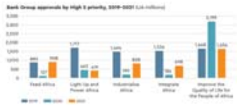
AFRICAN DEVELOPMENT BANK (AfDB) GROUP

Synopsis

Large, regional DFI founded by African countries to support continental development at the dawn of African independence. The AfDB formally came into existence in 1964 and is headquartered in the Ivory Coast. The Bank is focused on poverty reduction, improving living conditions, and mobilizing resources for economic and social development on the continent. Operations include private sector and sovereign lending. Its ownership comprises 54 African country members and 27 non-regional members drawn predominantly from Asia, Europe and the Americas.

$48 billion	2000+	$11 billion	$2.6 billion	25%
Total assets	Employees	Shareholder funds	Of total approvals for climate finance (2021)	of new installed power generation capacity renewable (2021)

Financing activity (2020-2021, in UA Millions)



Investment approvals by bank strategic focus

Portfolio by Region

Note: 1 UA ~1.32 US$, all figures 2021 financial year unless otherwise specified

Objectives

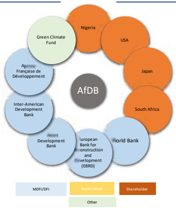
- •Poverty reduction
- •Private sector development
- •Industrialisation
- •Inclusive economic growth
- •Resource mobilisation
- •Regional integration

Key Statutes

- •Agreement Establishing the African Development Bank (1963)
- •African Development Bank long-term strategy (2021–2030)
- •Energy Sector Policy (2012, amended)

Target Sectors

- •Agriculture & Food security
- •Health
- •Education
- •Public utilities
- •Transport
- •Telecommunications
- •Energy



Key network relationships

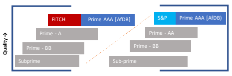
Governance

The Agreement Establishing the African Development Bank (1963) is the bank's key guiding document. The AfDB Group comprises 3 entities; the African Development Bank (ADB), African Development Fund (ADF) and Nigeria Trust Fund (NTF) - each of which features a distinct Board of Governors and Board of Directors. The ADB Board of Directors has 20 members, 13 of which are drawn from African member states. The ADF has 14 members with 7 selected by African representatives or the Bank itself. The ADB and ADF Boards of Directors guide the strategic direction and general operations of the AFDB as a group. South Africa is the 4th most influential country by number of votes at the AfDB, following from Nigeria, United States and Japan.

Strategic goals	ACCESS TO ENERGY Seeking to generate 162 GW of electricity, and complete 130mn on-grid and 75 mn off-grid connections · AGRICULTURAL TRANSFORMATION 150m people adequately fed, 100m lifted out of poverty and 190m hectares of land restored to · ECONOMIC DIVERSIFICATION Increase industry contribution to GDP by 130%, support 35 special economic zones, develop & strengthen 30 PPPs · REGIONAL INTEGRATION Develop regional infrastructure, boost intra-African trade & investment and facilitate cross border human movement · SOCIAL & ECONOMIC OPPURTUNITIES Create 80m jobs, build critical skills, improve access to water and
Development frameworks	 **Paris Agreement** - approved a five-year action plan (2021–2025) on climate change and green growth through which it commits to all new operations and sector strategies becoming fully Paris-aligned by 2023, with country-level and internal alignment by 2025 **United Nations Sustainable Development Goals (SDGs)** - committed to supporting all 17 SDGs **Agenda 2063** - helped draft and provides monitoring support for the African Union's development agenda to achieve inclusive growth and sustainable development across Africa
Governance structures	•The AfDB Board of Governors is the organisations highest decision-making body and elects the bank's president. •The bank's President must be a national of an African member state and is elected by the Board of Governors to a five-year term (maximum 2 terms) •The Board of Directors sets policies and guidelines and presides over 7 board committees including an Ethics Committee, Operations and Development Effectiveness committee and Audit and Finance committee. •The Bank president leads management of the bank's operations under the Board of Directors' supervision •The President is supported by the Chief Economist along with five Vice Presidents who supervise 30 departments with 57 organizational divisions and 6 units
Investment oversight	•**Board of directors:** Following initial appraisal and due diligence, investment proposals is submitted to AfDB's Board of Directors for review and approval

Fundraising

Routinely raises funding ($8-10bn annually in recent years) in international capital markets. Focused on deepening and diversifying its investor base and ability to raise funding cheaply in a variety of capital markets, currencies, and instruments. Raises significant funding in US dollars. Adopted green, social and thematic (e.g. energy, regional integration, opportunity) bonds with fundraising in Swedish, Australian and Japanese currency markets in recent years. Fundraising backed by strong, investment grade credit ratings - enabled by its strong shareholder base and capital adequacy amongst other contributors.



Credit ratings

$337m

raised across 30 thematic bonds

$5.25 billion

Raised across two, 5 year debt

$10.4 bn

New fundraising in (2021)

Conventional bonds
Social Bonds
Green Bonds
Thematic Bonds

Fundraising instruments

Operations

The bank has a wide footprint, with offices in 25 regional countries and operates in multiple development sectors. Robust operational systems perceived as a foundation for the bank's ability to effectively raise and deploy funding. Driving cost efficiency, strengthening governance and enabling capacity building for staff are amongst its priorities.

OPTIMISE RISK CAPITAL UTILISATION
Improve lending headroom, including through strategic use of balance sheet optimisation and insurance

PARTICIPATORY PROCESSES
Promote regional member country ownership of projects by engaging with local stakeholders

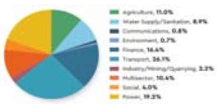
PROMOTE FINANCIAL SOUNDNESS
Prudent risk management promoting efficient uses of capital and maintaining a conservative liquidity policy and strengthening reserves

Key operating objectives

Operational efficiency

Investment

The banks investments include sovereign and private sector financing through instruments including guarantees, equity participation, private sector financing, technical assistance and other means, but mostly focused on loans. The AfDB seeks to broaden access to finance in member states own currencies where possible. The bank's minimum investment size is typically set at US$10m but may be lowered in exceptional cases.



Portfolio by Sector

Investment process
- • Incoming applications screened for market relevance and alignment with national priorities of AfDB member implementation countries.
- • Technical assessments of proposals from economic, financial, commercial, technical and safeguarding perspectives. Detailed appraisal and site visits followed by negotiation of AfDB participation and term sheets.

Green investment
- •Houses special funds including the Sustainable Energy Fund for Africa, Africa Climate Change Fund and the Climate Investment Fund
- • Battery Energy Storage Project - In 2019 , approved $57.7 million in funding for Eskom to purchase battery storage to store excess renewable energy for the grid. Co-invested alongside NDB
- • Issued over $2bn in green bonds over the years for areas such as renewable energy, vehicle energy efficiency, energy efficiency and biosphere conservation projects e.g. Quantum Power (Geothermal, Kenya), Solar Photovoltaic Power Project - Egyptian Feed-in-Tariff (Egypt) and Bujagali Energy Limited 2 (Uganda)
- •Yeleen Rural Off Grid Electrification Project – Phase 1 - Provided EUR 4m to install 22 MW off-grid solar systems in 100 rural areas of Burkina Faso. Overall project size EUR 75m and coinvested with GCF and European Commission
- •Aiming to dedicate 40 percent of its project approvals to climate finance and to ensure parity between adaptation and mitigation

Safeguarding

- • Environmental and social protection mandated through the bank's Integrated Safeguards System (ISS)
- • Aims to integrate international best practice, including on matters relating to climate change
- • ISS includes Operational Safeguards (which staff must apply in assessing and addressing social and environmental impacts and risk during project preparation and implementation) and guidance and procedures intended to inform the bank and its clients on meeting safeguard requirements during implementation
- •Safeguard measures address themes including environmental impact, involuntary resettlement, labour conditions, biodiversity and health
- •The bank may aim to support borrowers to implement safeguarding policies and requires compliance with national laws and policies at minimum
- •May decline an investment if it finds that the environmental or social impacts of any of its investments are not likely to be adequately addressed
- •The bank offers grievance redress mechanisms by encouraging clients to address credible independent mechanisms and/or through the Bank's country offices and its Compliance Review and Mediation Unit

