerment (B-BBEE) rating as calculated in terms of the amended Specialised Financial Services Sector Codes (FSC), compared to the audited Level 2 B-BBEE score in the previous year when the Generic Code was applied. The rating was based on measurements against four scorecard criteria, namely Management Control, Skills Development, Enterprise and Supplier Development and Socio-Economic Development.

The IDC's key area of underperformance was in procurement from Qualifying Small Enterprises (QSEs) and Exempt Micro-Enterprises (EMEs), due to the fact that a significant portion of the IDC's procurement expenditure related to interest paid to commercial banks and fund managers who do not qualify as QSEs and EMEs. This type of procurement cannot be obtained from QSEs and EMEs.

We are of the view that the existing FSC codes are aimed at commercial banks and as such, inappropriate for Development Finance Institutions (DFIs). We are engaging with the verification agencies to obtain a second opinion on the exclusion of interest paid in the calculation of total measured procurement expenditure and have applied to the Department of Trade and Industry for the exclusion of such interest. We are also engaging with the Financial Sector Transformation Council through our membership of a working committee representing DFIs with the objective to establish a DFI-specific B-BBEE scorecard.

We believe that, in this way, the contribution that the IDC is already making towards driving transformation in large firms and building expertise in small and medium black-owned professional firms in the procurement of legal, marketing and facilities management services will be recognised. The IDC currently spends an average of R200 million per annum on such services.

Mining Charter

We responded to a request by the Department of Mineral Resources (DMR) to make suggestions and recommendations on strengthening or improving various elements of the draft 2018 Mining Charter.

Our recommendations were based on the overarching principle that from the IDC's perspective, there must be meaningful participation by black people in the mining industry and that the industry must remain relevant, profitable and with the ability to provide jobs. We have highlighted the need for the Mining Charter to address market exigencies, commented on the deviation in the assessment of compliance with the requirements of the previous Mining Charter between the DMR and the Chamber of Mines and expanded on a suggestion relating to the transformation of the mining industry through housing and living conditions to facilitate community development.

Social development

We considered a Corporate Social Investment (CSI) activity report setting out particulars of money spent on a number of

CSI initiatives, mostly in respect of youth and women. As part of the Nelson Mandela centenary projects, IDC employees participated in the renovation of selected facilities at Sterkfontein Psychiatric Hospital and the IDC contributed R5 million towards the conversion of the house of the late President Nelson Mandela in Houghton into a Presidential Centre.

The Committee discussed a Community Development report that highlighted the IDC's plans to enhance its development impact and related challenges. The IDC's main objective here is to assist operational and deal-making business units to achieve greater impact through specific developmental outcomes, such as Black Industrialists, B-BBEE, youth empowerment, women empowerment, regional equity, localisation community empowerment and environmental impact and to assist targeted groups to participate in the main stream economy.

Sustainable Development

We reviewed the IDC's Environmental, Health and Safety (EHS) risks as they pertain to its subsidiaries and business partners. The main risk factors identified related to non-compliance with EHS regulations, pollution and social issues, such as community disputes and occupational hazards. We are concerned by the significant number of IDC funded business partners who do not comply with EHS regulations and support the current efforts of the IDC's management to assist them to become compliant.

We expect a significant number of IDC-funded business partners to be impacted by the implementation of the proposed carbon tax and the IDC is adopting a holistic approach to managing the risks emanating from the Corporation's exposure to carbon emission-intensive industries.

Conclusion

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

Adv ND Orleyn
Chairperson of the Board Social and Ethics Committee
29 July 2019

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 sustainable development in 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 invest in new advances into the economy. Managing impairments is key to ensuring our financial sustainability. We adopted IFRS 9 in the year under review and the forward looking approach of the accounting standard resulted in increased provision requirements, highlighting the IDC's role as a development finance institution as well as the countercyclical role the organisation has played in the economy. We have, and will continue to review and implement initiatives to ensure that impairments remain within our risk appetite.

The Board has emphasised that, in order to implement the 2020 -2024 Corporate Plan and all the approved initiatives, we need to remain a going concern and financially sustainable.

As a result, the IDC regards financial sustainability as a material matter.

REVIEW OF FINANCIAL PERFORMANCE

The 2019 financial year was challenging for the South African economy as the appetite for business expansion was relatively low. Most of our subsidiaries and certain associated companies are feeling the strain of the unfavourable economic environment. The Group made a consolidated profit of R720 million compared to a profit of R841 million in 2018 excluding capital profits. The IDC funding model includes exiting mature investments to fund new business. Although the IDC realised capital profits from these exits, with the adoption of IFRS 9 the consolidated profit of R720 million excludes capital profits of R2 280 million as we have elected not to recycle these as profits on exit.

