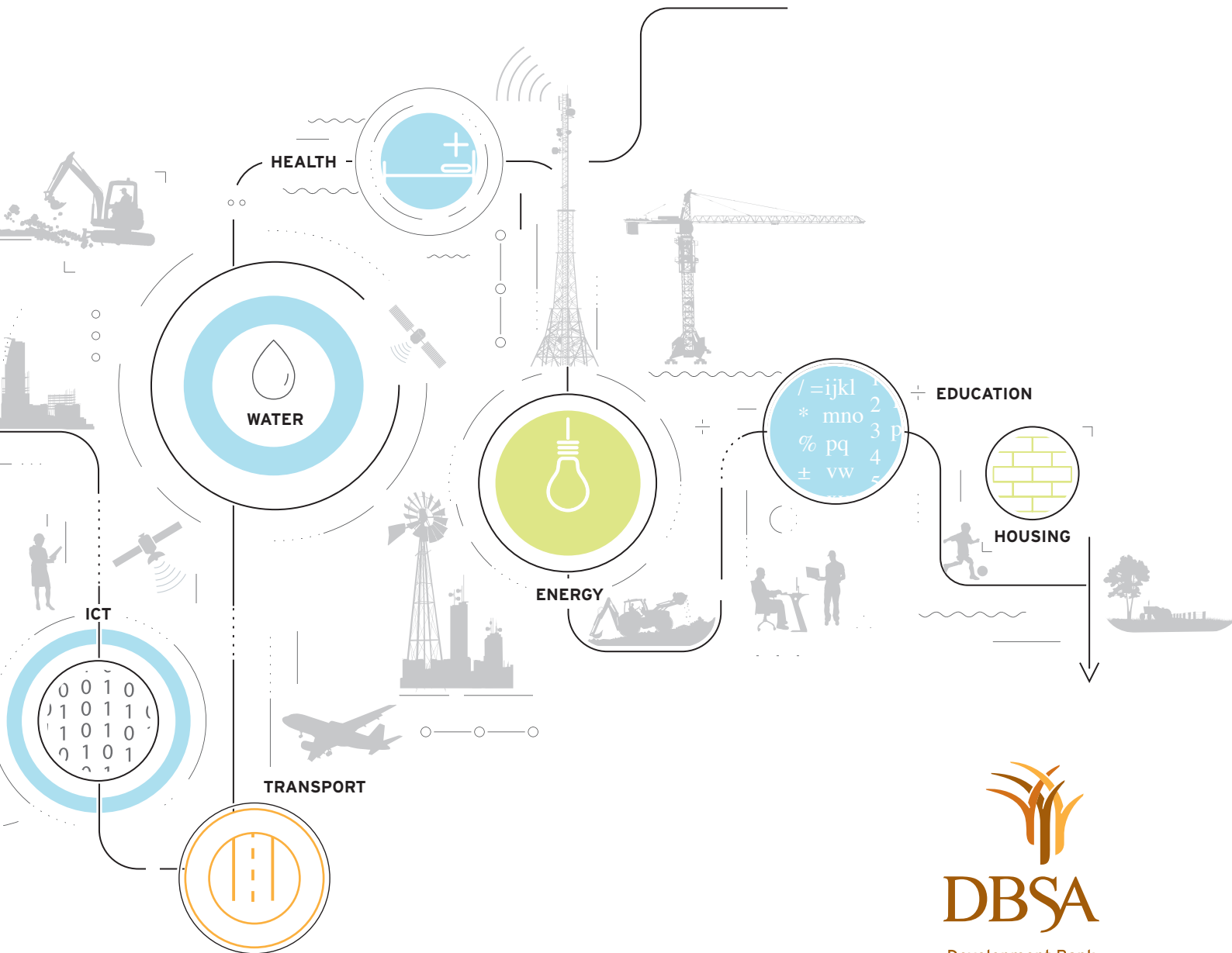


# Make change happen

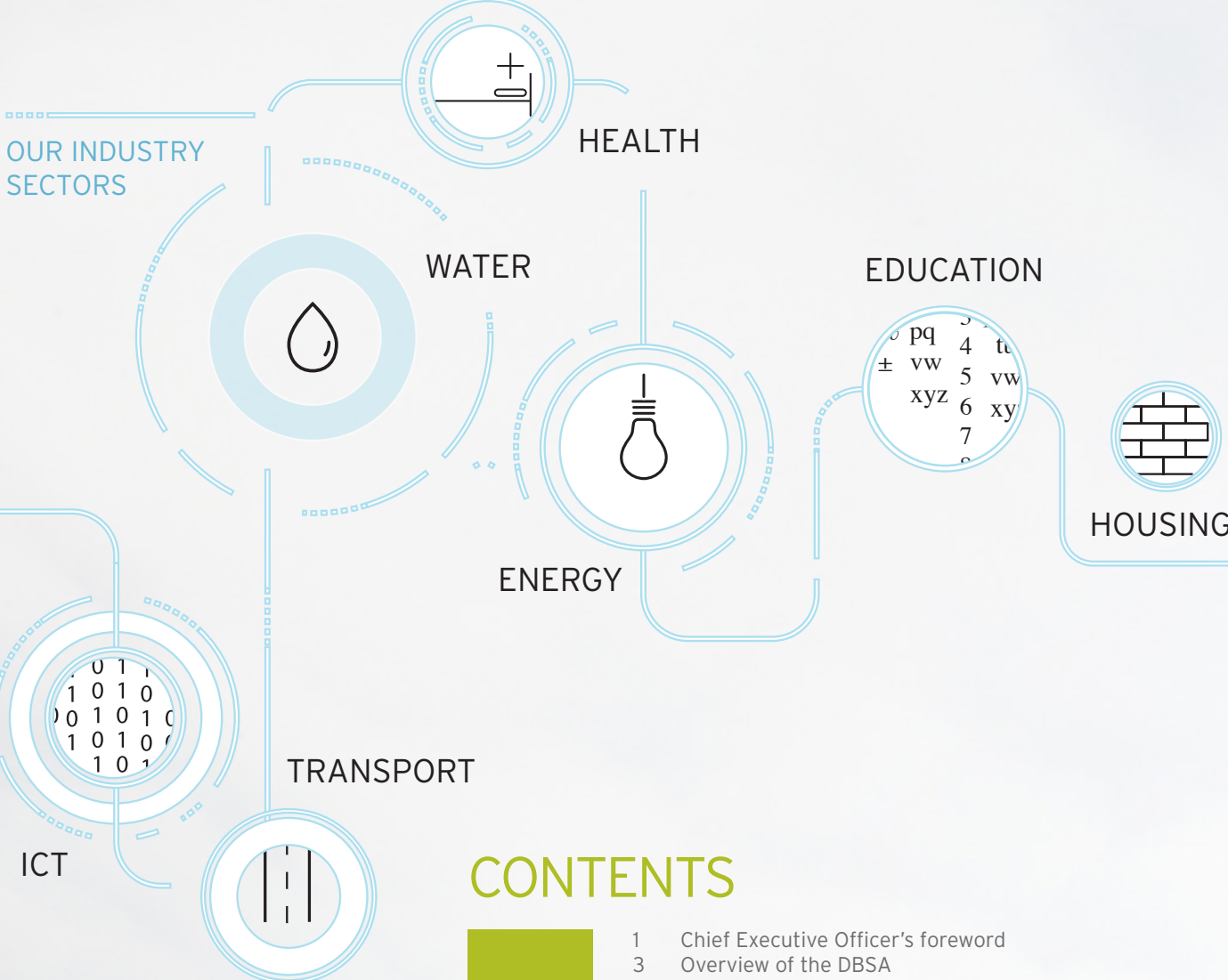
WE CHALLENGE LIMITING CONVENTION TODAY,  
TO CREATE LIBERATING CHANGE TOMORROW



Development Bank  
of Southern Africa


2016  
SUSTAINABILITY REVIEW


OUR INDUSTRY SECTORS



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 Indicates a website reference where more information can be found

 Indicates a page or note reference of information which can be found elsewhere in this reporting suite

[www.dbsa.org](http://www.dbsa.org)

OUR REPORTING SUITE FOR 2016 CONSISTS OF THREE REPORTS




THE 2016 INTEGRATED ANNUAL REPORT, WHICH IS OUR PRIMARY COMMUNICATION WITH ALL STAKEHOLDERS.



THE 2016 ANNUAL FINANCIAL STATEMENTS, WHICH INCLUDE THE DIRECTORS' REPORT AND THE INDEPENDENT AUDITOR'S REPORT.



THIS 2016 SUSTAINABILITY REVIEW REPORT, WHICH PROVIDES FURTHER INFORMATION ON OUR SUSTAINABILITY PERFORMANCE.

 Other enhancements made to our integrated reporting journey are detailed on page 54 of the Integrated Annual Report

## CHIEF EXECUTIVE OFFICER'S FOREWORD

THE DBSA HAS A LONG TRADITION OF SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE ACTION, BASED ON OUR MANDATE FROM THE SOUTH AFRICAN GOVERNMENT. OUR EXTENSIVE RANGE OF INITIATIVES CLEARLY DEMONSTRATE OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT. SUSTAINABILITY IS THE RESPONSIBILITY OF EVERYONE AT THE DBSA.



**Patrick Dlamini**  
Chief Executive Officer

We are proud to present the DBSA's Sustainability Review for the year ended 31 March 2016. This report shows how we continue to work towards embedding sustainability in everything we do. We view this report as more than just an annual progress report documenting our commitment to and regional responsibility for sustainable business practice - it is also an invitation to all our stakeholders to enter into a dialogue with us on these matters.

Enhancing the sustainable development of the social, economic and ecological environment is one of the foundation principles of the DBSA. At the core is our mandate to promote economic development and growth, human resources development and institutional capacity-building by supporting sustainable development projects and programmes, focusing on infrastructure and leveraging the private sector. In essence, we aim to:

- Provide our clients with compelling reasons to deal with the DBSA as a development finance institution of choice
- Provide our people with good reason why they should invest their working lives at the DBSA
- Give communities sound reasons why they should trust and engage with the DBSA
- Assure the government that the DBSA can deliver on its commitments
- Give our investors sound reason why they should invest in the DBSA.

Sustainability is as much a gauge of business performance as are traditional financial matters, such as margins, assets and product offerings. Together they present exciting business opportunities that will stand the DBSA in good stead for future growth.