Measurement

- •Pre-investment assessments of potential effects of a project on affected communities require the borrower or client to conduct environmental and social impact assessments using qualified personnel
- •The Bank monitors implementation through quarterly reports by borrowers and clients and during its own supervision missions
- •At a portfolio level, the bank measures and reports data aligned with its strategic priorities e.g. number of people with new electricity connections, CO2 emissions avoided, hectares of land improved and number of people with access to skills improvement opportunities

Transparency

- •The Bank is committed to ensuring that throughout the environmental and social assessment process, the borrower or client engages in meaningful and transparent consultation with affected communities, particularly with vulnerable groups, to ensure that they can participate in a free, prior, and informed manner in decisions about avoiding or managing environmental or social impacts
- •The group's policy on Disclosures and Access to information notes the increased engagement of external stakeholders, including civil society, with the Bank's work and commits to presumed disclosure unless information is specifically subject to exceptions.

Noted exceptions include deliberations (as opposed to outcomes) of decision-making processes, personal information and information provided by third parties to the bank with the expectation of confidentiality

- •The transparency of AfDB's sovereign portfolio was ranked 1st and its non-sovereign portfolio ranked 12th out of 50 global development institutions assessed by Publish What You Fund, on measures including finance and budgets, basic information, organisational planning and performance

Outlook

- •Bank is leading financial product innovation and balance sheet optimisation efforts. It established a green bond framework in 2013 (and a social bond program in 2017) and engaged in a pioneering synthetic securitisation effort to free up more lending room in its portfolio
- •Acknowledges importance of significantly reducing reliance on fossil fuels but not at the cost of meeting urgent energy needs which remains is the prime objective of its energy policy. Claims commitment to supporting the gradual adoption of a low-carbon and sustainable growth path by its members

Sources: Authors 'construction based on content from AfDB website, annual reports, policy documents, credit rating opinions and investor communications. Static graphs and charts reproduced from annual reports

INPUTS

(1) Quick Facts: Funding trends

Sources: DBSA (2021), Integrated Financial Report 2021

Item	2018	2019	2020	2021	2022	Avg.	CAGR	Median
Assets (R'bn)	89.212	89.488	100.465	100.048	100.028	95.8482	2.32%	100.028
Total Liabilities (R'bn)	54.9	52.3	62.9	60.9	57.117	57.6234	0.79%	57.117
Disbursements	12.2	9	15.4	13.5	12.92	12.604	1.15%	12.92
Social & green holdings			0.196	0.155		0.1755		0.1755
Social & green disbursement								
Social & green disbursement								

(2) Funding

Sources

Item	2018	2019	2020	2021	2022	Avg.	CAGR	Median
Debt raised (R'bn)			25.4	23.5		24.45		24.45
Liabilities	54.9	52.3	62.9	60.9	57.117	57.6234	0.79%	57.117
Net profit	3 139	2 810	-729	2 853		2018.25	-100.00%	2831.5
Net interest	3 649	4 263	4 171	4 682		4191.25	-100.00%	4217
Net interest margin	5.10%	5.50%	4.90%	4.90%		5.10%	-100.00%	5.00%
Net new borrowing								
Cost to income ratio	97	89	89	92		91.75	-100.00%	90.5

(3) Assets (Rbn)

Sources: DBSA (2021), Integrated Financial Report 2021

Item	2018	2019	2020	2021	2022	Avg.	CAGR
Cash equivalents	3.74	2.92	3.46	8.98	7.99	5	16%
Financial market assets	2.66	2.59	2.60	1.21	1.90	2	-6%
Developoment investments	81.87	83.04	93.55	89.04	90.33	88	2%
Other assets	0.94	0.93	0.86	0.83	0.81	1	-3%

(2) C-Scores

Sources

Item	Assessment	Rating (Low-High)
C1.Ecosystem		2
C2.Framework		3
C3.Governance		3
C4.Operations		2
C5.Capital		2
C6.Opportunities		3
C7.Accountability		2

Statement of financial performance for the year ended 31 March 2022		
in thousands of rands	2021	
Interest income	271.00	
Interest expense	123.00	
Net interest income	148.00	
Net fee income	8.00	
Net losses on financial instruments	46.00	
Operating income*	110.00	
Staff costs	49.00	
Other operating expenses	19.00	
Impairment losses, net of reversal	2.00	
Foreign exchange gains	60.00	
Other expenses	11.00	
Operating profit for the year	89.00	
Unwinding of interest on paid-in capital receivables	21.00	
Profit for the year	110.00	
Fair value (loss)/gain on debt instruments	7.00	
Impairment loss for debt instruments at FVTOCI included in profit or loss	1.00	
Other comprehensive (expense)/income for the year	6.00	
Total comprehensive income for the year	104.00	

"The DBSA contributes to a Just Transition toward a renewed and inclusive economy and society that embodies resilience, regeneration, and transcends current trajectories. As a sanctuary for development practitioners, the DBSA holds this to be the transformative change needed to realise a prosperous, integrated and resource efficient continent. This stance progressively advances the common goals for sustainable and equitable well-being. The DBSA will work in partnerships to co-produce impactful development solutions and the sustained platforms of an enabling environment for participation, a sense of purpose,

Sankery diagram map

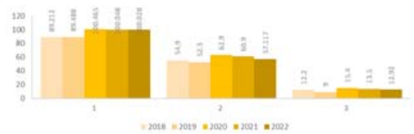
Operating income* [49] Staff costs
Operating income* [19] Other operating expenses
Operating income* [2] Impairment losses, net of reversal
Operating income* [60] Foreign exchange gains
Operating income* [11] Other expenses
Operating income* [89] Operating profit for the year
Operating profit for the year [21] Unwinding of interest on paid-in capital receivables
Operating profit for the year [110] Profit for the year
Profit for the year [7] Fair value (loss)/gain on debt instruments
Profit for the year [1] Impairment loss for debt instruments at FVTOCI included in profit or loss
Profit for the year [6] Other comprehensive (expense)/income for the year
Profit for the year [104] Total comprehensive income for the year

DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

Synopsis

Development bank founded in 1983 with the intention of facilitating infrastructure investment. The South African government is sole owner and is the country's second largest DFI. The organisation primarily funds initiatives in South Africa but has a footprint across the broader continent through investments including electricity generation, social infrastructure and transport.

R100bn	600+	R39bn	R12.5bn	R16bn+
Total financial assets	Employees	Shareholder funds	Avg. annual disbursement (last 5 years)	in renewable energy investments



Funding trends (R'bn)

Allocation trends

Objectives

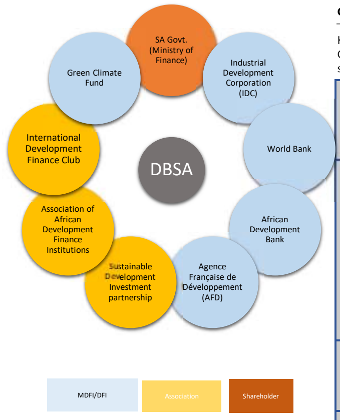
- Infrastructure development
- Economic development & growth
- Mobilise capital for development
- Regional development & Integration
- Support capacity for development programmes

Key Statutes

- DBSA Act No. 13 of 1997
- Public Financial Management Act
- King IV Code on Corporate Governance

Target Sectors

- Power generation
- Transport & logistics
- Water & Sanitation
- Climate & conservation
- Sustainable Industrialisation
- Human settlements
- Social sectors



Key network relationships

Governance

Key legislation establishes the DBSA's responsibility to mobilise private sector and development financing of public infrastructure and contribute to economic development. Government, as the sole owner, determines its board members and they set its strategic objectives. DBSA subscribes to a several national and international frameworks for sustainable development and climate action.