Group revenue

Group revenue for the year has increased by 26% to R17.9 billion from R14.2 billion in 2018. The 2018 revenue excluded Scaw (Pty) Ltd's revenue which was disclosed as a discontinuing operation. If Scaw's revenue from 2018 was to be included, Group revenue would have increased by 2%. Interest income for the Group of R4.5 billion is 33% higher than the prior year. The improved repricing initiative also had a positive impact on the improved interest income.

Dividends received were 17% higher compared to the previous financial year. In 2019 the IDC received a dividend from Kumba of R1.3 billion, while Sasol and BHP paid R735 million and R740 million, respectively. Palabora Mining Company contributed R200 million to the dividend income.

The IDC has seen much progress in the introduction of Strategic Equity Partners (SEPs) in Scaw, which had incurred significant losses over the years. In response to Scaw's performance, IDC decided to introduce SEPs in the key Scaw divisions, who would provide necessary financial and focused technical support to the divisions and assist with turning around their financial performance. Following a positive feasibility study to determine

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

Figures in Rand million	2019	2018	2017	2016	2015
Statement of financial position					
Cash and cash equivalents	9 233	5 726	6 660	6 183	7 714
Loans and advances	27 932	28 564	25 095	23 451	21 760
Investments	115 857	105 959	100 329	91 430	94 198
Property, plant and equipment	58	54	54	166	129
Other assets	2 374	1 671	1 789	1 195	1 348
Total assets	**155 454**	**141 974**	**133 927**	**122 425**	**125 149**
Capital and reserves	93 097	87 785	83 825	78 000	84 860
Other financial liabilities	54 125	46 723	42 553	38 987	33 566
Other liabilities	8 232	7 466	7 549	5 438	6 723
Total equity and liabilities	**155 454**	**141 974**	**133 927**	**122 425**	**125 149**
Statement of comprehensive income					
Operating profit/(loss)	(824)	1 892	1 601	152	1 718
Income from equity-accounted investments	-	-	-	–	3
Profit before taxation	**(824)**	**1 892**	**1 601**	**152**	**1 721**
Taxation	354	201	194	25	(54)
Profit/(loss) for the year	**(470)**	**2 093**	**1 795**	**177**	**1 667**

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

Figures in Rand million	2019	2018	2017	2016	2015
Statement of financial position					
Cash and cash equivalents	9 809	6 156	7 699	6 865	8 257
Loans and advances	25 880	30 660	25 802	23 928	22 412
Investments	93 072	81 488	78 266	71 586	73 114
Property, plant and equipment	7 343	8 148	12 384	10 626	9 921
Other assets	8 503	10 506	5 685	8 343	8 585
Total assets	**144 607**	**136 958**	**129 836**	**121 348**	**122 289**
Capital and reserves	95 602	88 097	88 097	84 717	89 797
Non-controlling interest	(299)	84	193	102	125
Other financial liabilities	39 486	33 217	30 367	27 984	24 005
Other liabilities	9 818	11 634	11 179	8 545	8 362
Total equity and liabilities	**144 607**	**136 958**	**129 836**	**121 348**	**122 289**
Statement of comprehensive income					
Operating profit/(loss)	(498)	2 962	978	(494)	1 011
Income from equity-accounted investments	644	419	963	557	656
Profit before taxation	**146**	**3 381**	**1 941**	**63**	**1 667**
Taxation	574	381	621	160	(14)
Loss from discontinued operations	-	**(538)**	**(362)**		
Profit/(loss) for the year	**720**	**3 224**	**2 200**	**223**	**1 653**

whether the divisions of Scaw could be corporatised into separate standalone companies to facilitate transactions with multiple SEPs, the IDC commenced an extensive sale process. The result anticipated is that IDC will not retain control in all three Scaw businesses, namely Remainco (i.e. the remaining businesses in Scaw which constitutes rolled, wire rod products and Scaw's main property assets), Grinding Media and Cast Products. On the 1 May 2018, the IDC successfully introduced a SEP in Remainco, Barnes Southern Palace Consortium (BSP), led by a local steel company, Barnes Group, and diluted our shareholding to 26%. Remainco's performance has shown significant improvement under management of BSP.