Our sustainability highlights for the year include:

- R17.1 billion (2015: R13.0 billion) infrastructure investment into our core sectors of energy, water, transportation and telecommunication. Of this, R8.1 billion (2015: R5.4 billion) was invested with municipalities, a key provider of social infrastructure in South Africa
- 638 000 households are estimated to benefit from new or upgraded infrastructure through funding committed to municipalities
- Accelerated support for the implementation of social infrastructure
  - Completion of 35 schools as part of the Accelerated School Infrastructure Delivery Initiative Programme, benefiting 17 900 learners in 2016. More than 36 000 learners have benefited since the inception of the programme
  - 1 382 affordable houses completed
  - 33 new additions to clinics completed, 37 clinics refurbished and 41 health facility emergency repairs completed
  - Approximately 35 000 people gained access to health counselling and testing in newly built clinics in the Limpopo and Northern Cape provinces
  - 54 municipal projects completed covering roads, bulk water and ablution park facilities amongst others
  - 2 250 water and 203 electricity meters installed
  - 500 municipal officials trained on water and equipment repairs and 269 traditional leaders and councillors trained in visionary leadership and integrated development planning



- 665 SMMEs benefited from construction contracts to the value of R710 million
- 6 464 jobs created through projects completed
- The DBSA continued to partner with the Department of Environmental Affairs on a green funding mechanism that will creatively address the need for a range of green and climate financing instruments and facilitate relations with similar global funds. R292 million (2015: R230 million) was disbursed to various projects
- The DBSA was accredited as a Green Climate Fund (GCF) entity by the GCF Board together with organisations such as AfDB, Crédit Agricole, EIB, IFC and HSBC at a meeting held in Songdo, South Korea early in March 2016. We join other entities that were accredited last year, including the AFD, EBRD and KfW, who are all actively pursuing a sustainable economic development agenda. The DBSA successfully met the very stringent assessment criteria of the GCF by demonstrating its ability to manage global financial resources for sustainable economic development. The GCF was established as the financial mechanism of the United Nations Convention on Climate Change (UNFCCC) and it is

intended to be the main fund for global climate change, which aims to mobilise US\$100 billion by 2020

- The DBSA's governance standards compare well with best practice. This was recognised by an A+ assessment rating based on the Association of African Development Finance Institution's (AADFI) "Prudential Standards, Guidelines and Rating System" during the year. Furthermore, using the Institute of Southern Africa's "governance assessment instrument" the assessment graded the DBSA an AAA, representing a "highest application" level
- Invested R10.3 million (2015: R13.8 million) in training of DBSA staff members and continued to provide various wellness programmes in the organisation
- In our efforts to establish the DBSA as an employer of choice, we carried out an employee culture survey to ascertain the progress made in imbedding a high performance culture. Significant progress has been made and the results of the survey have already begun to inform human capital policies and practices.

The diversity of our operations and business model has served us well and this is likely to continue. The approach we developed to create a sustainable DBSA in

the long run builds on these strengths and gives us the freedom to operate within an overarching framework.

Delivering on our mandate and turning our sustainability roadmap into reality will help to ensure a more prosperous South Africa and region. Our long-term prospects are ultimately closely connected to the requirements of all our stakeholders. We therefore invite those with an interest in our operations to comment on this Sustainability Review Report and present their views on how we can work together to address the challenges and opportunities of the future.

**Patrick Dlamini**  
Chief Executive Officer

## OVERVIEW OF THE DBSA

### VISION

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

### MISSION

To advance the development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development solutions to:

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

### VALUES

HIGH PERFORMANCE	SHARED VISION	INTEGRITY	INNOVATION	SERVICE ORIENTATION
We are enabled, empowered and inspired to deliver consistent quality, effective and efficient results for which we are accountable and rewarded	We share and keep the sustainability, strategic intent and mandate of the DBSA top-of-mind in all our decisions and actions	Our deals, interactions and actions are proof of transparent and ethical behaviour that show respect and care for all our people (employees, stakeholders, shareholders, clients and communities)	We challenge ourselves continuously to improve what we do, how we do it and how well we work together	We deliver responsive and quality service that speaks to the need of our clients and continuously build relationships that result in win-win outcomes

Our work mainly targets investments in:



ENERGY



TRANSPORT



WATER

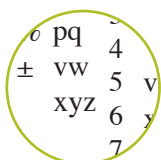


ICT

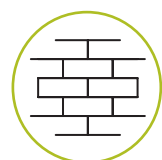
We also provide support to sectors such as:



HEALTH



EDUCATION



HOUSING

Our clients are mostly municipalities, SOEs, national and provincial government departments and public and private partnerships.



Refer to the separate Integrated Annual Report for further detail regarding the DBSA's strategy

## THE DBSA'S SUSTAINABILITY APPROACH

The DBSA is a development finance institution, wholly owned by the South African government, with a mandate to support infrastructure integration and development. It seeks to promote economic and social development by mobilising financial and other resources from the national and international private and public sectors for sustainable infrastructure development projects in South Africa, the SADC region and more recently to the whole of the African continent.

In broad and aspirational terms, the DBSA has the vision of "a prosperous and integrated resource-efficient region, progressively free of poverty and dependency". More specific to its value proposition and comparative advantages, is its mission to advance the development impact in the region by expanding access

to development finance and effectively integrating and implementing sustainable development solutions to:

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

In fulfilling its mandate, the DBSA is guided by a number of international, regional and local policies, accords and agreements. It subscribes to the goals and targets of the United Nation's "Transforming our World: the 2030 Agenda for Sustainable Development". Furthermore, in accordance with COP21, it supports business innovation

and bringing scale to the emerging green economy. At a national level, the DBSA strives to improve the lives of all South Africans through its investment in infrastructure, in keeping with the priorities and objectives of the National Development Plan as well as the United Nations' recently adopted 17 Sustainable Development Goals (SDGs).

### THE DBSA'S ROLE IN SUPPORTING THE SDGs AND NDP OBJECTIVES

The strategy of the DBSA is linked to the objectives of the National Development Plan. The diagram below illustrates the role of the DBSA linked to each National Development Plan (NDP) and Sustainable Development Goal (SDG) objective.

#### DBSA's role in supporting the NDP and SDGs

	NDP outcome	SDG outcome
Direct role	<ul style="list-style-type: none"> <li>• Investing in economic infrastructure</li> <li>• Environmentally sustainable and resilient: Transition to a low-carbon economy</li> <li>• An inclusive and integrated rural economy</li> <li>• Position South Africa in the region and the world</li> <li>• Transforming human settlements</li> <li>• Improving the quality of education, training and innovation</li> <li>• Quality healthcare for all</li> <li>• Building a capable and developmental state</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure availability and sustainable management of water and sanitation for all</li> <li>• Ensure access to affordable, reliable, sustainable and modern energy for all</li> <li>• Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation</li> <li>• Make cities and human settlements inclusive, safe, resilient and sustainable</li> <li>• Take urgent action to combat climate change and its impacts</li> <li>• Strengthen the means of implementation and revitalise the global partnership for sustainable development</li> </ul>
Indirect role	<ul style="list-style-type: none"> <li>• Creating an economy that will create more jobs</li> <li>• Fighting corruption</li> <li>• Transforming society and uniting the country</li> </ul>	<ul style="list-style-type: none"> <li>• End poverty in all its forms everywhere</li> <li>• End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</li> <li>• Ensure healthy lives and promote wellbeing for all at all ages</li> <li>• Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</li> <li>• Achieve gender equality and empower all women and girls</li> <li>• Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all</li> <li>• Reduce inequality within and among countries</li> <li>• Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss</li> </ul>
Not applicable	<ul style="list-style-type: none"> <li>• Social protection</li> <li>• Building safer communities</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure sustainable consumption and production patterns</li> <li>• Conserve and sustainably use the oceans, seas and marine resources for sustainable development</li> <li>• Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</li> </ul>

## MANAGEMENT APPROACH TO SUSTAINABILITY GOVERNANCE

The various senior governance bodies within the DBSA are responsible for ensuring that sustainability has the priority it deserves across the organisation. Sustainability considerations are embedded in each of the various Board committees, as reflected in the diagram below.

The DBSA applies sound corporate governance structures and processes, which the Board considers pivotal to delivering sustainable growth in the interests of all stakeholders. The DBSA's values-driven culture and Code of Ethics underpin its governance structures and processes, committing the organisation to high standards of business integrity and ethics in all its activities. Governance structures and processes are reviewed regularly, and adapted to accommodate internal developments and reflect national best practice.

The Board considers corporate governance to be a priority and endeavours to go beyond minimum compliance, where appropriate. The Board will therefore consider all new non-statutory corporate governance concepts carefully and will implement them if they are deemed to be in the DBSA's best interests. The application of governance requirements should facilitate, not detract from, the Directors' ability to execute their statutory and fiduciary responsibilities, and their duty of care and skill. The Board and the Human Resources, Remuneration, Nomination, Social and Ethics Committee (HRNSEC) continue to review and benchmark the DBSA's governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability.



## GOVERNANCE STRUCTURE

### BOARD OF DIRECTORS

BOARD COMMITTEE	AUDIT AND RISK COMMITTEE	BOARD CREDIT AND INVESTMENT COMMITTEE	HUMAN RESOURCES, REMUNERATION, NOMINATION, SOCIAL AND ETHICS COMMITTEE	INFRASTRUCTURE DELIVERY AND KNOWLEDGE MANAGEMENT COMMITTEE
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>Integrated and Sustainability Reports</li> <li>Annual Financial Statements</li> <li>Internal control environment</li> <li>Financial and treasury strategies</li> <li>Budgets</li> <li>Compliance with laws and regulations</li> <li>Capital management</li> <li>Oversees internal and external audit</li> </ul>	<ul style="list-style-type: none"> <li>Credit strategy</li> <li>Credit risk management policy and programme, including assessment of social, institutional and environmental aspects</li> <li>Trends in portfolio quality</li> <li>Adequacy of provision for credit losses</li> </ul>	<ul style="list-style-type: none"> <li>Human capital strategy</li> <li>Nomination of Directors</li> <li>Executive remuneration for the DBSA</li> <li>Board of Directors' affairs</li> <li>Governance</li> <li>Social and ethics matters</li> </ul>	<ul style="list-style-type: none"> <li>Strategic mandate and infrastructure delivery programmes</li> <li>Policy, advisory and knowledge management function (research agenda)</li> </ul>

 For a more comprehensive report on DBSA's Corporate Governance framework, enterprise-wide risk management processes, including internal control environment and combined assurance, as well as material risks identified refer to the 2016 Integrated Annual Report

## THE DBSA'S SUSTAINABILITY APPROACH CONTINUED

### MANAGING SUSTAINABILITY RISK AT A PROJECT INVESTMENT LEVEL

The DBSA applies the DBSA Environmental and Social Safeguards (ESSs) to conduct the due diligence for investment purposes. The DBSA ESSs are accredited with the Green Climate Change Fund and the Global Environment Facility. These safeguards have been based on the environmental and social safeguards of the AfDB and the Environmental and Social Standards of the IFC. The DBSA ESSs (available through the DBSA website), inform potential DBSA clients of their obligations in adhering to these safeguards. The safeguards also endorse global good practice standards and guidelines such as those found in:

- The International Financial Corporation (IFC) Sustainability Framework
- The United Nations Development Programme's (UNDP) Principles of Good Governance
- Global Compact's Principles for Responsible Investment
- The International Organisation for Standardisation (ISO) 26000
- The Integrated Reporting Committee's Framework for Integrated Reporting
- The King III Report on Corporate Governance

- Compliance with relevant country legislation/regulations
- Mainstreaming of gender and marginalised groups
- World Bank Operational Standard for Safety of Dams which includes World Commission on Dams
- UNEP Finance Initiative ([www.unepfi.org](http://www.unepfi.org))
- With respect to the classification of pesticides and their specific formulations:
  - World Health Organisation's Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: WHO 1994-95)
  - United Nations Food and Agriculture Organisation (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003)
  - Rotterdam Convention on the Prior Informed Consent Procedure (PIC) for Certain Hazardous Chemicals and Pesticides in international trade
  - Vienna Convention on the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer
  - The Stockholm Convention on Persistent Organic Pollutants (POPs)

The DBSA does not report directly against the Code for Responsible Investing in South Africa (CRISA) principles, but they are embedded in multiple DBSA governance principles, safeguards and practices such as the environmental and social safeguards and related appraisal guidelines and are applied as applicable.