Strategic goals

- ECONOMIC RECOVERY: Contribute to economic recovery in SA with consideration for just transition, poverty, inequality and employment
- CAPITALISE ON AFRICAN OPPORTUNITIES: Identify opportunities to support growth across the continent through timely collaborations with private sector, other DFIs
- OPERATIONAL EFFECTIVENESS: Harness technological innovation to improve support functions (e.g. legal, HR) and promote operational efficiency
- INCLUSIVE TRANSFORMATION: Change pattens of ownership in infrastructure, especially by promoting participation of

Development frameworks

South Africa's National Development Plan - sets out national development priorities. DBSA committed to supporting implementation through infrastructure development and regional integration
SADC Vision 2027 - a regional framework for infrastructure focused on energy, transport, information and communication, technologies (ICT), meteorology, transboundary water, resources and tourism
AU Agenda 2063 - continental framework towards African socio-economic transformation. Contribution through infrastructure, trade promotion, electricity generation and other avenues
Paris Agreement - sets out national commitments to climate action. The DBSA seeks to be a leader in green finance in SA and support cross-sectoral efforts to meet SA's NDCs.
United Nations Sustainable Development Goals (SDGs) - sets out global development priorities. The DBSA seeks to directly contribute to the SDGS on Clean Water and Sanitation (SDG 6), Affordable and Clean Energy (7), Industry, Innovation and Infrastructure (9), Sustainable Cities and Communities (11), Climate Action (13) and Partnerships (17)

Governance structures

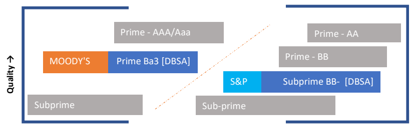
- The **Minister of Finance** is **responsible for appointing board members,** a matter in which they have full discretion.
- **13 board members (minimum of 10 and maximum of 15 required)** selected based on socio-economic development, development finance, business, finance, banking and administration qualifications and experience
- The board engages and reports to the Minister on at least a quarterly basis

Investment oversight

- **Investment committee (Executive level):** Committee of senior operational staff authorised to approve transaction within the bounds set by the board for funding to a single beneficiary
- **Board credit and investment committee:** responsible for approving any transactions outside the limits imposed on the investment committee

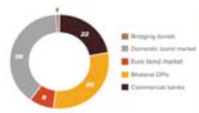
Fundraising

The DBSA places priority on diversifying funding sources, borrowing from capital markets at low cost and keeping enough funding at hand to repay its investors periodically. The DBSA's credit rating was recently downgraded and concerns of a further downgrade that raises its cost of funds are material. Its ability to raise funding at competitive rates has been reduced. Much of DBSA's funding is obtained from local investors or bilateral DFIs.



Credit ratings

Outstanding debt by currency



Outstanding debt by source

No.	Facility	Value
1	Green bond – private placement with Agence Française de Développement	€200 million
2	New Development Bank	$300 million
3	European Investment Bank	€22 million
4	European Investment Bank Kaxu CSP	$100 million
5	Green Fund	R1,1 billion
6	Green Climate Fund	$157,5 million
7	Global Environmental Facility	$54 million

$960bn+ in green funding in last 6

R 3.6 bn

Net fundraising in (2022)

Bilateral loans
Domestic Medium-term notes
Green bonds
Equity
Bond repurchase agreements

Fundraising instruments

Operations

DBSA demonstrates healthy financial performance, notably in terms of its net interest margin (difference in cost of funds versus income from lending. The organisation is committed to furthering skills development in ESG, digitalisation and innovation.

- Financial sustainability through cost optimisation and income and balance sheet growth
- Drive internal efficiencies while maintaining its relevance through a future-fit workforce and a culture of high performance and
- Grow development impact of funding activity , especially in priority sectors, and be able to respond effectively to rapid changes in development context
- Forge and maintain strong partnerships with other DFI's, investors and others towards strong investment opportunities

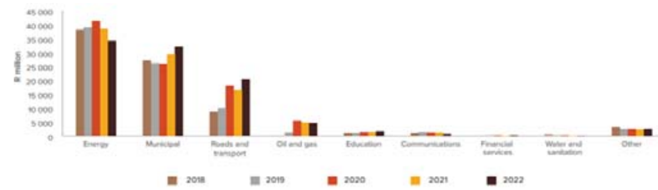
Key operating objectives

Financial ratios		2022	2021	2020	2019	2018
Total capital and reserves to development loans	%	51.0	47.3	43.6	49.0	45.7
Long term debt/equity (excluding callable capital)	%	129.6	152.1	164.9	138.1	156.2
Debt/equity (including callable capital)[7]	%	88.4	100.7	107.6	89.8	98.7
Cash and cash equivalents to total assets	%	8.0	9.0	3.4	3.3	4.2
Total capital and reserves to assets	%	42.5	39.1	37.4	41.5	38.5
Financial market liabilities to investment in development activities	%	61.5	66.8	66.2	61.8	65.4
Non-performing book debt as a % of gross book debt	%	4.7	7.7	7.2	4.9	4.5
Return on average total equity	%	9.3	3.7	1.3	8.7	6.9
Return on average total assets	%	3.8	1.4	0.5	3.5	2.6
ROE based on sustainable earnings	%	8.8	6.0	(1.6)	6.5	8.3
Interest cover	Times	2.8	2.4	2.1	2.1	2.0
Net interest income margin[8]	%	6.2	5.3	5.1	5.5	4.9
Cost-to-income ratio	%	23.7	25.4	28.4	22.9	21.7

Operational efficiency measures

Investment

The overwhelming value of DBSA's investment holdings is located in energy, transport and logistics and municipal finance. No specific disclosures are made with respect to the proportion of funding that addresses carbon intensive industries or those designated as green/just transition investments. DBSA provides significant funding to the energy sector and close to 50% of its loan portfolio is dedicated to the sector.



Sector funding allocations by year

Investment process

- Investments are screened based on DBSA's mandate/strategy and thereafter undergo due diligence analysis to assess their financial and developmental merit. Due diligence findings are provided to the relevant investment committees for funding decisions
- After investment, the DBSA manages funding disbursements according to agreements and monitors recipients to

Green investment

- Embedded Generation Investment Programme - DBSA invested USD 100m (matched by Green Climate Fund) to support investment in Solar PV and wind technologies. Intended to add 330 MW of solar photovoltaic and wind generating capacity, thereby directly avoiding emissions of more than 700 000 tCO2e per annum
- Ithezi-Thezi (ITT) Hydropower - provided US$23 million to independent power producers for the generation of 120MW from a hydropower plant in Zambia

Carbon intensive investments

- Eskom power generation - granted R15bn to Eskom in 2010 to generate up to 12 300 megawatts of additional power generation capacity with projects including Medupi and Kusile coal-fired power plants

Safeguarding

- DBSA's Environmental Appraisal Framework (EAF) and Environmental and Social Safeguard Standards (ESSS) embed consideration of adverse environmental and social effects across its funding cycle
- Includes assessing the expected effects on projects on local communities and the environment and requirements to put in place suitable mitigation measures to address identified risks
- Funding recipients asked to screen for and report on greenhouse gas emissions, climate change impacts, climate change mitigation and adaptation measures and carbon emission estimates

Measurement

- Project evaluation is aligned with the DBSA's ESS standards and their use extends to project evaluation, where clients must report on environmental and social outcomes
- Funding agreements establish obligation on clients/recipients to monitor and report on material environmental and social indicators, including challenges encountered in implementation and redress measures