The Grinding Media and Cast Products divisions were carved-out of Scaw and began operating independently from the 1st of March 2018. Magotteaux International S.A. (Magotteaux) and Amsted Rail Company Inc. (Amsted) are the SEPs in Grinding Media and Cast Products respectively. The IDC successfully introduced Magotteaux as an SEP in Grinding Media on the 1st of August 2018. Magotteaux took over management and an initial shareholding of 15% with an option to increase the shareholding to 51% within four years from 1 August 2018. The IDC was diluted to 59% with a BEE shareholding at 26%. Magotteaux have started implementing initiatives to improve performance of Grinding Media including assessment of regional expansion into West Africa. Amsted was introduced as an SEP in Cast Products on the 1 April 2019 and financial close is expected to be complete by the end of August 2019. Amsted will hold an initial 15% shareholding in Cast Products with an option to increase its shareholding to 49% within 7 years from 1 April 2019 and has started implementing initiatives to turnaround the financial performance of Cast Products.

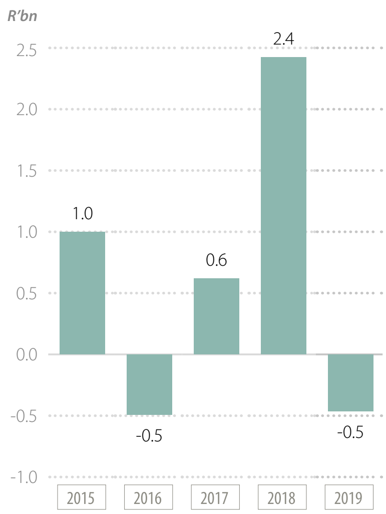
Group Revenue

Revenue from Foskor dropped by 8% from the previous year to R5 429 million. This was mainly driven by the reduction in production volumes due to a strike and a fatality resulting in plant shutdowns during the year. The prices were however, slightly higher compared to the previous year. The IDC Board is working with the Foskor Board and management to review options to improve Foskor's performance. Foskor remains a strategic investment to the IDC.

Group operating profit/(loss)

The operating loss for the year was R498 million (2018: R2 962 million profit; R579 million excluding capital profits) from increased expected credit losses as a result of the implementation of IFRS 9. In 2018, profit was boosted by a day-one-gain of R1 185 million that was realised on the unwinding of the Main Street 333 (Exxaro) structure.

Group Operating profit/(loss)



Impairments for the Group significantly increased by R916 million, from R2 732 million to R3 648 million, mainly driven by the sluggish economic growth in South Africa. As a development finance institution IDC usually takes more high-risk clients to stimulate the country's economic growth. The Corporation is confident that these interventions will be effective in curbing the growth in impairments, whilst continuing to play its counter cyclical role in the economy. The impairments in the current financial year (R3 648 million) were attributed to the continuing adverse macroeconomic environment and the change in impairment methodology under IFRS 9. The impact of the weakening Rand and inflation also had a negative impact on some exposures.

Financing costs for the Group have remained flat year-on-year. The actual costs increased from the growth in borrowings of R6 269 million, to meet the planned advances in the short-term. This was mitigated by the foreign exchange gains realised from cover taken to manage the exchange risks on foreign borrowings.

The Group realised capital profits of R2 289 million (2018: R2 383 million) from the disposal of certain listed and unlisted investments during the year. IFRS 9 does not allow these profits to be recognised in the profit or loss anymore, but they become part of other comprehensive income. The main contributor to the capital gain was the derecognition of the IDC's investments in BHP and Sappi.

Income from equity accounted investments

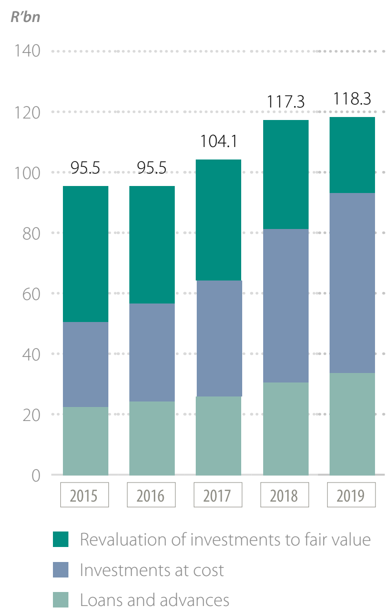
The equity-accounted investments have shown an increase in performance during the reporting period, with the Group's share of profits at R644 million compared to a profit of R419 million in 2018.