Post-implementation evaluations are conducted on a sample of projects by the DBSA's Operations Evaluations team to evaluate the development effectiveness against planned activities.

### SUSTAINABILITY FRAMEWORK

The DBSA's sustainability performance is reported in the form of economic, social and environmental dividends. The framework does not only include financial or economic sustainability, but also addresses sustainable investment, especially in terms of the potential impact on the environment and communities, as well as monitoring sustainable human capital and procurement practices. The DBSA Sustainability Framework reflects the DBSA's contribution to economic, social and environmental dividends. Progress on each element is provided in this report.

## DBSA'S SUSTAINABILITY FRAMEWORK

### ECONOMIC DIVIDENDS

- Economic infrastructure and growth in South Africa
- Regional integration
- A financially sustainable business

### SOCIAL DIVIDENDS

- Supporting social development and service delivery in South Africa
- Good governance, accountability and transparency
- Investing in our employees
  - Skilled workforce
  - A representative workforce
  - Staff wellness
  - Safety
  - Broad-based Black Economic Empowerment

### ENVIRONMENT DIVIDENDS

- Supporting environmentally-orientated infrastructure programmes
- Reducing the waste we generate





# SUSTAINABILITY PERFORMANCE

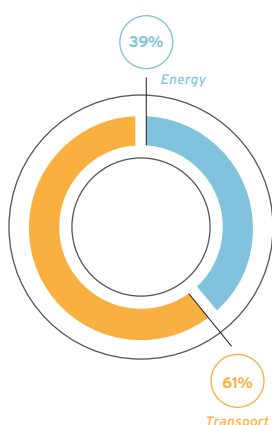
## ECONOMIC DIVIDENDS

### ECONOMIC INFRASTRUCTURE AND GROWTH IN SOUTH AFRICA

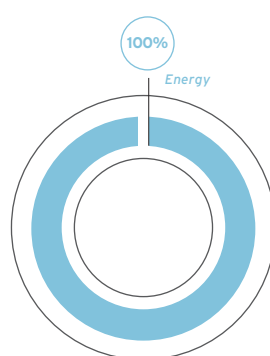
in millions of rand	2016	2015
Approvals	5 476	10 610
Commitments	3 003	7 978
Disbursements	4 943	6 778

#### ACTIVITIES IN ECONOMIC SECTOR

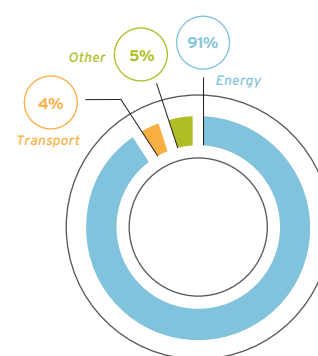
##### Approvals 2016



##### Commitments 2016



##### Disbursements 2016



Refer to the DBSA's Integrated Annual Report for the estimated development outcome of our activities

Development is multi-sectoral in nature and an integrated approach is required to maximise the impact of investments. Investments in social infrastructure, such as health, housing and education, must be supported by investments in bulk enabling infrastructure, such as energy, water and transport.

#### Enhancing investment in power generation

The DBSA targets priority economic sectors for investment, based on national infrastructure requirements. A key focus area during the year was the continued support for energy-generation capacity, including renewable energy, as well as coal and gas-fired power sources in the country, a strategic imperative given current supply constraints.

In the renewable energy sector, we continued to extend debt finance through our participation in the renewable Energy Independent Power Producers Procurement (REIPPP) programme. This programme is driven by the Department of Energy to create an enabling environment for private sector investment in biomass,

solar, wind and small-scale hydro energy generation facilities, as well as seeking to involve Broad-based Black Economic Empowerment (B-BBEE) parties and, in particular, to ensure that their capacity is built to participate competitively in future energy sector programmes. The DBSA supported the programme by contracting and managing transaction advisors to assist in designing and developing documentation for procuring at least 3 625 MW of renewable energy from independent power producers. The DBSA's role in the programme further includes financing the debt of the project sponsors, as well as financing the equity portion required by B-BBEE entities, as well as providing administrative support to community trusts involved in the projects. In the year, round 3 of the REIPPP programme reached financial close.

During 2016, the DBSA committed no funding (2015: R4.2 billion) but disbursed R1.5 billion (2015: R2.4 billion) to the REIPPP and Peakers programmes. R209 million was disbursed in favour of B-BBEE enterprises.

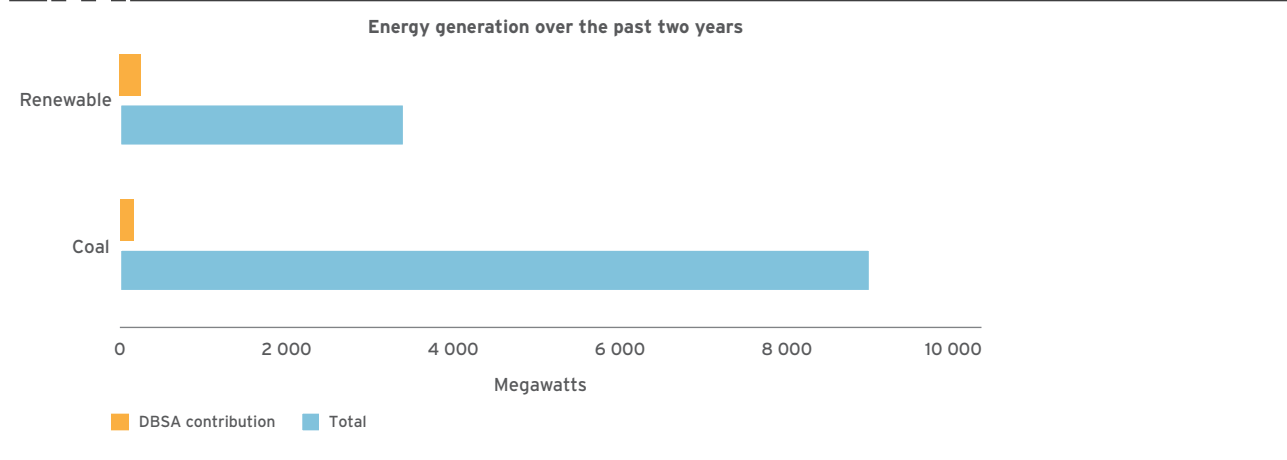
The DBSA further sustained its support of coal power-generating programmes, disbursing R3 billion (2015: R3 billion) during the year.

#### Supporting transport infrastructure

Investment to enhance industrial transport facilities is another important government focus. This is to support national efforts, which include moving more freight from road to rail, reducing the country's carbon footprint, creating jobs and positioning South Africa as a regional trans-shipment hub. A key highlight for the year was the R206 million disbursed in favour of a bus rapid transit programme in one of the metros in the country.

# SUSTAINABILITY PERFORMANCE CONTINUED

## Contribution to development



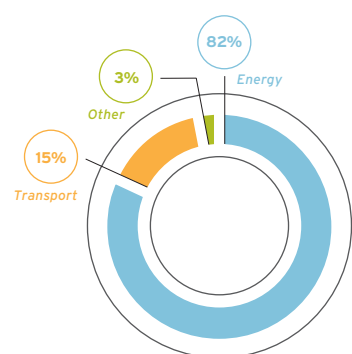
## REGIONAL INTEGRATION

in millions of rand

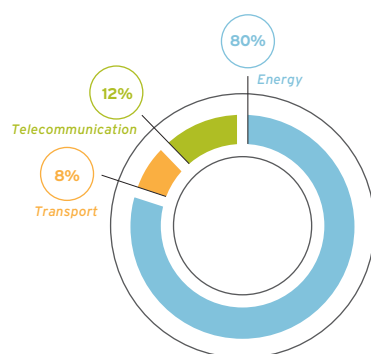
	2016	2015
<b>Approvals</b>	<b>9 738</b>	<b>8 110</b>
SADC (excluding South Africa)	6 199	8 110
Rest of Africa (excluding SADC)	2 539	–
<b>Commitments</b>	<b>6 164</b>	<b>2 221</b>
SADC (excluding South Africa)	4 131	2 221
Rest of Africa (excluding SADC)	2 033	–
<b>Disbursements</b>	<b>3 475</b>	<b>601</b>
SADC (excluding South Africa)	3 340	601
Rest of Africa (excluding SADC)	135	–

## ACTIVITIES OUTSIDE SOUTH AFRICA

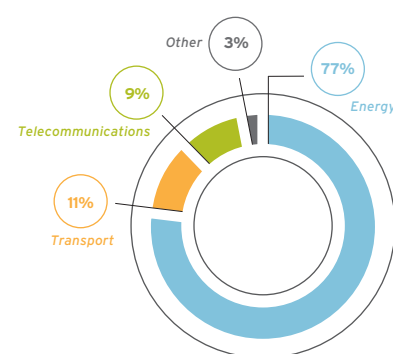
### Approvals 2016



### Commitments 2016



### Disbursements 2016



Refer to the DBSA's Integrated Annual Report for the estimated development outcome of our activities

Regional integration is critical in growing both the South African and broader continent's economies. The DBSA continued to support the government's regional development and integration strategy, aimed at facilitating trade in Africa by investing in infrastructure projects outside of South Africa.

Infrastructure demands on the continent are extensive. It is clear that, as a financier alone, the DBSA is unable to address the

significant infrastructure gaps on the continent. While the DBSA has achieved much over the last few years, it has and can only contribute to a small portion of the infrastructure development needs. Part of the challenge is not so much the availability of finance, but the readiness of bankable projects in the region.


Our operations are informed by the guiding principles of the New Partnership for Africa's Development (NEPAD) and

SADC's regional integration agenda to 2020, as well as by the infrastructure priorities of the various regional economic communities. Our priorities are aligned with the South African government's medium-term strategic plan for international relations and co-operation in the region, which aims to deepen regional integration to ultimately bring about an end to poverty and stimulate broad-based economic growth.

PROJECT BRIEF: OUTSIDE SOUTH AFRICA	
<b>Project name: Ghana PowerShip</b>	<b>Total project value: R2.5 billion</b>
<b>Project objectives</b> <ul style="list-style-type: none"> <li>• Improve security of energy supply</li> <li>• Create job opportunities</li> </ul>	<b>Amounted committed by the DBSA: R1.2 billion</b>
<b>Description</b> <p>Over the past two decades, Ghana has experienced strong, sustained economic growth. In tandem, energy demand growth has averaged 8% over the last five years. This has exceeded the growth in supply to such an extent that Ghana may be unable to ensure security of energy supply, which could hamper its emergence as a middle-income country.</p> <p>A power ship is an existing ship onto which a power plant is installed. They are useful as it is possible to produce energy far quicker when compared to the construction of a traditional power plant.</p> <p>The power ship project will assist Ghana in bridging its short- to medium-term power requirements, while it improves its permanent installed capacity.</p>	<b>Estimated development impact:</b> <ul style="list-style-type: none"> <li>• Number of traffic lights installed: 200</li> <li>• Estimated annual employment opportunities: 50 000</li> <li>• Improvement in energy supply: 225 MW</li> <li>• Increase access to electricity from 76% to 80%</li> <li>• Number of jobs created: 100 (80 male; 20 female)</li> </ul>

### A FINANCIALLY SUSTAINABLE BUSINESS

#### Financial and operational performance

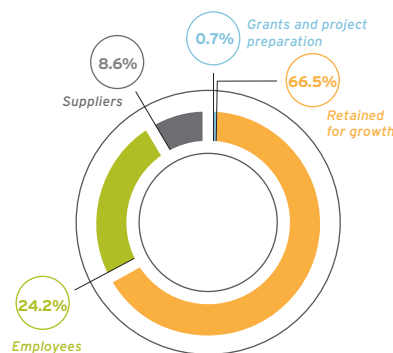
 Refer to the Integrated Annual Report for the detailed commentary on the financial performance of the DBSA

Profit from operations for the year increased by 112% to R2.6 billion, from R1.2 billion in the prior year. Operating income was R3.8 billion, an increase of 55% from 2015, whilst sustainable earnings improved to R1.4 billion (2015: R805 million). The improvement in profit from operations was mainly on the back of improved operational performance, a 22% weaker average rand/US dollar exchange rate, and a gain from equity investments and financial instrument adjustments of R442 million (2015: loss of R300 million). The return on average equity and average total assets improved respectively to 9.7% (2015: 5.7%) and 3.4% (2015: 1.8%).

