ACKNOWLEDGES importance of significantly reducing reliance on fossil fuels but not at the cost of meeting urgent energy demands. Claims commitment to supporting the gradual adoption of a low-carbon and sustainable growth path by its member countries. ISS includes Operational Safeguards (which staff must apply in practice) to screen out any of its investments are not likely to be adequately aligned with the bank’s policies and requires compliance with national laws and policies at the time of disbursement, particularly with respect to involuntary resettlement, labour conditions, biodiversity and health and safety.

Engaged with serving needs of regional members and factors national priorities into funding decisions. Also works to enhance member countries’ capacity – institutional capacity including project prep and appraisal and policy formulation – which may serve as a prerequisite to accessing new and existing financial resources.

The bank’s investments include sovereign and private sector financing through instruments including guarantees, equity, buy-downs and other forms of financial assistance. The AfDB seeks to broaden access to finance in member states own local currencies and thereby reduce any problems associated with exchange rate fluctuations. The bank also 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.

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 and sustainable economic growth and development in Africa. It is a multilateral development bank with 80 members drawn predominantly from Asia, Europe and the Americas.

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

DBSA demonstrates healthy financial performance, notably in terms of its net interest margin (difference in cost of funds versus income from lending. 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 has been in a healthy financial position in recent years, the SA government's credit downgrade in 2020 ... at Landbank, has affected its fundraising attractiveness. Accordingly, management is further emphasizing efforts to

Outlook

DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

Quality →

Total financial assets Employees Shareholder funds Avg. annual disbursement (last 5 years) in renewable energy investments

International

Subprime

Association of Institutions

Green Climate Fund

MDFI/DFI Fund

Key network relationships

Investment cycle

- 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 benefits, risks in project selection, 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

- 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

- The DBSA's credit rating was recently downgraded and concerns of a further downgrade that raises its cost of funds is 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.

Operations

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

Key operating objectives

- After investment, the DBSA manages funding disbursements according to agreements and monitors recipients to ensure compliance with the terms of the agreement. It also ensures that funds are used for the intended purpose and that projects achieve their environmental and social objectives.

- Investments are screened based on DBSA's mandate/strategy and thereafter undergo due diligence analysis to assess their financial and developmental impact. DBSA takes into account the environmental and social impact of its investments, including the potential for greenhouse gas emissions, climate change impacts, climate change policy, and social and environmental indicators.

- Development of a future-fit workforce and a culture of high performance and sustainable development and climate action.

- Social Sectors
- Water & Sanitation
- Power generation
- Education
- Health
- Agriculture
- Industry, Innovation and Infrastructure (9), Sustainable Cities and Communities (11), Climate Action (13) and AU Agenda 2063

Transparency

DBSA provides greater transparency regarding its financial position, governance and its environmental and social engagement and 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.

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EXPORT CREDIT INSURANCE CORPORATION (ECIC)

South African government-owned entity established in 2001 as a 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 organization promotes South African export trade by underwriting bank loans and investments outside the country. This enables South African enterprises to sell business contracts abroad.

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

**Key Standards**
- Export Credit and Foreign Investments Insurance Act (1987)
- Short Term Insurance Act, 53 of 1998
- Public Finance Management Act, 2003 (as amended)
- Insurance Act, 2008
- Companies Act, 71 of 2008

**Illustrative sectors**
- Energy
- Manufacturing
- Plastics
- Mining
- Transport & logistics
- Construction
- Telecommunications
- Forestry

**Strategic goals**
- Increase market presence,
- Grow the business
- Increase capital base
- Operational excellence
- Staff retention & efficiency
- Competent and knowledgeable workforce
- Governance structures
- Board of Directors
- Executive committee

**National Development Plan 2030**
- Considers the National Development Plan as the overarching link to government priorities and seeks to align ECIC’s goals and strategies accordingly.

**UN Global Compact Principles**
- Human rights
- Labour standards
- Environment and anti-corruption

**OECD Arrangement on Export Credits**
- Framework for the use of export credits in a manner encouraging fair competition amongst exporters (SA is not an OECD member but has observer status).