Transparency

- DBSA provides good transparency regarding its financial position, green stance and its environmental and social engagement/disclosure requirements of funding partners
- The DBSA does not currently offer disaggregated information on the portion of its portfolio that aligns with various green standards - especially the proportion related to more carbon-intensive vs climate friendly initiatives
- There is no public disclosure regarding the weighing of environmental and social benefits, risks in project selection, or how such considerations have historically been weighed in investment committee deliberations

Outlook

- Although the DBSA has been in a healthy financial position in recent years, the SA government's credit downgrade in 2020 and a subsequent credit crisis at Landbank, has affected its fundraising attractiveness. Accordingly, management is further emphasizing efforts to safeguard the banks' financial stability
- Access to green finance markets, mostly overseas through entities such as the GCF, AFD or with green bond issues has emerged as a key means of diversifying sources of funding and overcoming some of the headwinds faced when raising in traditional finance markets
- DBSA's engagement with green fundraising opportunities is clearly influencing its rhetoric and operational embedding of principles related to the Just Transition. The DBSA has committed to pursuing net-zero and Just Transition by offering transition finance and not supporting fossil fuel investments that don't align with a Just Transition pathway.
- However, the bank maintains that the South African economy and those of other countries in the region remain dependent on fossil fuels. Although the bank has performed an internal 'green deep dive' to understand its exposure to carbon intensive vs. green projects,

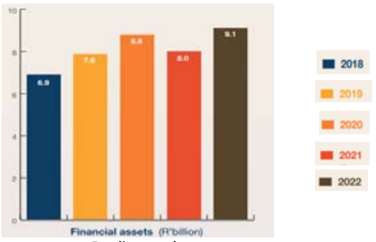
Sources: Authors' construction based on content from DBSA website, annual reports, policy documents, credit rating opinions and investor communications. Static graphs and charts reproduced from annual reports and investor presentations

EXPORT CREDIT INSURANCE CORPORATION(ECIC)

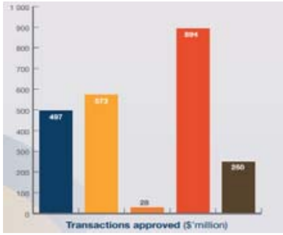
Synopsis

South Africa's official export credit agency, established in 2001 in response to the gap for medium/long term export credit and investment insurance. The ECIC is a government owned, self-sustaining entity that works to facilitate cross border investment and export by providing commercial and political risk insurance to SA exporters (capital goods & services.) The organisation promotes South African export trade by underwriting bank loans and investments outside the country. This enables South African enterprise to win business contracts abroad.

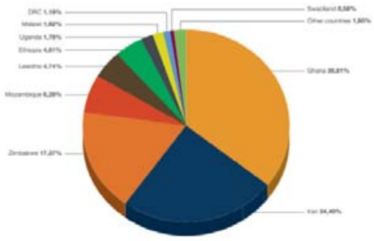
R10bn	80+	R20.8 billion	R39 billion +	15 countries +
Total assets	Employees	Total sum insured as of March 2022	In loans supported since 2012	with active transactions



Funding trends



Financing activity



Total sum insured by country (31 March 2022)

Objectives

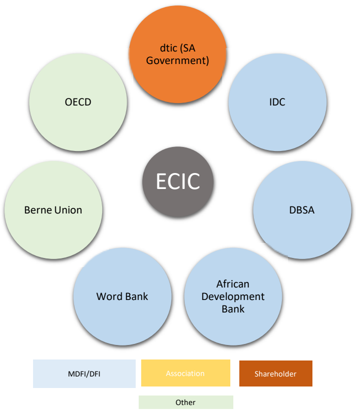
- Inclusive economic growth
- Job creation
- Competitiveness in global markets

Key Statutes

- Export Credit and Foreign Investments Insurance Act (1957)
- Short-Term Insurance Act, 53 of 1998
- Public Finance Management Act, 1999 (as amended)
- Insurance Act, 2017
- Companies Act, 71 of 2008

Illustrative sectors

- Energy
- Manufacturing
- Plastics
- Mining
- Transport & logistics
- Construction
- Telecommunications
- Forestry



Key network relationships

Governance

South African government owned with the Department of Trade, Industry and Competition (dtic) as shareholder representative. Appoints the ECIC board which is responsible for the corporation's policy and promoting compliance. The Board is accountable to the dtic as government shareholder representative for the ECIC's activities and performance.

Strategic goals	STAFF RETENTION & EFFICIENCY Competent and competitive workforce; IMPROVE BUSINESS PROCESSES & SYSTEMS Drive operational efficiencies and the cost-; TRADE FACILITATION Attract new business from new and existing partners; GOOD GOVERNANCE & RISK MANAGEMENT To support a self-sustainable corporation; INCREASE CAPITAL BASE To extend sustainable growth of the business; IMPROVED STAKEHOLDER SATISFACTION Positive stakeholder, client and employee engagement
Development frameworks	**National Development Plan 2030** - considers the National Development plan the overarching link to government priorities and seeks to align ECIC goals and strategies accordingly. **UN Global Compact Principles** and **OECD Recommendations Against Corruption** - regarding human rights, labour standards, the environment and anti-corruption **OECD Arrangement on Export Credits -** a framework for the use of export credits in manner encouraging fair competition amongst exporters (SA is not an OECD member but has observer status)
Governance structures	•The Board of Directors is a nine-member governance structure responsible for the ECIC strategy and performance. It includes two representatives from the dtic and National treasury, the CEO of the ECIC and 6 independent non-executive directors. The board is appointed by the shareholder representative •Board committees include Audit Committee, Risk Committee, Finance, Investment and Insurance Committee and the Social and Ethics Committee. •The Board delegates authority to the CEO and management to support delivery of its responsibilities.
Investment oversight	•Executive committee: Comprised of the CEO and other C-suite executives and focused on areas including administration, operations, projects, enterprise risk management and ICT. Manages day to day operation and evaluates insurance applications amongst other matters.

Fundraising

The ECIC Has no disclosed active programmes to raise funding from external, capital market sources. However, the institution holds funding (including incoming insurance premiums) in the form of financial assets, including equities, bonds, and investment funds to grow their value over time.

R6 billion+

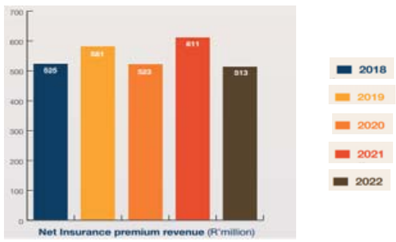
In financial assets

Operations

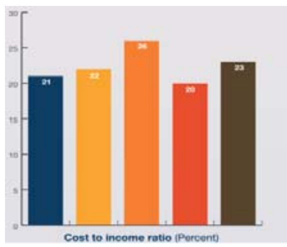
Working to ensure adequate levels of capital and liquidity to meet the regulatory and operational requirements on a sustainable basis. Maintaining a lean operational model, with a cost-income ratio below 32% is a priority, alongside maintaining strong approvals volume ($500m+). Growing the business also a focus and seeking avenue to support transactions underpinned by non-South African banks.

GROW THE BUSINESS Increase market presence, diversify products, improve pricing and develop new solutions	OPERATIONAL EXCELLENCE Strengthen systems and processes, and building team capacity, knowledge, professionalism and skills
GOOD GOVERNANCE AND RISK MANAGEMENT Promote sustainability through good governance and sound risk management practices	

Key operating objectives



Net revenues

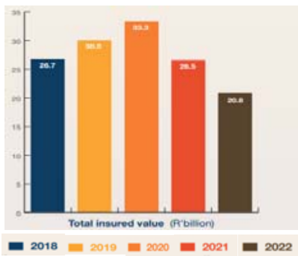


Cost to Income structure

Insurance extension

Activity across multiple sectors and geographies. Top 3 countries in the portfolio are Ghana, Iran, and Zimbabwe and the three largest sectors in the portfolio; power and energy. telecommunications and construction, represent about three-quarters of the total sum insured.