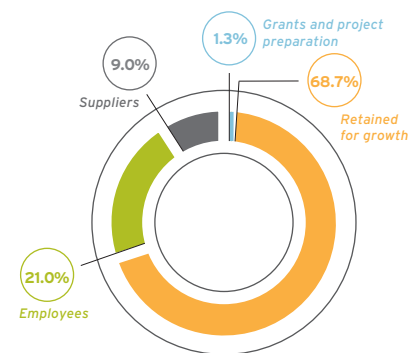
#### Value added statement

Value added indicates the wealth the DBSA creates through its activities for our main stakeholders groups, being the shareholder, employees, financial institutions (providers of debt capital) and suppliers. It also illustrates how much we re-invest for future growth.

2016 distribution



2015 distribution



## SUSTAINABILITY PERFORMANCE CONTINUED

### VALUE ADDED STATEMENT

in thousands of rand	2016		2015	
	Actual	%	Actual	%
Interest income	6 541 028		5 327 312	
Interest expense	(3 355 429)		(3 002 929)	
Wealth created by trading operations	3 185 599		2 324 383	
Fee income	275 914		232 928	
Foreign exchange gain	1 002 172		489 673	
Surplus/(loss) from financial assets and financial liabilities	442 630		(299 832)	
Other operating income	134 355		139 971	
<b>Total wealth created</b>	<b>5 040 670</b>	<b>100</b>	<b>2 887 123</b>	<b>100</b>
<i>Distributed as follows:</i>				
Retained growth	4 033 431	80	1 982 610	69
Impairment loss on financial assets	1 426 159	28	743 361	26
Depreciation and amortisation	30 593	1	25 108	1
Profit for the year attributable to the shareholder	2 576 679	51	1 214 141	42
Employees: benefits and remuneration	730 937	15	607 271	21
Suppliers: expenses	228 304	4	259 313	9
Social responsibility projects	47 998	1	37 929	1
<b>Total wealth distributed</b>	<b>5 040 670</b>	<b>100</b>	<b>2 887 123</b>	<b>100</b>

The DBSA is exempt from normal taxation but is subject to all other South African taxes, including employees' tax and value added tax. The DBSA paid VAT amounting to R37.7 million (2015: R36.1 million) during the year.

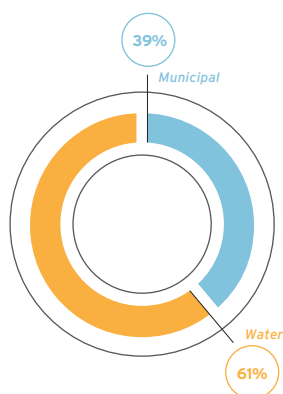
### SOCIAL DIVIDENDS

#### SUPPORTING SOCIAL DEVELOPMENT AND SERVICE DELIVERY

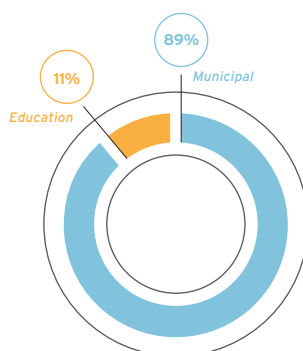
in millions of rand	2016	2015
<b>Approvals</b>	<b>10 287</b>	<b>3 309</b>
Municipal	7 572	12 169
Other social	1 715	2 090
<b>Commitments</b>	<b>8 874</b>	<b>7 765</b>
Municipal	7 859	6 835
Other social	1 015	930
<b>Disbursements</b>	<b>8 667</b>	<b>5 670</b>
Municipal	8 055	5 439
Other social	612	231

### ACTIVITIES IN SOCIAL SECTORS

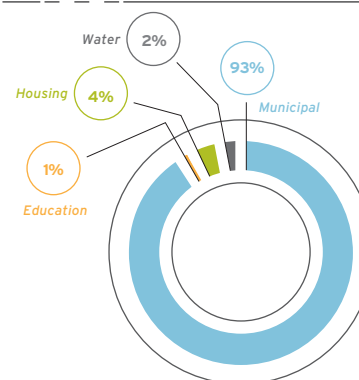
#### Approvals 2016



#### Commitments 2016



#### Disbursements 2016



Refer also to the DBSA's Integrated Annual Report for the estimated development outcome of our activities

### SUPPORTING MUNICIPALITIES

Municipalities play an important role in the provision of basic services to South Africans and business as a whole.

The need to improve and increase infrastructure in municipalities is therefore of critical importance as the demand on existing and new infrastructure is expected to rise with more people migrating to larger cities and towns in search of employment opportunities and the expansion of businesses that utilise the current existing infrastructure in their daily operations.

Institutional weaknesses at municipal level remain acute. The ability of many municipalities to render services to their communities and access financial resources for the implementation of infrastructure programmes is under increasing pressure. In some instances, this contributes to service delivery protests. As municipalities are a key target market for the DBSA, these capacity constraints pose significant challenges for us to provide support in an affordable and sustainable manner.

Our financing of the eight metros increased significantly. In the year, apart from approvals of R6.0 billion (2015: R8.5 billion), we committed R7.2 billion (2015: R4.7 billion) and disbursed R7.5 billion (2015: R3.7 billion) to this market.

We continued our support to the country's weakest municipalities and built up a substantial pipeline of approvals and commitments. Approvals of R1.7 billion (2015: R3.6 billion) and commitments of R603 million (2015: R2.1 billion) concluded during the year will provide a sound foundation for disbursements in the next financial year. Disbursements for the year totaled R603 million (2015: R1.8 billion). An estimated 638 000 households stand to benefit from the DBSA's funding activities.

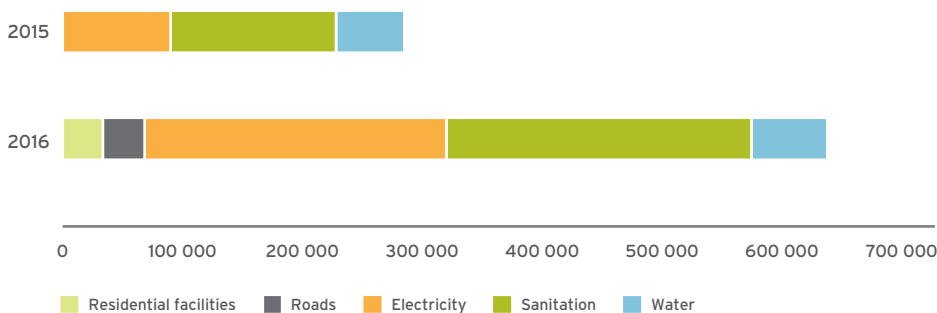
Under-resourced municipalities have very weak economic bases and institutional capacity, combined with an almost complete reliance on national government transfers for both capital and operating expenditure. These municipalities require intensive support in all aspects of infrastructure delivery

and management. This includes support to strengthen their ability to plan, prepare and implement projects and to utilise support through fiscal transfers. Their ability to strengthen their economic base and own revenue streams is also limited and requires external interventions to improve the situation. The extent of these challenges requires the development of integrated solutions involving a number of stakeholders to provide support to the full business cycle of project development, implementation and operations in order to achieve greater impact.

During the year, the DBSA supported the completion of 70 infrastructure projects in the electricity, water, sanitation, roads, storm water and fleet management sectors. At year-end, 10 projects were in the planning phase and 36 were under construction. An estimated 63 242 households stand to benefit and 5 240 jobs were created from these projects.

#### Contribution to development

Estimated number of households to benefit through infrastructure financing



## SUSTAINABILITY PERFORMANCE CONTINUED

PROJECT BRIEF: METROPOLITAN CITY	
<b>Project name: City of Johannesburg capital expenditure programme</b>	<b>Total project value:</b> R10.9 billion
<b>Project objectives</b> <ul style="list-style-type: none"> <li>• Improve the quality of service delivery (housing, energy, water, sanitation, transport, roads) in the municipality</li> <li>• Create job opportunities</li> </ul>	<b>Amounted committed by the DBSA:</b> R1.7 billion
<b>Description</b> <p>The City of Johannesburg, the biggest city in South Africa with the highest concentration of previously disadvantaged communities, has been experiencing huge pressure on its infrastructure, resulting in substantial infrastructure backlogs to meet both the increased demand and to support the city's growth and development.</p> <p>The increased demand is caused, in large part, by the inflow of people from all parts of the country and the rest of the continent, settling in the city in search of economic opportunities, but also due to the level of development and economic growth experienced in the past 20 years.</p> <p>The programme seeks to address the basic service backlogs by rolling out electricity, water, waste water, waste management, roads and housing infrastructure. It also aims to address future infrastructure needs.</p>	<b>Estimated development impact:</b> <ul style="list-style-type: none"> <li>• New housing units: 6 000</li> <li>• New electricity connections: 100 000</li> <li>• New prepaid meter connections: 5 000</li> <li>• Number of households to benefit from ablution facilities (VIP toilets, chemical toilets): 196 000</li> <li>• 43 kilometres of gravel road resurfaced</li> <li>• 125 kilometres of road resurfaced</li> <li>• Number of storm water systems upgraded: 18 zones</li> <li>• Number of traffic lights installed: 200</li> <li>• Estimated annual employment opportunities: 50 000</li> </ul>
PROJECT BRIEF: NON-METRO	
<b>Project name: Breede Valley Local Municipality: capital expenditure programme</b>	<b>Total project value:</b> R123 million
<b>Project objectives</b> <p>The development of municipal infrastructure in order to extend and enhance service delivery.</p>	<b>Amounted committed by the DBSA:</b> R60 million
<b>Description</b> <p>The Breede Valley Local Municipality requested funding proposals for its 2015/16 capital programme in order to extend and enhance service delivery in the area and position itself to accommodate future growth.</p>	<b>Estimated development impact:</b> <ul style="list-style-type: none"> <li>• Number of additional parking bays: 2 000</li> <li>• Length of municipal roads resurfaced: 4.5 kilometres</li> <li>• Length of gravel roads upgraded to surfaced roads: 3.7 kilometres</li> <li>• Length of AC water network replaced: 10 kilometres</li> <li>• Length of AC sewer network replaced: 8 kilometres</li> <li>• Number of households benefiting from improved electricity services: 42 527</li> <li>• Number of households benefiting from new electricity services: 350</li> <li>• Number of households benefiting from improved water services: 9 043</li> <li>• Number of households benefiting from improved sanitation services: 1 001</li> <li>• Number of households benefiting from improved roads and storm water infrastructure: 12 098</li> <li>• Number of temporary jobs created: 55</li> </ul>
PROJECT BRIEF: OTHER SOCIAL	
<b>Project name:</b> University of Cape Town Infrastructure Programme	<b>Total project value:</b> R1.2 billion
<b>Project objectives</b> <ul style="list-style-type: none"> <li>• Construct additional student residences</li> <li>• Develop conference facilities</li> <li>• Construct medical sciences building and additional lecture theatres</li> <li>• Develop increased parking facilities</li> <li>• Create job opportunities</li> </ul>	<b>Amounted committed by the DBSA:</b> R950 million
<b>Description</b> <p>The University of Cape Town (UCT) requested funding for its three-year infrastructure build programme.</p> <p>The programme aims to improve and increase access for students to the university, and will assist UCT with its transformation and enable it to reach its enrollment target of 30 000 students by 2020, in support of national government objectives to enrol 1.5 million students by 2030.</p>	<b>Estimated development impact:</b> <ul style="list-style-type: none"> <li>• Number of students accommodated: 1 000</li> <li>• Number of additional conference delegates accommodated: 800</li> <li>• Number of additional parking bays: 2 000</li> </ul>

## AUGMENTING BULK WATER INFRASTRUCTURE

Investments in bulk water infrastructure are required to address both growing household demand and the needs of the mining, manufacturing and agricultural sectors, which are heavily reliant on water for production. As part of our bulk water funding strategy, we disbursed R150 million (2015: R200 million) in the year.