**Safeguarding**
- The ECIC’s policies encompass anti-corruption measures to prevent the support of export contracts and investments secured through undue influence or1

**Measurement**
- Investment process
- Positive stakeholder, client satisfaction
- Core performance: Risk and cost-benefit statements

**Outlook**
- ECIC does not have 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.

**Total insured value by year**

**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.

**Total insured by country (31 March 2022)**
The COVID-19 pandemic's economic impact adversely affected the IDC's portfolio performance and operations. Its direct and indirect effects on clients required the bank to pay further attention to matters such as payment deferrals and business restructuring. This is seen as a means of driving strong investment selection, paired with robust post-investment risk management, to elevate balance sheet resilience and enhance capital assets.

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 its operations in line with regulatory expectations and its credit rating partly reflects the higher risk it undertakes in the IDC mortgage

### Operation

The IDC’s investment philosophy centres on promoting developmental investment by supporting economically viable businesses. Although it addresses higher-risk opportunities, including exposure to equity markets and small businesses, financial investors are especially interested in projects that can produce sustainable benefits. The fund has significant experience in the sector and aims to diversify its portfolio through investment in other sectors, such as renewable energy and sector initiatives.

By engaging in social development, projects with social impact investment risk implications, the IDC aims to achieve sustainable social change.

### Investment oversight

Board Investment Committee: The board of directors oversees the board’s role in determining the IDC’s investment strategy, in consultation with the IDC executive committee. The board invests up to 3% of total assets in illiquid investments.

### Performance

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### Indicators

- **Credit Rating**
  - R2bn
  - Rated from a private placement bond with the UIF

### Risk

- **Funding Instruments**
  - Private placements
  - Bonds

### Organization’s Capability

- **Strategic goals**
  - Grow pipeline of opportunities, promote effective deal execution, partnerships to support deal

### Risk Management

- **Key networks and relationships**

- **Key performance indicators**

### Board of Directors

- 11 members were appointed to the board as of 2021. The board provides operational oversight and, sets the strategic direction and offers leadership in areas including 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.

### Key operating objectives

- Operating profit margin
- Revenue breakdown and disaggregation

### Funding

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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.

**Key Financials**

- **Total financial assets**: $24.9bn
- **Employees**: 200+
- **Shareholder funds**: $10.7bn
- **Avg. annual disbursement (since inception)**: $2.43bn
- **Inclimate investments**: $5.2 billion

**Key Statutes**

- **Agreement on the New Development Bank (2015)**

**Target Sectors**

- Clean-energy & energy efficiency
- Transport infrastructure
- Water & sanitation
- Environment
- Global infrastructure
- Digital infrastructure

**Objective**

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

**Governance**

The Agreement on the New Development Bank (2015) 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 member countries, and a President. South Africa is represented by the Minister of Finance at board level.

**Strategic goals**

- Support high growth opportunities aligned with member development priorities and Paris Agreement's goals of climate change.

**Development frameworks**

- PARIS AGREEMENT - pledges to support member countries to climate action Paris Agreement. Projects are aligned with climate smart, disaster resilient, technology-integrated and inclusive and will be prioritized for financing.

**Funding trends**

- As the NDB continues establishing itself as one of the world’s major development banks its priorities are to grow to 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. Pitch recently downsized the entity slightly due to concerns on the effect of its Russian ownership on access to USD denominated funding opportunities.

**Investment oversight**

- Credit and investment committee: responsible for making recommendations on financial 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 area of responsibility. Meets monthly and comprises 5 members of the executive team.

**Key network relationships**

- Key operating objectives:
  - Prioritize high impact opportunities aligned with member development priorities and Paris Agreement's goals of climate change.
  - Reflect growing priority to sustainable development and SDG alignment.

**Investment process**

- NDB gathers detailed information on each identified opportunity, including environmental, financial and social aspects.