Sector share of sum insured (31 March 2021)



Total insured value by year

Investment process

- ECIC receives and screens an indicative request from a project and performs initial screening
- Formal application and supporting information provided
- Compliance checks, including know your customer and anti-bribery checks
- Evaluation by project exco (value <$20m), finance investment and insurance committee ($20m<value<$50m) or the board (>$50m)
- Maximum 85% of the export contract value is eligible for ECIC backed finance and insurance support.

Safeguarding

- The ECIC"s policies encompass anti-corruption measures to prevent the support of export contracts and investments secured through undue influence or disreputable entities
- Commits to not supporting projects with high environmental and social risk assessments (Category A and B Projects) or those not compliant with environmental & human rights laws
- Commits to implementing international best practices such as IFC Performance Standards, World Bank Safeguard policies and the Sustainable Lending Practices
- Any recommended actions based on environmental and social impact assessments of project operation form part of insurance policy

Measurement

- ECIC requires project stakeholders to motivate how the project complies with its safeguarding standards, including provision for stakeholder consultations and providing environmental and social impact assessments as necessary
- Monitors the performance of the project / transaction by requesting monthly or quarterly reports from the borrower (according to the Policy agreement)

Transparency

- Focus on keeping stakeholders informed regarding the ECIC's operations through 2 newsletters a year, to communicate information including deals supported, portfolio holdings, and completed projects
- Leadership hosts periodic knowledge sessions on topics including strategic thinking, investment processes and risk appetite.

Outlook

- The ECIC does not currently have overt messaging on climate action and implementing related safeguards in its process
- Informally, there appears to be internal momentum to develop climate policies and improve related safeguard measures, although public disclosures of these may only materialise later
- The ECIC's current portfolio includes potentially carbon intensive exposures, notably in energy generation, gas distribution and cement manufacturing
- ECIC approvals are driven by exporters with existing support from a commercial bank or DFI funding. How opportunities are conceptualised and packaged ahead of being brought to the ECIC may influence how strongly it engages with climate funding

Sources: Authors' construction based on content from ECIC website, annual report and policy documents. Static graphs and charts reproduced from annual reports

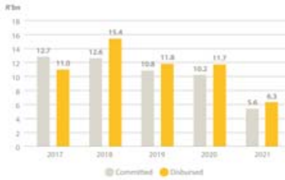
INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

Synopsis

SA government owned institution established in 1940. Mandated to promote industrialisation with a positive effect on job creation, economic growth and development. Provides development finance, promotes private sector development and sometimes provides financial products not readily available in the market. May seek to take higher risk than traditional funders for catalytic effect.The IDC also makes investment in the rest of Africa and engages in entrepreneurship promotion through its subsidiary the Small Enterprise Finance Agency (SEFA).

R144 billion	800+	R5.6 billion	R6.3 billion	39%
Total assets	Employees	Funding committed in 2021	Total funding disbursement in 2021	Of new funding approvals internally rated as low-to-medium risk

Value of commitments and disbursements by segment



Commitment and disbursement trends

Objectives

- •Entrepreneurship promotion
- •Industrial development
- •Sustainable growth
- •Economic empowerment
- •Employment creation
- •Regional integration

Key Statutes

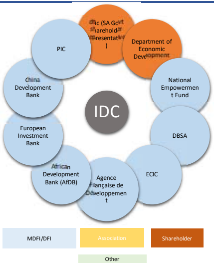
- •IDC Act (1940, amended)
- •Public Finance Management Act (1999)
- •Industrial Policy Action Plan (IPAP)
- •Industry Master Plans

Target Sectors

- •Manufacturing
- •Mining
- •Services
- •Agriculture
- •Telecoms
- •Energy
- •Youth
- •Women

(3) Assets (Rbn)

Sources	DBSA (2021), Integrated Financial Report 2021						
Item	2018	2019	2020	2021	2022	Avg.	CAGR
Cash equivalents	3.74	2.92	3.46	8.98	7.99	5	16%
Financial market assets	2.66	2.59	2.60	1.21	1.90	2	-6%
Developomemt investments	81.87	83.04	93.55	89.04	90.33	88	2%
Other assets	0.94	0.93	0.86	0.83	0.81	1	-3%



Key network relationships

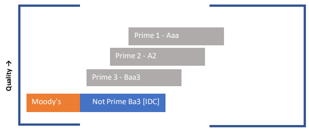
Governance

The IDC is governed by the IDC Act (1940, as amended) with the Minister of Trade, Industry and Competition (dtic) as the government shareholder representative. The organisation partially integrates the dtic's Joint Indicators in describing its joint contribution, including in greening the economy. The shareholder representative appoints board members in consultation with the cabinet and monitors operational alignment with government priorities.

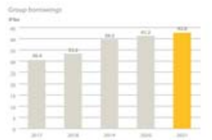
Strategic goals	FINANCIAL SUSTAINABILITY Grow pipeline of opportunities, promote investment value growth and financial standing	ORGANISATIONAL CAPABILITIES Promote effective deal execution, strong human resources and organisational capabilities	DEVELOPMENT EFFECTIVENESS Grow network connections and partnerships to support deal execution and portfolio growth
Development frameworks	**National Development Plan 2030 -** considers the National Development plan the overarching link to government priorities **United Nations Sustainable Development Goals (SDGs) -** committed to supporting all 17 SDGs		
Governance structures	•**Board of Directors:** The Board of Directors comprises 5-15 members selected by the shareholder representative.11 members were appointed to the board as of 2021. The Board provides operational oversight and, sets the strategic direction and offers leadership in ensuring policy approval and good governance. The Board delegates authority to 5 sub-committees Audit Committee, Risk and Sustainability Committee, Social and Ethics Committee, Human Capital and Nominations Committee, and Investment Committee. •Board delegates day-to-day operations management to the CEO, assisted by the Executive Management Committee and its sub-committees.		
Investment oversight	•**Board Investment Committee:** equity and credit-granting committee with authority to consider transactions where the IDC's cumulative exposure is between R300 million and R1.5 billion and group counterparty exposure is between R500 million and R5 billion. Transactions exceeding these limits are submitted to the Board for approval.		

Fundraising

Funds are from a mixture of internal reserves and income from previous investments, borrowing in domestic and international markets and access to funding from commercial banks and local and foreign DFIs. The IDC has grown borrowing in line with expected disbursements and its credit rating partly reflects the higher risk investments the IDC engages with.



Credit rating



Borrowing trends

R2bn

Raised from a private placement bond with the UIF

R43 billion

In outstanding borrowings

Bonds
Private placements

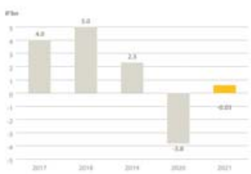
Fundraising instruments

Operations

The COVID-19 pandemic's economic impact adversely affected the IDC's portfolio performance and operations. Its direct effect on clients required the bank to pay further attention to matters such as payment deferments and business restructurings. Has refocused on using its balance sheet effectively in a difficult economic environment

DEVELOPMENT PROGRAMME EXPANSION complemented by funding to make a meaningful contribution to industrial development	FINANCIAL SUSTAINABILITY to elevate balance sheet optimisation and an improved funding model, and a strategy to preserve value of listed holdings and enhance capital
An enhanced economic inclusion financing and support programme for sustainability	

Key operating objectives

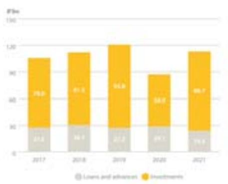


Operating profit and loss

Revenue trends and disaggregation

Investment

The IDC's investment philosophy centres on promoting industrial development by supporting commercially viable businesses. Although it addresses higher risk opportunities, including exposure to equity instruments and small businesses, financial criteria are especially prominent in project evaluation. This is seen as a means of driving strong investment selection, paired with robust post investment risk management, to produce sustainable businesses. The group has significant exposure to the resources sector and aims to diversify its portfolio to reduce related risks in the short- to medium term.