## BOLSTERING THE SUPPLY OF AFFORDABLE HOUSING AND STUDENT ACCOMMODATION

In an effort to assist with the eradication of backlogs in housing in South Africa, the DBSA continued to invest in various forms of student accommodation, affordable housing schemes and externally managed funds with mandates aligned with that of the DBSA. During the year, we committed R1.1 billion (2015: R930 million) and disbursed R86 million (2015: R7 million) to support the development of student accommodation at various higher education institutions. We further invested R345 million (2015: R222 million) in the Old Mutual Housing Impact Fund, which finances the construction of affordable homes for sale and rent, as well as providing housing loans and rental accommodation for families and students.

## IMPLEMENTING PROJECTS

The DBSA supports government in leveraging skills and capabilities to accelerate the implementation of a number of programmes through the provision of project management and implementation support in the key priority sectors of education, health and housing as well as various urban infrastructure programmes.

Total funds under management amounted to R3.3 billion (2015: R2.0 billion), whilst the value of infrastructure delivered increased to R2.6 billion (2015: R2.0 billion). 665 SMMEs benefited from the construction contracts to the value of R710 million awarded during the year, whilst 6 464 temporary job opportunities were created from the managed programmes.

Key programme highlights include:

### Schools

During the year, 35 (2015: 15) schools were completed as part of a project for the Department of Basic Education to build new schools across six provinces in South Africa. This brings the total number of schools completed since the DBSA was appointed as an implementing agent to 99. They form part of the department's Accelerated Schools Infrastructure Delivery Initiative (ASIDI), the primary medium-term objectives of which are to replace schools built with inappropriate materials (such as mud) with properly constructed facilities which meet basic levels of functionality in terms of water, sanitation, electricity and fencing. ASIDI is part of the department's overall plan to bring about better access to education and improve learning outcomes. At year-

end a further 22 schools were at various stages of completion. 17 916 learners stand to benefit from the completion of the 35 schools. Since inception, more than 36 000 learners benefited from the new facilities.



### Housing

The Eastern Cape Department of Human Settlements mandated the DBSA to act as an implementing agent for the Elliotdale Rural Sustainable Human Settlements Pilot Project. The project is part of the Enhanced People's Housing Process. This project presented an ideal case study for the DBSA and the Eastern Cape and National Departments of Human Settlements to design and pilot a programme that would provide an innovative development solution to a sector of the economy where there is persistent market failure. The project is unique, as it addresses housing backlogs through an integrated approach. During the year, the DBSA completed 1 382 (2015: 1 128) units.



### Clinic facilities maintenance

In June 2014, the National Department of Health appointed the DBSA to carry out the minor refurbishment and maintenance of facilities at various clinics in NHI districts as well as the construction of VCT clinics across the country. By year-end, we had completed work on 33 additions, 37 refurbishments and 41 emergency repairs to health facilities. Approximately 35 000 people gained access to health counselling and testing in newly built clinics in the Limpopo and Northern Cape provinces.

The programme also enabled us to link artisans (students and graduates of further education and training colleges) to contractors to gain experience on the job. We intend to extend this model, helping provide essential maintenance of public facilities and, at the same time, securing employment for young people.

## Municipal support

### Ekurhuleni Metropolitan Municipality

The DBSA was appointed by the Ekurhuleni Metropolitan Municipality as an implementing agent for some of their capital infrastructure. 54 projects were completed covering roads, bulk water and ablution park facilities, amongst others.

### Anglo American Municipal Capacity Programme

The DBSA and Anglo American South Africa (AASA) signed an agreement in 2012 to partner in the building of capacity of municipalities in and around AASA's mining operations and their labour sending areas. Targeted municipalities included: Rustenburg, Greater Tubatse, Moses Kotane, Mogalakwena and Thabazimbi. The DBSA managed R67 million worth of the AASA programme funds in 2016. Key outputs achieved included:

- An average of 11.6% improvement in revenue collection in four municipalities supported
- An average 11.7% reduction in water and electricity losses
- 2 506 water and 407 electricity meters replaced
- 26 infrastructure master plans completed
- 205 employment opportunities were created with 62 SMMEs benefiting

The second arm of the AASA partnership, the water loss reduction and revenue improvement programme, saw 500 municipal officials trained and capacitated on water meter reading and equipment repair. At least 81 of the 500 people trained were female employees.

### City Support Programme

Managed on behalf of the National Treasury, the Cities Support Programme (CSP) aims to improve the way cities function in order to create more inclusive, productive and sustainable cities. The planning and design of the CSP has been managed by the DBSA since its conception in 2012.

The CSP covered a range of support mechanisms directed at metropolitan municipalities. Programme management support was provided resulting in:

- Eight metro built environment plans and intervention strategies completed
- Social and environmental strategy review tool completed
- 19 technical assistants placed in metros. Approximately R62 million of funds were managed for the CSP.

### Training and skills transfer

Through the DBSA's Traditional Leadership Programme, a partnership with Anglo American South Africa (AASA), 269 traditional leaders and councilors in communities identified by the Department of Rural Development and Traditional Affairs were trained in the fields of visionary leadership and integrated development planning.

## SUSTAINABILITY PERFORMANCE CONTINUED

### EMPOWERING RURAL LIMPOPO COMMUNITIES THROUGH A ROUTINE ROADS MAINTENANCE PROGRAMME

The DBSA was appointed as the implementing agent for the upgrade of roads in Limpopo and routine road maintenance. The goal of the contract is to improve the state of road infrastructure in Limpopo utilising the principles of the Expanded Public Works Programme (EPWP) including creating employment and empowering local SMMEs and communities.

The scope of the work included patching and repairing edge breaks, asphalt base and surfacing, treatment of an existing surface, grass cutting and bush clearing, guard rail repairs, fencing, collection and removal of debris, shoulder repairs and edge build-ups, and road signs. The current programme employs 75% women. Women are taught how to handle grass-cutting equipment and equipped with skills to repair potholes. Programmes such as HIV/Aids awareness, health and safety and basic entrepreneurial skills are also incorporated into the programme.

The overall contract value is R70 million. By year-end, expenditure totalled R51 million, whilst the following EPWP development benefits were realised: 1 539 employees and 1 160 women engaged, 896 youth employed and 25 SMMEs benefited to the value of R3.4 million.



### GOOD GOVERNANCE, ACCOUNTABILITY AND TRANSPARENCY

#### MANAGEMENT APPROACH

##### Ethical leadership and corporate citizenship

The DBSA's Board aims to integrate responsible corporate citizenship into both its daily operations and its growth strategy to ensure its sustainability. In accordance with the Board Charter, the Board is the guardian of the values and ethics of the organisation. The Board strives to lead by example and to embody the values set out in the Code of Ethics. As a business imperative, the Directors seek to ensure that the DBSA conducts its business with the utmost integrity towards all its stakeholders.

##### Code of Ethics

The Code provides guidance as to ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, and appropriate measures of enforcement. The underlying principles of the Code are integrity, loyalty, equity, tolerance, impartiality and discretion.

##### CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

The DBSA has a zero-tolerance approach to dishonest, corrupt and illegal conduct. This approach is central to its Code of Ethics. Risks are investigated and appropriate measures taken before investing in areas where such practices

may be more prevalent. Criminal behaviour is not tolerated and formal charges are laid against any perpetrator. Internal proceedings are also instituted against perpetrators, who are dismissed if found to have participated in unacceptable behaviour. Our comprehensive risk management approach covers all operations and risks associated with corrupt and dishonest behaviour. These are analysed and assessed as part of the risk management process. The DBSA does not condone anti-competitive behaviour.

##### ETHICS MANAGEMENT

The DBSA continues to promote ethics in its working environment. New recruits, as well as existing employees, receive training based on the DBSA Code of Ethics. The ethics officer plays a critical role in offering counsel on request to staff members to ensure that ethical principles are clearly understood. A dedicated Ethics Helpline encourages staff to seek advice on ethics issues and report any concerns they may have.

In keeping with the obligations imposed by the PFMA, the DBSA Act and other relevant legislation regarding conflicts of interest, the DBSA regularly reviews and updates its Conflict of Interest Policy. Employee declarations of interest are recorded at least annually, while Board members are required to declare their interest before they can participate in any Board or committee meeting. Where Board members have a direct or indirect personal

or business interest, they must withdraw from the proceedings when the Board and its committees consider the matter, unless the Board determines that the member's interest is immaterial or irrelevant.

No related party transactions with Board members occurred during the financial year, except for payments in respect of attendance at Board and Board committee meetings. Directors' fees are disclosed in the Annual Financial Statements.

The HRNSEC monitors compliance with the DBSA's Code of Ethics and other relevant social, ethical and legal requirements, as well as best practice, and ensures that the DBSA meets its responsibilities to its various stakeholders. This includes social transformation in the workplace and the safety, health and dignity of all employees.

##### FRAUD PREVENTION AND WHISTLE-BLOWING

The PFMA places an obligation on the DBSA to adopt a fraud prevention plan, which encourages employees to report any suspected corrupt, fraudulent, criminal or unethical practices. It strives to create an environment in which it is safe for employees to report impropriety, in accordance with the requirements of the Protected Disclosures Act, No 26 of 2000. The whistle-blowing process and procedures are well embedded and the independently administrated toll-free hotline is fully operative.