Loans, advances and investments

The IDC advanced R11.8 billion in new loans, advances and investments during the year, down from R15.2 billion in 2018. The Corporation continued to seek development opportunities despite the macro-economic challenges. This resulted in loans and advances growing to R25.9 billion (net of repayments), from R30.7 billion, and investments increasing from R81.0 billion to R93.0 billion (net of disposals and preference share redemptions).

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

Loans, advances and investments (mini-group)



Group borrowings

The growth in the borrowing portfolio was aligned with IDC's strategy to fund growth in the loans and advances book, predominantly from borrowings. Borrowings for the year grew to R39 billion from R33 billion in 2019.

Borrowing activity during the year amounted to R12.3 billion, with repayments of R7.1 billion. A large portion of the borrowing was raised from local lenders through public bonds and bilateral facilities with commercial banks. During the year under review the commercial loans concluded had increased tenure to match the asset financed. The bonds issued were under the IDC Domestic Medium-Term Note (DMTN) programme. Investor's confidence increased as was reflected by oversubscription at bond auctions coupled with reverse enquiries from investors, indicating their confidence in the IDC's creditworthiness and financial standing. The IDC tapped the bond market 3 times during the year under review.

The IDC's future funding strategy seeks to diversify its funding sources. This strategy will also be informed by local and international market conditions, pricing and available liquidity in financial markets. The IDC will therefore continue to tap into the traditional sources such as bond issuances, commercial banks (both local and international) and development financial institutions (DFIs), while searching for new funding sources. DFIs and other foreign commercial banks continue to be a good source of funding, providing much-needed long tenure borrowings. These include the Kreditanstalt für Wiederaufbau (KfW), African Development Bank (AfDB), 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. The IDC continues to meet its financial obligations emanating from these funding sources, while maintaining excellent relationships with our lenders and investors.

Total assets, capital and reserves and debt/equity

Total assets increased from R136.9 billion in 2018 to R144.6 billion during the review period, mainly as a result of the increase in the fair value of BHP and Kumba Iron Ore Limited (mainly due to higher iron ore prices) as well as Sasol. Our borrowings increased in line with the growth in loans and advances, resulting in the debt/equity ratio increasing to 41.4% compared to 36.1% in the prior year.

Impairments (IDC Company)

In 2019, the IDC adopted IFRS 9 as an accounting standard, replacing IAS 39. The adoption of IFRS 9 resulted in changes in the classification and measurement of financial assets and impairment provisioning methodologies. In terms of IFRS 9 total impairments consist of two components:

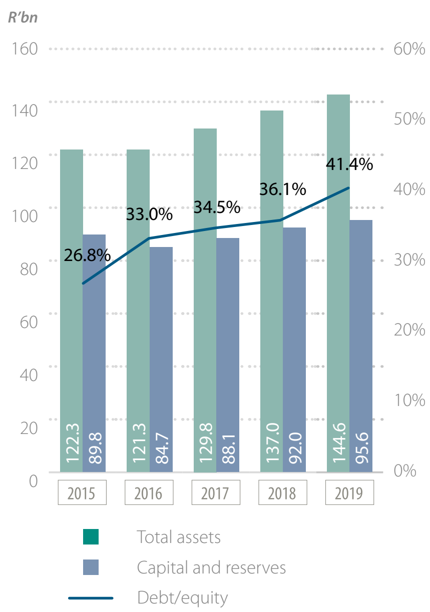
- Expected credit losses (ECLs) or loss allowances on financial assets / debt instruments carried at amortised cost
- Negative fair value adjustments on debt instruments carried at fair value.

The introduction of ECLs on debt instruments carried at amortised cost resulted in a significant increase in loss allowances from ca. R5.7 billion in 2018 to R15.0 billion in 2019 (R8.0 billion was an opening balance adjustment done via reserves). Negative fair value adjustments on debt instruments carried at fair value increased from ca. R5.8 billion to R7.9 billion. The total impairment provision for 2019 is thus R15.0 billion, with a ratio of 26.3% on the ECL component and 28.4% for total impairments. The impairment charge to the income statement is R4.8 billion.