Loans and advancements

Investment process

- Funding application received online or at an IDC office
- IDC performs initial screening and solicits further information where required
- If successful, project proceeds to detailed due diligence phase

Green investment

- **Redstone concentrated solar power project** -100MW solar power project that commenced construction in 2021 to be operational in 2023. Located in Northern Cape and the R11.6bn total project value is partly funded by IDC
- Professes support for Just Energy Transition through its funding of the renewable energy sector, energy efficiency, improvements in industrial infrastructure, battery storage and transport

Safeguarding

•Guided by the IDC Environmental and Social Policy (2017)
•Due diligence phase prior to investment assesses the potential negative environmental and social impacts of projects using an environmental and social review framework that rates the severity of potential harms
•Safeguard policies make provision to support climate change mitigation and adaptation measures by investing
•Environmental and social due diligence will identify 'deal breakers' for consideration by the IDC credit committee in deciding on funding applications.
•IDC precluded from funding applications that achieve the most severe rating and commits to taking legal action against clients who's performance falls to this level post-award
•Most 2020/21 transactions were classified as category B (medium risk), higher than

Measurement

•Annual reporting with a focus on job creation and funding disbursements to B-BBEE/Women-owned/Youth initiatives
•Measured in-house operational emissions since 2014
•Ongoing assessment of funded projects in line with safeguard provisions

Transparency

•General commitment to transparency as a public body and in the interests of good governance
•ESS related disclosures to be provided as to board annually and communicated (on aggregate) in annual reporting

Outlook

•IDC overtly states its intention to play a role in supporting initiatives others may deem high risk. Also expresses growing interest in supporting strategies to develop a greener industrial base, mitigate the risk of long-term carbon emitters and explore opportunities in green hydrogen
•The organisation tracks its internal carbon footprint and is monitoring materiality of climate to its investments e.g. carbon tax exposure for equity-funded clients that produce substantial greenhouse gas emissions
•Whilst the IDC has had some success, its business is vulnerable to economic shifts which leads it to prioritise opportunities with attractive financial upside as a means of conserving its resource base.

Sources: Authors' construction based on content from IDC website, annual reports, policy documents and credit rating opinions. Static graphs and charts reproduced from annual reports

NEW DEVELOPMENT BANK (NDB)

Synopsis

Development bank founded by the BRICS (Brazil, Russia, India, China and South Africa) bloc of countries. Headquartered in China and established to overcome perceived limitations of development investment sourced from Western dominated multi-lateral DFIs in serving developing and emerging markets. Focused on enabling global growth and development by supporting infrastructure and sustainable development projects in BRICS and other emerging markets. BRICS countries established equal (20%) shareholding at inception. Other nations, including Bangladesh and the United Arab Emirates have since assumed minority shareholding and more nations may join in future

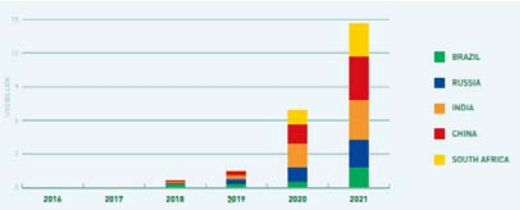
$24.9bn Total financial assets

200+ Employees

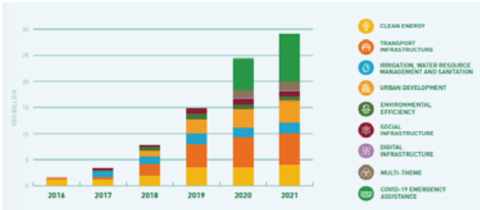
$10.7bn Shareholder funds

$2.43bn Avg. annual disbursement (since inception)

$5.2 billion in climate investments



Funding trends



Allocation trends

Objectives

- •Infrastructure development
- •Sustainable development
- •Economic recovery
- •Private sector capital mobilisation
- •Inclusive economic growth
- •Membership expansion

Key Statutes

- •Agreement on the New Development Bank (2015)

Target Sectors

- •Clean energy & energy efficiency
- •Transport infrastructure
- •Water & sanitation
- •Environment
- •Social infrastructure
- •Digital infrastructure

Avg.	CAGR
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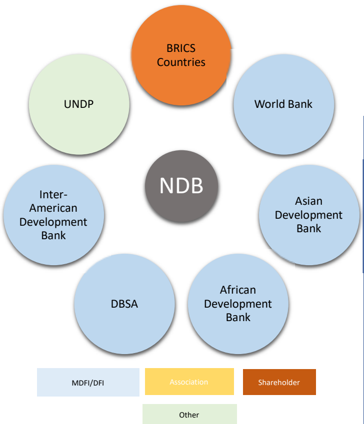


Key network relationships

Governance

The Agreement on the New Development Bank (2016) provided a founding basis for its operations. A part of this document are the NDB's Articles of Agreement, which outline the purpose, functions, membership and decision-making and operational structure of the institution. The decision-making framework gives rise to a dual decision-making structure featuring a Board of Governors, composed of ministerial-level representatives from member countries, a Board of Directors, also delegated by members countries, and a President. South Africa is represented by the Minister of Finance at board level.

Strategic goals

- RESOURCE DEPLOYMENTS: Provide $30bn in own financing between 2022 -2026, taking cumulative investment to $60bn since inception
- IMPACT FINANCING: Prioritise high impact opportunities aligned with member development priorities and their commitments or areas of emphasis
- INSTITUTION BUILDING: Grow internal capabilities and profile as an international development institution, including by incorporating technological and process innovation, developing own human resources and growing profile and contribution to international development

Development frameworks

PARIS2015

Paris Agreement - pledges to support member commitments to climate action Paris Agreement. Projects that are climate smart, disaster-resilient, technology-integrated and inclusive will be prioritised for financing
United Nations Sustainable Development Goals (SDGs) - sets out global development priorities. Seeks to prioritise SDGs of importance to its members and primarily aligned with 11 of the 17 SDGs, notably SDG 9 (industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 8 (Decent Work and Economic Growth)

Governance structures

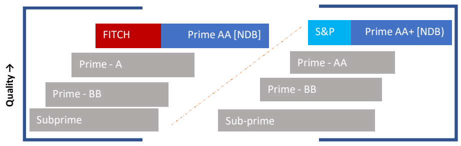
- •The Board of Governors is responsible for electing the NDB president and presiding over new membership admissions and treaty commitments amongst other duties.
- •The Board of Directors is responsible for guiding the strategic operations of the bank and presides over audit, risk and compliance, budget, human resources and compensation matters through board committees.
- •The bank's President is elected by the Board of Governors and responsible for overseeing regular operations of the bank, chairing its investment and operational/financial risk committees and appointing other operational executives and personnel as required.

Investment oversight

- •**Credit and investment committee:** responsible for making recommendations on financing and technical assistance instruments offered by the bank. Meets monthly and comprises 5 members of the executive team.
- •**Finance committee:** oversees matters related to the financial and operational risk of the bank and responsible for applying recommendations from board of directors in its areas of responsibility. Meets monthly and comprises 5 members of the executive team.