STATISTICS

	2016	2015
Hotline reports	–	3
Direct reports	11	7
Complaints and compliments line	–	1
<b>Total allegations</b>	<b>11</b>	<b>11</b>
• In progress	5	2
• In reporting stage	3	3
• Finalised	3	6
– Founded	3	4
– Unfounded	–	2
<b>Total allegations</b>	<b>11</b>	<b>11</b>
Disciplinary action on finalised matters		
• Criminal/civil action	–	1
• Disciplinary and management action (not criminal/civil in nature)	3	3

**INVESTING IN OUR MAJOR ASSET - OUR EMPLOYEES**

**MANAGEMENT APPROACH**

Employees are a critical driver of the DBSA's business performance and sustainability and the high calibre of current management at senior operational level is instrumental in creating value and long-term sustainability for the organisation. However, there is a shortage in the supply of many of the business-critical skills we require to deliver on our strategy. As a result, we have undertaken a number of initiatives to attract the best talent and make the DBSA an attractive place for our staff to work and develop their careers.

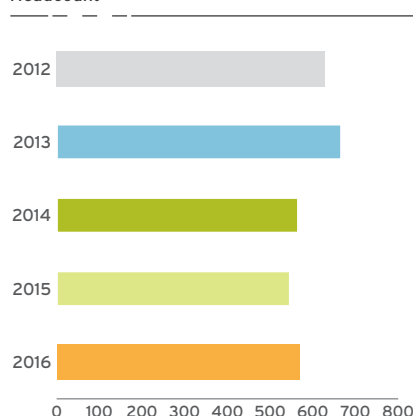
Post the restructuring in 2013, we recognised the need to implement a culture improvement project as one of our key strategic initiatives. It aims to build a new culture as a prerequisite to foster high performance in the organisation. Although implementation started off slowly, significant work has been done in recent months, including management coaching sessions, chemistry of wellness and performance workshops. These efforts are starting to yield significant improvements.

**EMPLOYMENT**

The DBSA has an employment policy that informs and regulates the management of people within the organisation. The policy outlines employee benefits, general working conditions, and learning and development opportunities. The management of discipline is guided by the disciplinary code and procedures. All employee-related policies are available on the DBSA's internal portal. Policies are reviewed from time to time to ensure compliance with legislation and to accommodate a flexible working environment. Decision-making with respect to human capital policies is informed by a structured consultation process via internal committees, such as the Human Capital Management Committee (which has employee representation across the various business units) and the Employment Equity and Skills Development Committee.

At year-end, the DBSA employed 461 (2015: 459) permanent and fixed-term contract people as well as 108 (2015: 88) fixed-term contractors for selected programmes and agencies. Staff retention remains a crucial focus area and the Board approved various retention incentives for critical skills in the year. The retention rate of critical skills was 95% (2015: 90%) at the end of March 2016 against a target of 85%.

**Headcount**



*Includes contractors in the Infrastructure Delivery division*

**DIVERSITY AND EQUAL OPPORTUNITY**

The DBSA is committed to creating and maintaining an environment which provides equal opportunities for all employees, with special consideration given to previously disadvantaged groups. The formal company Employment Equity Policy codifies this commitment and stipulates the promotion of equal opportunity, the elimination of unfair discrimination and the implementation of positive measures to redress disadvantages previously experienced by designated groups.

In establishing the numerical employment equity goals for the DBSA, the methodology, key challenges, lessons learnt, potential growth rate of the DBSA, benchmarks and the B-BBEE scorecard have been taken into consideration in setting the target for 2017. The key focus

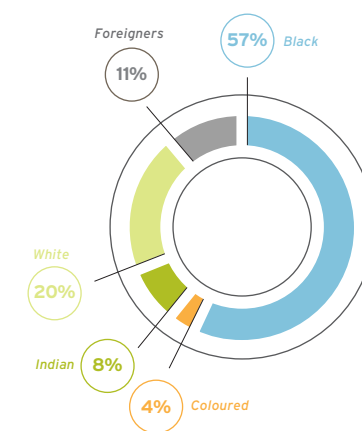
is to improve or set realistic targets to ensure that the DBSA has a representative workforce.

**EMPLOYMENT DIVERSITY**

**Gender**

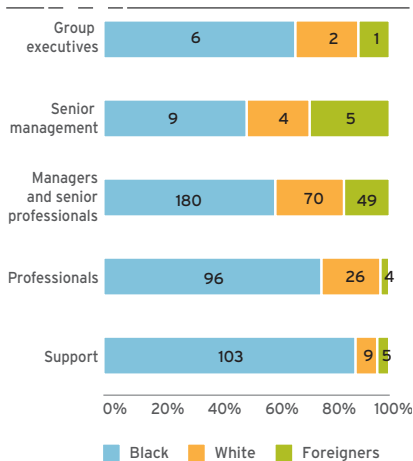


**Ethnicity**

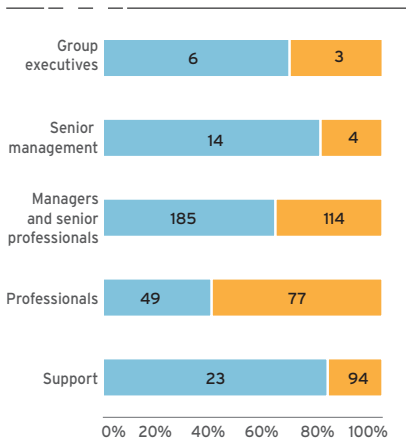


## SUSTAINABILITY PERFORMANCE CONTINUED

### Ethnic diversity per job category



### Gender diversity per job category



### EQUAL REMUNERATION FOR WOMEN AND MEN

Remuneration and employee benefits are attractive, well-structured, competitive and are aligned with legislation. Remuneration practices are regularly reviewed and the DBSA is committed to removing discrimination in pay scales. Pay differentials are disclosed in terms of employment equity legislation. The income levels of men and women are continually reviewed and any possibly unfair anomalies are addressed.

Positions are evaluated and graded in terms of job outputs - race and gender are not considered in the evaluation process. This ensures a like-for-like comparison in the marketplace. The DBSA has only one pay scale, based on job contribution and market comparisons.

### SKILLS DEVELOPMENT INVESTMENT

Research consistently highlights the importance of talent management to the success of an organisation. It has become one of the key focal points for executive teams. Success, though, depends on the degree to which an organisation's policies and processes support one another and the single goal of talent management. To this end, the DBSA has critically reviewed

and updated policies associated with talent management, including the Employee Policy and the Development Policy.

In addition, a particular focus has been placed on executive and leadership development, with the creation of a behavioural competency framework for leadership and an associated development strategy.

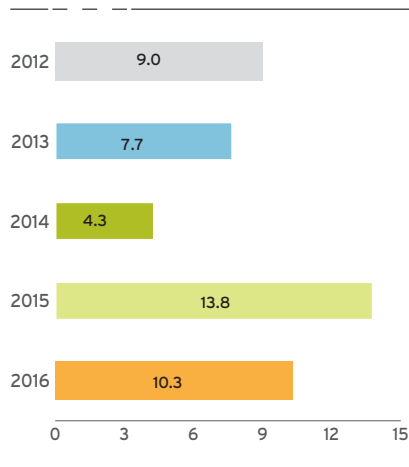
The DBSA is firmly committed to the development of its employees. The DBSA invests heavily in developing an internal skills pipeline and resourcing from the external talent base to combat the skills shortage that exists in the development finance sphere.

At least 3% of the DBSA's payroll is set aside for training and development of staff.

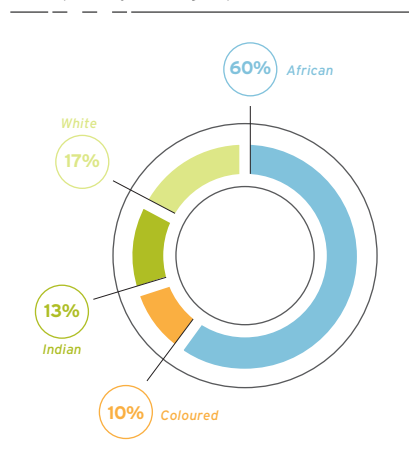
All employees are encouraged to take ownership of their developmental journey. Employees, together with their managers, are expected to complete individual development plans on an annual basis. This is to ensure that they consistently stay relevant in their field of expertise, close any skills gaps and build their careers accordingly.

During the year, R10.3 million (2015: R13.8 million) was invested in staff training.

### Training spend



### 2016 spend by ethnic group



### EMPLOYEE WELLBEING

The DBSA wellness programme helps reduce costs related to healthcare, productivity and absenteeism.

It helps encourage the healthy behaviour of our employees in both the workplace and at home. A targeted wellness programme may therefore help to improve not only the DBSA's financial performance, but also the health and sustainability of our communities in the long term. The DBSA will continue to increase the level of participation in these offerings and is currently reviewing its wellness programme, in which it invested R368 000 (2015: R381 000) in the year.

### OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety standards are covered by prevailing legislation. The DBSA's operations conform to the principles of the International Labour Organisation's Guidelines on Occupational Health and Safety. Occupational health and safety concerns are the direct responsibility of the Chief Executive Officer. The corporate health and safety policy statement outlines the intentions and principles in relation to the DBSA's overall safety and health performance. The policy statement provides the basis for the framework for action during the year. Formal Health and Safety Committees with management and worker representatives cover all staff.

To provide an operational forum for the management and governance of health and safety in the workplace, the DBSA implemented an Occupational Health and Safety Committee. All divisions are required to nominate a representative to serve on the committee. In total, 15 staff members formed part of the committee, whilst 159 trained emergency response team members support the DBSA. Five evacuation drills were conducted during the year. Three lost-time injuries were reported to the Commissioner and 23 minor injuries were reported and treated by our on-site occupational nurse. These injuries all occurred at the DBSA premises in Midrand. The table on the next page summarises these incidences and their impact.

Occupational health and safety incidents during the year include:

	2016		2015	
	Number of incidents	Impact	Number of incidents	Impact
First aid (minor)	23	5 working days lost	23	Immaterial
Lost-time injury (disabling)	3	19 working days lost	4	Zero workdays lost

As part of the DBSA's Infrastructure Delivery operations, a civilian who gained unauthorised access to the construction site, passed away due to drowning. In a separate incident, a contractor sustained injury due to a fall from height.

#### BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The DBSA strives to create value for local suppliers through its preferential procurement practices and supports the appointment of previously disadvantaged individuals, benefiting communities in South Africa and the region. The DBSA is a Level 6 contributor (2015: Level 2, old codes) based on the new B-BBEE codes.

	Target	Score
Management control	20	15.31
Skills development	25	16.56
Enterprise and supplier development	50	35.50
Socio-economic development	5	5.00
<b>Total</b>	<b>100</b>	<b>72.37</b>

#### SOCIAL DIVIDEND

##### SUPPORTING ENVIRONMENTALLY ORIENTATED INFRASTRUCTURE PROGRAMMES

#### GREEN FUND

The Green Fund is an R800 million national fund aimed at supporting South Africa's transition to a green economy. The vision of the Green Fund is to "provide catalytic finance to facilitate investment in green initiatives". The DBSA manages the Green Fund on behalf of the Department of Environmental Affairs (DEA) on a full cost-recovery basis.

The United Nations Environmental Programme (UNEP) defines the green economy as one that results in "improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities". The South African government has initiated a range of strategic policy imperatives to accelerate the entrenchment of green approaches in the development process and thus aid South Africa in transitioning to a green economy. The Green Fund is one of the key initiatives which has emerged from this national policy framework.

The Green Fund aims to support initiatives contributing to South Africa's transition

to a low-carbon, resource-efficient and climate resilient development path delivering high-impact economic, environmental and social benefits. The Fund responds to market weaknesses currently hampering the transition to a green economy by:

- Promoting innovative and high-impact green programmes and projects
- Reinforcing sustainable development objectives through green interventions
- Building an evidence base for the expansion of the green economy
- Attracting additional resources to support South Africa's green economy development.