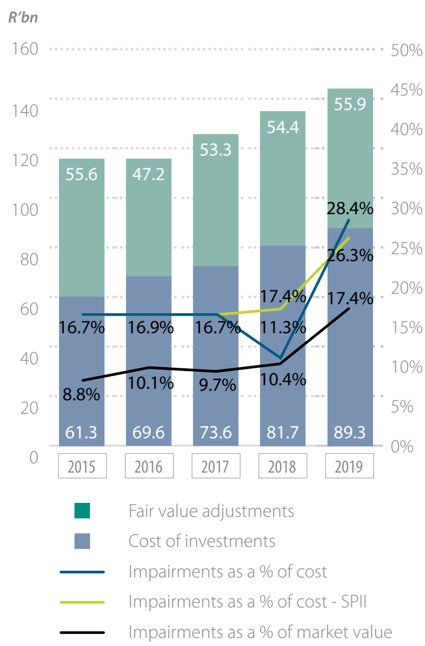
Our risk appetite thresholds for impairments are being reviewed to accommodate the changes brought about by IFRS 9.

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

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



Impairments



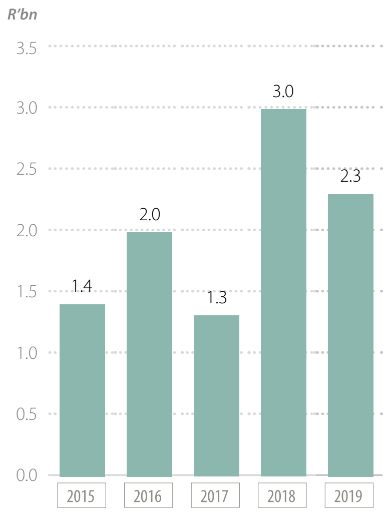
Write-offs (IDC Company)

The IDC writes off investments when all avenues of recovery have been exhausted.

During the year under review, R2.3 billion was written off versus R3 billion in the previous year. The largest contributor to the write-offs in 2019 were Scaw (Pty) Ltd (R209 million), KC Energy (R191 million) and Matanuska Mozambique (R171 million).

Although the probability of recovery reduces post write-off, recovery efforts continue in the Legal Services environment. Write-offs are reflected post recoveries.

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, increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or 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 objective oversight and makes delegated decisions related to liquidity risk exposures.

Sources of liquidity risk include:

- Unpredicted accelerated drawdowns 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 covenant(s), resulting in the forced maturity of borrowing(s)
- Inability to liquidate assets in a timely manner with minimal risk of capital losses.

The IDC 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 (i.e. recognised in the first-time bucket).

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 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 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 shareholder equity.

In the normal course of business, the IDC is exposed to exchange rate risk through its trade finance book and exposure to investments outside South 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 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.

Our Asset and Liability Management and Risk Management practices, together with regular scenario planning, assist Management to ensure that this objective is achieved.

FUTURE PERFORMANCE

We expect the 2019 calendar year 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 ca R100 billion in total over that period. This will be funded from borrowings, 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.

Value added statement (IDC Company)

Figures in rand million	2019	2018
Value created		
Net interest income	1 913	953
Impairment losses on loans, advances and investments	(1 313)	(4 930)
Other income from lending activities	415	1 784
Other investment income	3 299	5 215
Operating expenditure and project feasibility expenses	(3 930)	(334)
	384	**2 688**
Value allocated		
Benefits to employees	1 022	1 032
Social spending in communities	62	121
To government as taxation and dividends	(304)	(529)
Taxation (including deferred tax)	(354)	(579)
Dividends to shareholders	50	50
Value reinvested in operations	**(396)**	**2 064**
Transfer to/(from) reserves (retained earnings)	(420)	2 043
Depreciation and amortisation	24	21
	384	**2 688**

Independent Assurance Provider's Limited Assurance Report on Selected Key Performance Indicators to the Directors of Industrial Development Corporation of South Africa Limited

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected sustainability key performance indicators (KPIs), as described below, and that are presented in the 2019 Integrated Report of the Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2019 (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.

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	62
	• Succession - % critical roles that have identified potential successors for immediate and/or 1-3 years	Percentage (%)	IDC Internal Criteria	IDC only	63
	• Average number of hours training	Number (#)	IDC Internal Criteria	IDC only	64
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 (%)	IDC Internal Criteria	IDC only	73
	• Communication and training on anti-corruption policies and procedures	Text claim	IDC Internal Criteria	IDC only	73
	• Monitoring high risk portfolio	Text claim	IDC Internal Criteria	IDC only	66
Partners	• Stakeholder engagement	Text claim	IDC Internal Criteria	IDC only	12

INHERENT LIMITATIONS

Non-Financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matters and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of certain different but acceptable measurement techniques which can result in materiality and the accuracy of data are subject individual assumptions and judgements. The precision thereof may change over time. It is important to read the report in the context of the reporting criteria.