Fundraising

As the NDB continues establishing itself as one of the world's major development banks its priorities are to grow the extent to which its instruments feature in different capital markets (currencies, countries, time horizons etc) and grow its share of instruments with strong green, social and sustainability alignment. Fitch recently downgraded the entity slightly due to concerns on the effect of its Russian ownership on access to USD denominated funding opportunities



Credit ratings

Geography	Authorised	Used
Global	$58 bn	21%
China	$4.39 bn	57%
South Africa	$0.59 bn	0%
Russia	$1.66 bn	0%

Established borrowing programmes

$488 million

Proceeds from issuance of 5 year Green bond in China - 2016

$5.5bn +
New fundraising in (2022)

Equity
Long term bonds
Medium term notes
Green bonds
SDG bonds
Commercial notes

Fundraising instruments

Operations

Emphasis on a strong operational platform to enable rapid growth in disbursements aligned with the NDBs targets for portfolio expansion. Aims to structure, negotiate, review and approve loans within a period of 6 months without compromising project quality and risk management standards. Self-styled lean operating model with low administrative expenses, and intent to strengthen collaborative partnerships. Established field offices in member countries including SA.

- RAPID APPRAISAL: Minimise the timeframe from identifying projects to enacting
- EFFECTIVE PARTNERSHIP MODALITIES: Extend origination and funding links to other DFIs and establish streamlined
- SCALED DISBURSEMENT: Build internal fundraising and deployment capabilities to enable doubling of cumulative commitments by 2026

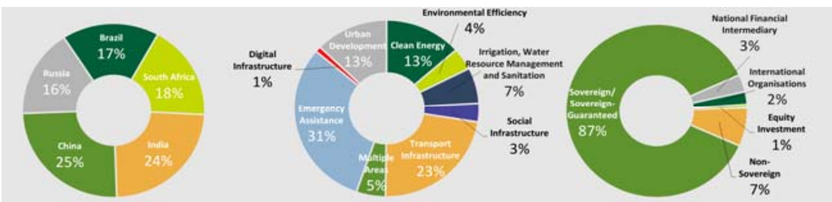
Key operating objectives

- **1.2x** 12 month liquidity coverage ratio
- **57%** liquid assets / adjusted total assets
- **49%** Gross debt/adjusted total assets

Operational efficiency measures

Investment

The NDBs investments to date are heavily concentrated in sovereign and sovereign-guaranteed loans. These accounted for 86% of cumulative approvals by end-2021. Over 80+ individual projects have been financed to date. South Africa has benefited significantly from funding approvals to date and accounts for 18% of the portfolio. These local investments include loans to the government to support COVID recovery efforts and various energy financing initiatives



Funding portfolio by country, area and type

Investment process

- • NDB gathers detailed information on each identified opportunity, including environmental, social and development contribution, legal risks and financial criteria
- • Projects are initially appraised in an internal review process and funding terms are negotiated for promising opportunities, with final decision made by the credit and risk committee

Green investment

- • Greenhouse Gas Emissions Reduction and Energy Sector Development Project - In 2018 , the NDB approved $300m to DBSA for renewable energy on-lending with a view to reduce emissions
- • Battery Energy Storage Project - In 2019 , the NDB approved R6bn in funding for Eskom to purchase battery storage to store excess renewable energy for the grid
- • Environmental Protection Project for Medupi Thermal Power Plant - In 2019 , the NDB approved $480m for Eskom to reduce environmental pollution from sulphur dioxide emissions at a coal-fired powerplant

Safeguarding

- •Commitment to incorporating sustainability and ESG in project implementation
- •NDB Environmental and Social Framework commits bank to addressing social and environmental risks related to its financing
- •Commits to promote mitigation and adaptation measures to address climate change, and conservation of natural resources

Measurement

- •Funding agreements establish obligations for clients to monitor implementation of agreed environmental and social mitigations
- •NDB does independent monitoring through regular reporting, field visits, post evaluation reports etc
- •Encourages projects with significant GHG exposures to report direct and indirect emissions

Transparency

- •NDB requires funding clients to engage in inclusive consultation processes consistent with national laws and policies
- •Clients are required to make social and environmental impact assessment documents readily accessible to stakeholders, including the general public, so they can input into project development and implementation
- •Clients required to maintain fair and effective grievance mechanisms for environmental and social performance of a project
- •Party to a 2019 MDB statement committing to actions including establishing a transparency framework to report on

climate change: and conservation of natural resources •Seeks to align with country safeguards where available and to exceed/strengthen them where they are deficient •Projects are screened based on this framework from an early stage and assigned a categorical rating (Most risky - Cat A, Least Risky - Cat C) •NDB requires high risk projects to put in place appropriate risk management plans and measures •Emphasises measures to assess potential climate and GHG impacts,	indirect emissions	•Party to a 2019 MDB statement committing to actions including establishing a transparency framework to report on the climate impacts of DFIs and move clients away from fossil fuels. The framework provides for working together with commercial banks, DFIs, (especially members of IDFC), donors and civil society towards its objectives.

Outlook

•NDB is rapidly scaling its activities and financing, with ambitions for significant growth in both its funding footprint and global influence in next 5-10 years
•Strong financial position but Russia's isolation from global financial crisis following the war in Ukraine is a concern
•South Africa has made strong commitments to the bank but also benefited extensively. The bank resources key institutions including the DBSA and Eskom
•Although the NDB's safeguard policies and measurement policies are progressive, raising local currency in the local markets of key shareholders makes it difficult for its green credentials to evolve out of lock step with the national stances of the BRICS nations

Sources: Authors' construction based on content from NDB website, annual reports, policy documents, credit rating opinions and investor communications. Static graphs and charts reproduced from annual reports and investor presentations

PUBLIC INVESTMENT CORPORATION (PIC)

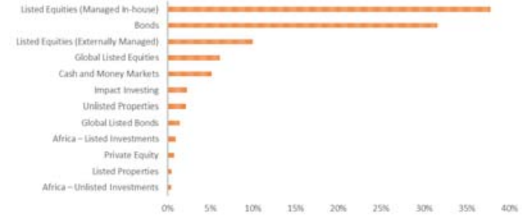
Synopsis

Government owned investment manager with a history dating back to 1911. Exclusively services public sector clients (mainly retirement and social security funding pools). Largest investment manager in Africa and single largest owner of securities on the Johannesburg Stock Exchange. Business model relies on charging clients management fees to invest funds on their behalf.

R2.3tn	350+	R2.1tn	0.3-0.5%	R15bn+
Assets under management (AuM)	Employees	of funding from single client	Management fee charged on client funds	Cumulative renewable energy investment

	About	AuM
Government Employee Pension Fund (GEPF)	•Defined benefit retirement pool for government employees •Houses retirement savings of over 1m people	89.2
Unemployment Insurance Fund (UIF)	•Unemployment benefit fund linked to SA Labour department •Collects 1% of worker salaries to fund safety net	5.0%
Compensation Commissioner's Fund (CCF)	•SA dept of labour fund that compensates personal losses from occupational injuries/disease •Compensates aspects such as loss of earnings, medical expenses, travel expenses etc.	2.0%
Compensation Commissioners Pension Fund (CCPF)	•Funds retirement benefits linked to occupational injury/disease losses	1.5
Associated Institutions Pension Fund (AIPF)	•Pension fund for institution close to government •Includes employers tied to universities, scientific boards and research councils amongst others	0.7

Leading clients and mandates



PIC asset allocation (2022)

Objectives

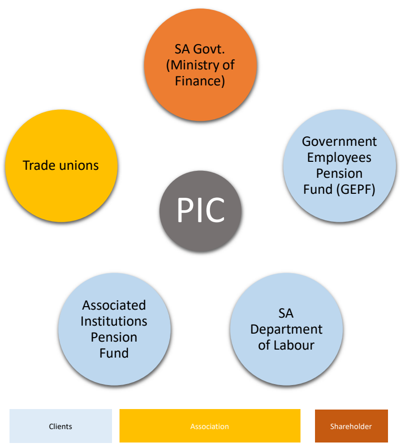
•Competitive financial return •Inclusive economic growth
•Economic transformation
•Socioeconomic development

Key Statutes

•Public Investment Corporation Act, 2004
•Public Investment Corporation Amendment Act (Act 14 of 2019
•Financial Advisory and Intermediary Services Act (2002)
•Public Finance Management Act (1999)
•Companies Act (2008)
•Financial Intelligence Centre Act, (2001)
•King Code IV

Target Sectors

•Economic infrastructure
•Social infrastructure
•Small and medium enterprise
•Environmental sustainability



Key network relationships

Governance

The PIC's governance framework establishes a stakeholder-oriented accountability framework, driven by the Minister of Finance as government shareholder representative and with representation from its leading clients in high level membership structures. The PIC is also obligated to report annually to Parliament on its investment activities.