The focus area of the Green Fund is defined through three thematic windows. The window design reflects the policy priorities in the National Development Plan, the New Growth Path and the National Strategy on Sustainable Development. Funding Windows, through which project proposals are solicited, are as follows:

- Green cities and towns - strive for well-run, compact and efficient cities and towns that deliver essential services to their residents, utilising available natural resources efficiently and sustainably
- Low-carbon economy - strive towards a low-carbon growth trajectory in line with national climate change policy principles
- Natural resource management - strive for protected and conserved resources for sustained development.

The Green Fund was established during April 2013. Since then, the Fund's funding activities have significantly progressed. To date, R1.1 billion has been approved. During 2016, the Fund committed R151 million (2015: R103 million), while disbursements amounted to R292 million (2015: R230 million). Over the life of the programme, R746 million has been disbursed in areas such as waste management, biodiversity and renewable energy.

On the back of the successes achieved to date, the Fund is starting to attract additional resources through engagements with strategic partners from European and local DFIs as well as various local financial institutions. Going forward, the Fund will continue to build partnerships to accelerate and increase the development outcomes sought.

The Green Fund also plays a key co-ordinating role in the DBSA's accreditation to the Global Environment Fund (GEF) and the Green Climate Fund (GCF), which are global funding mechanisms to support sustainable economic growth and development, a key DBSA mandate.

#### REDUCING THE WASTE WE GENERATE

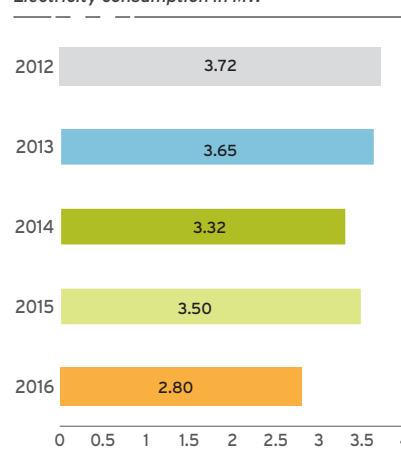
##### Recycling

An important aspect of the DBSA's waste management strategy is the extensive recycling of various types of waste, including cans and tins, cardboard, newspapers and magazines, plastic and paper. During the year we used 5.8 tonnes of printing paper and generated 56.3 tonnes of unrecyclable waste. 10.9 tonnes of paper-based items, 1.1 tonnes of plastic-based items, 367 kilograms of glass and 348 kilograms of cans were recycled.

##### Energy

The DBSA focuses on reducing its consumption of energy, mainly in the form of electricity. We have implemented a range of initiatives to reduce consumption, including installing timers on light switches and on circuits to control air conditioning. During 2016, energy consumption decreased marginally from 3.5 MW to 2.8 MW. As a responsible corporate citizen, aligned with global imperatives, we have set an aspirational target to improve our non-renewable energy efficiency by 10% in the short to medium term.

##### Electricity consumption in MW



## SUSTAINABILITY PERFORMANCE CONTINUED

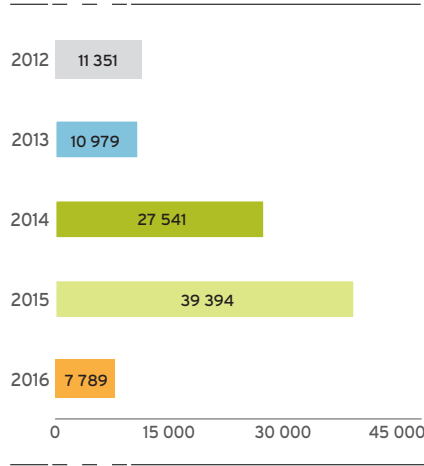
### Water

The DBSA is committed to being a responsible custodian of water by measuring, monitoring, managing and reporting our water use as standard business practice and, where possible, proactively implementing initiatives to conserve water. The DBSA recognises that water is an increasingly scarce and critical global resource. Although our operations are not particularly water-intensive, we have committed to more efficient water consumption through reduced consumption on our campus. We also support various projects that enhance the capacity of the population to adapt to water scarcity, as well as water management solutions.

Total water used on the DBSA campus from municipal water sources is reflected in the graph to the right. During the year, we noticed a marked decrease in the average monthly water consumption. The reduction in the water usage was due to the

replacement of a faulty water meter for which the DBSA was billed although no water was pumped through it.

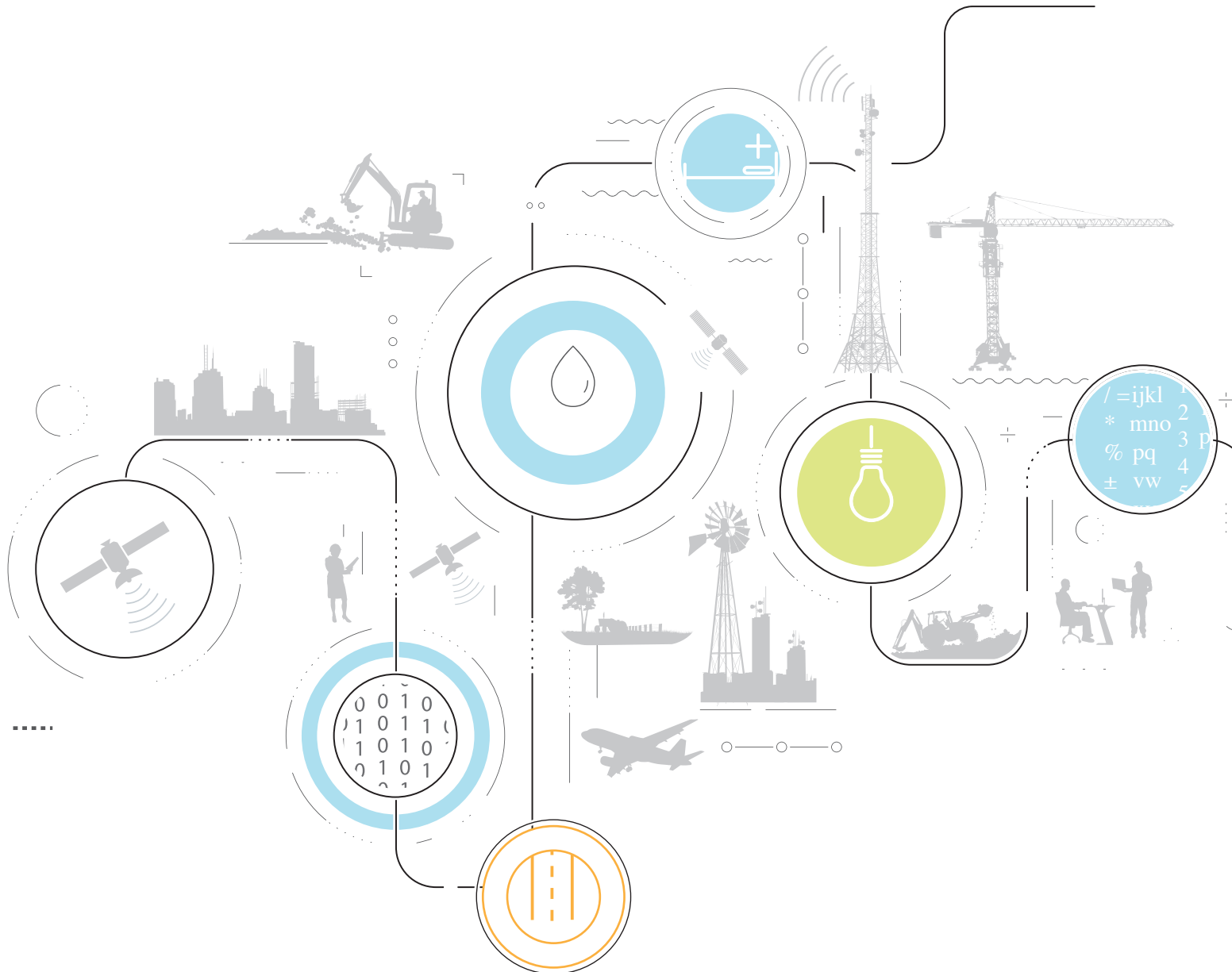
Water consumption in kilolitres



### Emissions, effluents and waste

We have implemented a wide range of energy-reduction initiatives to lower our greenhouse gas emissions. These include communication, monitoring and reporting, as well as operational initiatives such as efficient maintenance and the use of environmentally friendly cleaning products.

Effluents emanate mainly from the routine cleaning and maintenance of the campus. All effluents are cleaned of pollutants and grey water is discharged into municipal reticulation systems. Waste material is disposed of through legitimate contractors at certified waste disposal facilities. Although the DBSA does not generate significant volumes of waste, we aim to recycle as much as possible.



## APPENDIX A: GLOBAL REPORTING INITIATIVE TABLE

We report in line with the requirements of the Global Reporting Initiative (GRI). Based on our internal assessment, we believe our 2016 Sustainability Review is compliant with the “core” option of the G4 Guidelines. DBSA's Internal Audit department has conducted a review of the disclosure items.

PROFILE DISCLOSURE	DISCLOSURE	ASSURANCE BY DBSA INTERNAL AUDIT	CROSS-REFERENCE/DIRECT ANSWER
<b>Strategy and analysis</b>			
G4-1	CEO/Chair statement	Compliant	Refer to page 1 for the statement from the CEO
<b>Organisational profile</b>			
G4-3	Report the name of the organisation	Compliant	Development Bank of Southern Africa
G4-4	Report the primary brands, products, and/or services	Compliant	Refer to the 2016 Integrated Annual Report from pages 6 and 7 as well as divisional reports from pages 38 to 41
G4-5	Report the location of the organisation's headquarters	Compliant	The DBSA operates from its offices in Midrand, Gauteng, South Africa
G4-6	Countries of operation	Compliant	The DBSA's mandate covers the whole of Africa with a strong focus on the SADC region and selected countries outside SADC
G4-7	Report the nature of ownership and legal form	Compliant	The DBSA is wholly owned by the South African government
G4-8	Report the markets served	Compliant	Refer to the 2016 Integrated Annual Report from pages 6 and 7
G4-9	Report the scale of the organisation	Compliant	The DBSA is a single entity, with no subsidiaries
G4-10	Workforce scale and split	Compliant	Refer to pages 15 and 16
G4-11	Percentage of total employees covered by collective bargaining agreements	Compliant	The DBSA does not have a recognised labour union or collective bargaining agreements
G4-12	Describe the organisation's supply chain	Compliant	The DBSA has a fully functional Supply Chain unit, which is part of the Finance Division. The DBSA Supply Chain Policy finds expression within the provisions of the applicable statutes and regulations i.e. PFMA and Preferential Procurement Regulations
G4-13	Significant changes to the organisation (size, structure, ownership, etc.)	Compliant	None
G4-14	Report whether and how the precautionary approach or principle is addressed	Compliant	The principles that underly the precautionary approach inform our governance framework for sustainability development reviewed in our Sustainability Review, particularly our management of our economic, social and environmental dividend. Refer to pages 7 to 18
G4-15	List external initiatives signed up	Compliant	Refer to page 24 of the 2016 Integrated Annual Report, as well as page 5, 6, 14 and 15 of this report
G4-16	List association memberships/participation	Compliant	Refer to page 24 of the 2016 Integrated Annual Report
<b>Identified material aspects and boundaries</b>			
G4-17	List all entities included in reporting scope	Compliant	Only DBSA
G4-18	Explain implementation of principles for defining report content	Compliant	Refer to page 22
G4-19	List material aspects identified in the process for defining report content	Compliant	Refer to page 22
G4-20	For each material aspect, report the aspect boundary within the organisation	Compliant	Refer to page 22