**Operational efficiency measures**

- 12X profitability ratio
- 57% liquid assets/adjusted total assets
- 49% gross debt/discounted total assets

**Funding portfolio by country, area and type**

- **South Africa**: $0.5bn, 2%
- **China**: $4.3bn, 57%
- **Global**: $58bn, 21%

**Credit ratings**

- **Global**: AAA, 21%
- **South Africa**: A, 57%
- **Russia**: B3, 0%
- **India**: B3, 1%
- **Pakistan**: BB, 0%

**New fundraising in (2022)**

- Equity
- Long-term bonds
- Medium term notes
- Green bonds
- SGD bonds
- Commercial notes

**Fundraising instruments**

- **$488 million**: Proceeds from issuance of 5 year Green bond in China - 2015
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 system 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

Emphasis is on key strategic areas that align with the bank’s sustainability ambitions, focusing on climate change, and conservation of natural resources

Seeks to align with country safeguards where available and to strengthen them where they are deficient

Projects are screened based on this framework from an early stage and assigned a categorical rating (Low Risk - Cat A, Medium Risk - Cat C)

NDB requires high risk projects to put in place appropriate risk management plans and measures

Emphasizes measures to assess potential climate and GHG impacts, and encourages identification of low carbon options or other options where indirect emissions are a concern

NDB in a core group member of the global networks and management committee for the global network of key shareholders and is a signatory to the 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.
AuM

Operations
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.

PUBLIC INVESTMENT CORPORATION (PIC)

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

Employees

0.3-0.5%

R15bn+

Asset Allocation (2022)

Governing board:
• 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.
• The Investment Committee (Board level): responsible for investment decision oversight, investment performance monitoring and reporting. Includes 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.

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 appropriate investment mandates

Investments

• 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 (CRI-SA): framework committing institutional investors and service providers to integrate environmental, social and governance (ESG) issues into their investment decisions
• UN PRI: a United Nations-supported initiative to provide a global forum for responsible investors to exchange knowledge and experience on integrating ESG issues into investment practices

• The PIC is responsible for appointing board members in consultation with Cabinet, a matter in which they have full discretion.
• PIC board of directors: 13-person board provides leadership and independent review on issues related to strategic performance, resource and standards of conduct. Total of 11 directors, chaired by a Deputy Minister in the Economic Cluster and must include at least 2 members from the GEPF, 2 from the UIF, 1 from the CC, 1 from the CP and 1 from a trade union representing more than 0.7% of members and at least 2 representatives from labour unions (2 of whom 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.

Development frameworks

• The PIC’s asset allocation (2022)

• Other: adopting and implementing ESG practices in their operations and enhancing related reporting

• UN PRI: a United Nations-supported initiative to provide a global forum for responsible investors to exchange knowledge and experience on integrating ESG issues into investment practices

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Funding

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 have provisions for the PIC to invest in opportunities that offer adequate financial returns and offer positive socio-economic impact.

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 separately 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 investors. Cost containment in relation to incoming revenues is an operational priority.

Key operating objectives

Operational efficiency measures

<table>
<thead>
<tr>
<th>Area</th>
<th>Target (most recent set)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Staff cost to Management Fees</td>
<td>&lt;40%</td>
<td>41%</td>
<td>45%</td>
<td>34%</td>
</tr>
<tr>
<td>Total Costs to Management Fees</td>
<td>&lt;80%</td>
<td>76%</td>
<td>66%</td>
<td>76%</td>
</tr>
<tr>
<td>Net income percentage</td>
<td>&gt;50%</td>
<td>48%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>Clean audit achieved</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>No unauthorised expenditure</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
</tr>
</tbody>
</table>

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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 risk of losing these. 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, 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.

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 (PM&M) team, under the same leadership cluster as ESG, that is responsible for ongoing monitoring of performance and with scope to provide support and interventions as necessary.
- Claims measures are being implemented to drive investee compliance with sustainability initiatives, including carbon emission reductions, carbon credit trading and renewable energy projects.

Transparency

- PIC 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.

Investment process

- External 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 (insurables, ESG, high level deal structuring) 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 PMC.

Green investment

- Solar Capital - invested in large scale solar PV farms for the long-term in the Western Cape.
- Matlala Solar Park - concentrated solar power (CSP) technology provider feeding into the 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.

Investment emphasis across key portfolio segments

- Listed
- Unlisted
- Developmental Infrastructure
- Developmental Investments - SA
- Development Investments in Intermediaries - SA
- Development Investments in Intermediaries - Rest of Africa
- Externally managed funds (R. Billions)

Investment holdings by sector by year

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