Further, because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the International Standard on Assurance Engagements, ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Where the information relies on the factors derived by the independent third parties, our assurance work would not include an examination of the derivation of those factors and other third party information.

OUR INDEPENDENCE AND QUALITY CONTROL

We are independent of the entity in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable.

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

The Firms applies International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains 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 2019 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

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 Grant Thornton Inc.
Registered Auditor
Per Fikile Zwane
Director
Chartered Accountant (SA)
Registered Auditor
31 July 2019

SizweNtsalubaGobodo Grant Thornton 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 2019

Ngubane and Company (JHB) Inc.
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1685

GLOSSARY

AGM	Annual General Meeting
ALCO	The Asset and Liability Committee
AMD	South African Aerospace Maritime & Defence Industries Association
AML	Anti-Money Laundering
APAP	Agricultural Policy Action Plan
APDP	Automotive Production and Development Programme
BAC	Board Audit Committee
BAIC	Beijing Automobile International Corporation
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BER	Bureau for Economic Research
BIC	Board Investment Committee
BR&SC	Board Risk and Sustainability Committee
BSEC	Board Social and Ethics Committee
CAMASA	Commercial Aviation Manufacturers Association of South Africa
CEO	Chief Executive Officer
CFP	Contingency Funding Plan
CRO	Chief Risk Officer
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
DFI	Development Finance Institution
DIS	Development Impact Support
DMR	Department of Mineral Resources
the dti	Department of Trade and Industry
EAP	Economically Active Population
EDD	Economic Development Department
EE	Employment Equity
EHS	Environmental Health and Safety
ERMF	Enterprise-wide Risk Management Framework
ERT	Emergency Response Team
ESG	Environmental, Social and Governance
EXCO	Executive Committee
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FMCG	Fast-Moving Consumer Goods
FSC	Financial Sector Codes
FSTC	Financial Sector Transformation Council
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HC	Human Capital
HCNC	Human Capital and Nominations Committee
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IFRS	International Finance Reporting Standards
IIRC	International Integrated Reporting Council
IMC	Investment Monitoring Committee
IPAP	Industrial Policy Action Plan
ISAE	International Standards for Assurance Engagements
IT	Information Technology
JV	Joint Venture
MHCV	Medium and heavy commercial vehicles
NAACAM	National Association of Automotive Component and Allied Manufacturers
NAAMSA	National Association of Automobile Manufacturers of South Africa
NDP	National Development Plan
NGP	New Growth Path
NIP	National Infrastructure Plan
NPC	Non Profit Company
NPL	Non-performing Loan
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
NYDA	National Youth Development Agency
OHS	Occupational Health and Safety
ORM	Operational Risk Management
ORM	Operational Risk Management
PAIA	Promotion of Access to Information Act
PEP	Politically Exposed Persons
PET	Polyethylene Terephthalate
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PICC	Presidential Infrastructure Coordinating Commission
PIP	Prominent Influential Persons
POPI	Protection of Personal Information Act
PRASA	Passenger Rail Agency of South Africa
RAG	Red, Amber, Green
RAS	Risk Appetite Statement
RCSA	Risk Control Self-Assessment
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMD	Risk Management Department
SA	South Africa
SAISI	South African Iron and Steel Institute
SBU	Strategic Business Unit
SDG	Sustainable Development Goal
sefa	Small Enterprise Finance Agency
SEIFSA	Steel and Engineering Industries Federation of South Africa
SENS	Stock Exchange News Service
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
SOE	State-owned Enterprise
SPPI	Solely payments of principal and interest
SPV	Special Purpose Vehicle
UIF	Unemployment Insurance Fund
US	United States
VAMCOSA	Valve and Actuators Manufacturers Cluster of South Africa
WWF	World Wildlife Fund

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SATELLITE OFFICES

Satellite offices are not permanently staffed and appointments must be arranged in advance.

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ADMINISTRATION

DIRECTORS

Executive

TP Nchocho (CEO)

Non-Executive

BA Mabuza (Chairperson)
LI Bethlehem
BA Dames
RM Godsell
A Kriel
SM Magwentshu-Rensburg
NP Mnxasana
M More
PM Mthethwa
ND Orleyn
NE Zalk

AUDITORS

SNG Grant Thornton (Johannesburg)
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P Makwane
Registration number:
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NOTES

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www.idc.co.za

RP243/2019
ISBN: 978-0-621-47570-8