APPENDIX A: GLOBAL REPORTING INITIATIVE TABLE CONTINUED

PROFILE DISCLOSURE	DISCLOSURE	ASSURANCE BY DBSA INTERNAL AUDIT	CROSS-REFERENCE/DIRECT ANSWER
G4-21	For each material aspect, report the aspect boundary outside the organisation	Compliant	Refer to page 22
G4-22	Report effect of, and reasons for, any restatements of information	Compliant	None
G4-23	Report significant changes in the scope and aspect boundaries	Compliant	None
<b>Stakeholder engagement</b>			
G4-24	List stakeholder groups engaged by the organisation	Compliant	Refer to the 2016 Integrated Annual Report from page 12
G4-25	Basis for identification and selection of stakeholders with whom to engage	Compliant	Refer to the 2016 Integrated Annual Report from page 12
G4-26	Report the organisation's approach to stakeholder engagement	Compliant	Refer to the 2016 Integrated Annual Report from page 12
G4-27	Report key topics and concerns raised and how they have been addressed	Compliant	Refer to the 2016 Integrated Annual Report from page 12
<b>Report profile</b>			
G4-28	Reporting period (e.g. fiscal or calendar year) for information provided	Compliant	This report relates to the financial year from 1 April 2015 to 31 March 2016
G4-29	Date of most recent previous report	Compliant	31 March 2015
G4-30	Reporting cycle (annual, biennial, etc)	Compliant	Annual
G4-31	Provide contact point for questions regarding the report or its contents	Compliant	Refer to page 22
G4-32	Report the "in accordance" option, content index, external assurance	Compliant	Refer to page 22 and Annexure A
G4-33	External assurance policy, practice and scope	Compliant	Refer to page 22
<b>Governance</b>			
G4-34	Report the governance structure of the organisation	Compliant	Refer to page 5 and also refer to the 2016 Integrated Annual Report from pages 18 to 25
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Compliant	Refer to pages 3 and 15
<b>G4 SECTOR DISCLOSURE: FINANCIAL SERVICES</b>			
<b>Product portfolio</b>			
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro, SME, large) and by sector	Compliant	Refer to the 2016 Integrated Annual Report for the divisional reports from pages 38 to 41  Refer to the notes to the Annual Financial Statements for a breakdown of equity investments, development loans and bonds where a detailed analysis of the sector and client split is provided for development loans
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose	Compliant	Refer to the 2016 Integrated Annual Report for a reflection of our strategy (pages 5 to 7), outputs and estimated development impact (pages 8 and 9)

## APPENDIX B: UNITED NATION'S GLOBAL COMPACT

The DBSA became a signatory to the United Nation's Global Compact (UNGC) on 9 September 2013, committing the organisation to the 10 universal principles of the UNGC and reflecting the importance that the DBSA Board and management team place on good corporate citizenship. The DBSA is committed to upholding fundamental human rights, ensuring fair labour practices, working against corruption in all its forms, and protecting the natural environment within which it operates.

UNGC PRINCIPLE	DBSA'S SUPPORT OF UNGC PRINCIPLE	RELEVANT DBSA POLICIES
<p><b>Human rights</b></p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights</p> <p>Principle 2: Make sure that they are not complicit in human rights abuses</p>	<p>The DBSA supports the United Nation's Universal Declaration of Human Rights. The DBSA is bound by the Constitution of the Republic of South Africa, which contains the Bill of Rights.</p> <p>All DBSA employees are bound by the DBSA's Code of Ethics and are guided in their behaviour in terms of integrity, loyalty, equity, tolerance, impartiality and discretion. The DBSA's service providers, suppliers and trade partners are bound by the Code.</p> <p>At a project investment level, the DBSA considers the advancement and protection of human rights an imperative. Various social safeguards have been built into the Bank's due diligence process.</p>	<p>Code of Ethics Policy</p> <p>Employment Policy</p>
<p><b>Labour</b></p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>Principle 4: The elimination of all forms of forced and compulsory labour</p> <p>Principle 5: The effective abolition of child labour</p> <p>Principle 6: The elimination of discrimination in respect of employment and occupation</p>	<p>The DBSA is committed to fair employment opportunities for all and to create an environment that permits such equal opportunities for advancement in order to redress past imbalances and to improve the conditions of individuals and groups who have been previously disadvantaged on the grounds of race, gender and disability. In the spirit of promoting organisational policies and practises that are fair and equitable, the DBSA affirms its commitment to comply with the spirit of the Employment Equity Act to the strategic benefit of the DBSA.</p> <p>South Africa is a signatory to the International Labour Organisation convention, as applicable to fair labour practices, and South Africa has a plethora of labour legislation that reflect the standards. The DBSA's employment policies incorporate these legislative provisions. South African law prohibits forced, compulsory and child labour.</p> <p>DBSA practises freedom of association and recognises the right to collective bargaining as prescribed in the Constitution of the Republic of South Africa and set out specifically in the South African Labour Relations Act. For the past two financial years, no collective bargaining agreement has been in place.</p>	<p>Employment Policy</p>
<p><b>Environment</b></p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p> <p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p> <p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>The DBSA recognises the importance of placing poverty eradication and achievement of sustainable development at the centre of its development agenda. The DBSA is legally obliged to promote sustainable development through its operations and this is integrated into the Bank's strategy, which highlights the need for effective integration of environment and sustainability issues as the key to ensuring sustainable economic and social development.</p> <p>The DBSA supports the precautionary approach to environmental challenges. Environmental and sustainability considerations at the DBSA are founded on the following key documents: the DBSA Environmental Sustainability Strategy, the DBSA Environmental Policy, the environmental management system and the DBSA Environmental Appraisal Procedures. These documents combine to form the DBSA environmental management framework. The DBSA environmental management framework serves as the structure that ensures the DBSA's operations, programmes and projects are socially responsible, environmentally sound and in line with government requirements.</p>	<p>Environmental Policy</p>
<p><b>Anti-corruption</b></p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>The DBSA has adopted a Code of Ethics articulating the values and acceptable ethical standards to which all persons associated with the Bank are required to adhere. This notwithstanding, the Bank acknowledges that in today's business environment, fraud is prevalent and all business organisations are susceptible to the risk of fraud. In this regard, the DBSA's Fraud Prevention Plan sets out and reinforces the Bank's policy of zero-tolerance towards fraud and corruption as well as management's commitment to combating all forms of fraud inherent in the Bank's operations.</p> <p>The DBSA's fraud hotline forms an integral part of the Bank's anti-fraud and anti-corruption efforts. The toll-free hotline is independently managed and administered.</p> <p>The Conflict of Interest Policy for the DBSA Board and employees requires the disclosure of all direct or indirect personal or private business interests. All employees sign confidentiality and declaration of interest forms when adjudicating on procurement panels.</p>	<p>Code of Ethics</p> <p>Conflict of Interest Policy</p> <p>Gift and Hospitality Policy</p> <p>Whistle-blowing Policy</p> <p>Fraud Prevention Plan</p>

## ABOUT THIS REVIEW

The DBSA is pleased to present our Sustainability Review for the financial year 1 April 2015 to 31 March 2016. This report focuses on material sustainability focus areas that affect the long-term success of our business and that relate to any significant impacts we have on the economy, environment or communities in which we operate. It also focuses on issues that are important to our key stakeholders.

The boundary of the review is the DBSA legal entity. There are no significant

changes to the scope or aspect boundaries during the reporting period.

We have included a selection of project briefs and a view of our estimated development impact to give the reader a sense of what we are seeking to achieve through our investments. While this report may be of interest to all our stakeholders, it deals with issues of particular interest to bond investors and analysts, sustainable development professionals and other parties who may have a specific interest in the DBSA's sustainability performance.

As an organ of the state, it is important that the activities of the organisation are closely aligned to support key national imperatives. In this report we reflect on our contribution to the National Development Plan as well as the United Nations' recently adopted 17 Sustainable Development Goals (SDGs).

We produce a full suite of reports to cater for the diverse needs of our stakeholder base. The following reports supplement the Sustainability Review:

<b>Integrated Annual Report</b> Primary report to shareholder and bond investors providing an integrated view of the DBSA's strategy and performance	<ul style="list-style-type: none"> <li>• Overview of strategy and value creation</li> <li>• Performance and outlook</li> <li>• Corporate governance report</li> <li>• Remuneration report</li> </ul>
<b>Annual Financial Statements</b>	<ul style="list-style-type: none"> <li>• Directors' report</li> <li>• Statutory Annual Financial Statements</li> </ul>

### REPORTING FRAMEWORK

Our sustainable development reporting was developed in accordance with the Global Reporting Initiative's (GRI's) G4 Sustainability Reporting Guidelines (Core). A detailed GRI table, providing responses to each of the GRI criteria, can be found in Annexure A to this report. With respect to the Specific Standard Disclosures of the GRI 4 guidelines, we provided our management approach for all our material issues. For the first time we also disclose our support to the United Nation's Global Compact principles. Refer to Annexure B.

### MATERIALITY

The Sustainability Review aims to provide an accurate, accessible and balanced overview of the DBSA's strategy, performance and outlook in relation to material economic, financial, social, environmental and governance issues. It concentrates on items of both a qualitative and quantitative nature that are material to the DBSA's ability to deliver on its mandate and strategy.

The DBSA defines material issues as those which have the potential to substantially impact our ability to create and sustain

value for our stakeholders. In identifying matters which are material, we consulted a wide range of resources, including:

- The Shareholder's Compact and DBSA's Corporate Plan
- The DBSA's key risks identified during the risk management process
- The business context of a development finance institution.

In compiling the Sustainability Review, three specific material areas were identified, namely our approach to sustainable governance, investment in infrastructure at a project level as well as our approach to investing in our staff. We have also included selected non-material information, around our fund management services in supporting the transitioning to a green economy as well as how we reduce the waste we use. We have also assessed the Financial Service Sector Specific Disclosure requirements and incorporated the material matter of 'product portfolio' within the G4 table in Annexure A.

### ASSURANCE

The DBSA Management has assessed the viability to have the Sustainability Review, other than the elements mentioned

hereafter, externally assured, and concluded that the benefits do not exceed the cost of doing so. The disclosures on the GRI tables have, however, been reviewed by the DBSA Internal Audit team. Their findings are indicated as part of Annexure A. Our external auditor, in addition to providing assurance on the DBSA' Annual Financial Statements, is required to perform certain procedures on our predetermined performance indicators. Their report and findings are reflected in the External Auditor's report in the Annual Financial Statements.

### APPROVAL OF THE SUSTAINABILITY REVIEW

This report was prepared under the supervision of the Group Executive: Strategy, Mohan Vivekanandan. It was reviewed by the DBSA Audit and Risk Committee and, upon their recommendation, approved by the Board on 7 July 2016. Comments on this report can be sent to Johan Conradie, Manager: Strategy at [corporatestrategy@dbsa.org](mailto:corporatestrategy@dbsa.org), or 1258 Lever Road, Headway Hill, Midrand.









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