Strategic goals	INVESTMENT PERFORMANCE Meet or exceed client return objectives based on the parameters in their individual investment mandates AFRICAN REGIONAL INTERGRATION Promote trade and regional integration across the African continent by making investments into countries other than South SUSTAINABLE INVESTMENT Unlock long-term sustainable returns by prioritising investments that demonstrate good environmental, social and governance features INDUSTRY TRANSFORMATION Foster transformation in investment activities across asset classes by supporting BEE investment partners
Development frameworks	**South Africa's National Development Plan** - sets out national development priorities. Committed to supporting implementation through infrastructure development and regional integration **United Nations Sustainable Development Goals (SDGs) -** aligns with global development priorities. **Code for Responsible Investing in SA (CRISA)** - framework committing institutional investors and service providers to integrate environmental, social and governance (ESG) issues into their investment decisions **UN Principles for Responsible Investment (UNPRI)** - international ESG framework committing investors to adopting and implementing ESG practices in their operations and enhancing related reporting **Other:** applies client mandates and development frameworks as relevant
Governance structures	•The **Minister of Finance is responsible for appointing board members in consultation with Cabinet,** a matter in which they have full discretion. •**PIC board of directors:** 13-member board provides leadership and independent review on issues related to strategy performance, resources and standards of conduct. Total of 7 board committees. By statute its board is chaired by a Deputy Minister in the Economic Cluster and must include at least 2 members from the GEPF, 1 representative from another depositor with more than 10% of AuM and at least 3 representatives from labour unions (2 of which from GEPF) •The CEO of the PIC is delegated authority to manage day to day operations and is assisted by an Executive Committee(ExCo). The ExCo features subcommittees to support aspects of the PIC's work.
Investment oversight	•**Investment committee (Board level):** responsible for investment decision oversight, investment performance monitoring and reporting. Including two investment committees for decision making on listed and unlisted investments respectively. The investment committees are supported by Portfolio Management sub-committees in their respective areas and an Asset Allocation Committee which oversee implementation of investment mandates and target allocations

Fundraising

Reliant on government clients for financial assets to manage and already holds the bulk of potentially accessible public sector client mandates. Client mandates are subject to periodic renewal. The PIC's leading clients: GEPF, the UIF, the CC and the CP include provisions for the PIC to invest in opportunities that offer adequate financial returns and offer positive socio-economic impact

GEPF Asset Allocation

UIF Asset Allocation

CC Asset Allocation

CP Asset Allocation

PIC Taxonomy for socio-economic investments

11%

Avg. annual growth in client funding (last ten years)

Operations

The PIC is charged with being self-sustaining whilst effectively meeting its client objectives. PIC broadly divides its investment teams into Listed and Unlisted investments and manages client funds separate from each other. Its broader service clusters encompass areas such as research, legal and ICT. Operations are funded by management fees, supplemented to a lesser extent by its own investments and board membership fees from investees. Cost containment in relation to incoming revenues is an operational priority.

- Strengthen internal compliance and governance, including compliant expenditures and reporting in line with statutory obligations
- Efficient operations and cost containment, including keeping total costs to 80% or less of management fees
- Improve operational and financial risk management practices and performance
- Improve self-rating on internal ESG assessment

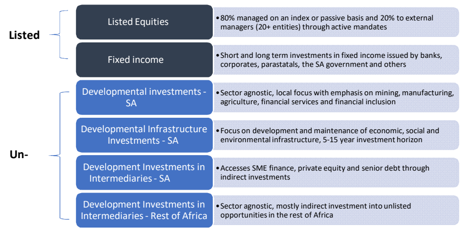
Key operating objectives

Area	Target (most recent set)	2021	2020	2019
Total Staff cost to Management Fees	<40%	41%	45%	34%
Total Costs to Management Fees	<80%	76%	66%	76%
Net income percentage	>10%	48%	17%	24%
Clean audit achieved	Y	N	N	N
No anauthorised expenditure	Y	N	N	Y

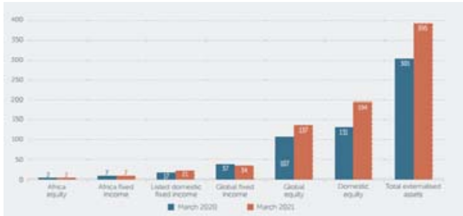
Operational efficiency measures

Investment

The PIC is a long-term investor, and its investment strategy aims to consider long term macroeconomic trends as return drivers. The PIC's main investment objectives are to achieve strong long-term capital returns above clients' investment benchmarks. Target investment sizes in the unlisted portfolio are at least R100m and ideally between R300 million and R500 million.



Investment emphasis across key portfolio segments



Externally managed funds (R. Billions)

Investment process
- Internal PIC investment teams organise into clusters based on listed and unlisted investment segments and individual funds
- •Transaction teams source investment opportunities and perform initial screening (mandate, ESG, high level deal structure) and present to Portfolio Management Committee (PMC) for initial screening
- •Projects proceed to detailed due diligence and deal structuring, with diligence outcomes reviewed by the

Green investment
- •Solar Capital - invested in large scale solar PV farms for the long-term in the Western Cape
- •Kathu Solar Park - concentrated Solar Power (CSP) technology provider feeding into the SA National Grid

Carbon intensive investments
- Eskom - the GEPF portfolio includes over R80 billion of Eskom bonds, corresponding to approximately a fifth of the utility provider's debt
- Gas - $14m invested into a natural gas plant in Mozambique

Safeguarding

•Employs a proprietary ESG scoring matrix in investment decision-making and excludes sin industries by default
•Incorporates advocacy related to climate change and other environmental impacts in engagements with investees as part of its ESG strategy.
•States it is establishing structures and processes to identify the impacts of climate risks to its portfolio, with the ultimate aim of including climate risk within its integrated risk management framework

Measurement

•PIC has a Portfolio management and monitoring (PMV) team, under the same leadership cluster as ESG, that is responsible for ongoing monitoring of performance and with scope to provide support and intervene as necessary
•Presently monitors the positive and negative effects of investments on society and the environment
•Claims measures are being implemented to drive investee compliance with sustainability

Transparency

•The PIC's states its obligations under the FAIS Act, prohibit the PIC from disclosing client information without their consent.
•Client mandates commit PIC to measuring and reporting impact under its impact Investment portfolio to promote transparency and accountability

Outlook

- Despite its privileged position in AuM terms, the PIC has suffered adverse media coverage of its leadership and governance in recent years.
- Its business model relies on retaining its large client mandates and recent governance events have occasionally put it at odds with its largest client the GEPF, especially with respect to renewing its mandate for the Isibaya Fund (a key impact investment facility)
- •The organisation is otherwise in a healthy state and has embedded ESG into its investment process, however, appears to be earlier on in its journey to understand its carbon footprint and incorporate this knowledge into the investment process
- •The buy-in of clients and prioritisation of climate in mandates would be a key enabler to ensure PIC can pursue climate/green objectives without flouting existing allocation parameters.
- •The GEPF accounts for the bulk of assets and is relatively progressive on environmental and sustainability matters. However, it retains significant exposure to Eskom which is not easily unwound. Further trade union interests may affect the pace at which it could move to encourage the PIC to further embed green objectives across the portfolio

Sources: Authors' construction based on content from PIC website, annual reports and policy documents. Static graphs and charts reproduced from annual reports