INTEGRATED
ANNUAL REPORT
2020/21

LAND BANK
We stand by you

INTEGRATED ANNUAL REPORT 2020/21

CONTENTS

ONE

INTRODUCTION

TWO

LEADERSHIP

THREE

ORGANISATIONAL OVERVIEW

FOUR

OPERATIONAL OVERVIEW

FIVE

VALUE CREATION

SIX

PERFORMANCE

SEVEN

GOVERNANCE

PERFORMANCE AT A GLANCE

Group

	FY2020/21	FY2019/20
Net interest margin	0.4%	0.9%
Cost to income	-1197.8%	563.6%

Bank

	FY2020/21	FY2019/20
Basel II CAR (Capital)	9.7%	4.2%
LCR – Liquidity coverage ratio	35.7%	35.0%
NSFR- Net Stable Funding Ratio	96.0%	94.5%
Non-performing loans ratio	32.5%	23%

LBIC (R Million)

	FY2020/21	FY2019/20
Gross Premiums	600.2	563.3
Net premium income	148.2	140.4
Operating Expenses	(23.0)	(19.7)
Underwriting profit/(loss)	24.4	(48.9)
Net profit/(loss)	51.5	39.8
Combined operating ratio	84%	135%

LBLIC (R Million)

	FY2020/21	FY2019/20
Gross Premiums	4.9	5.4
Net premium income	2.5	2.8
Operating Expenses	(7.2)	(5.8)
Underwriting profit/(loss)	(37.5)	2.8
Investments income/(loss)	193.9	(48.2)
Net profit/(loss)	157.0	(44.2)
Excess assets over liabilities	1.059	902
Investments	1.107	1.118

SECTION ONE
INTRODUCTION

INTRODUCTION

ABOUT THIS REPORT

The Land and Agricultural Development Bank of South Africa (Land Bank Group) is pleased to present its 2021 Integrated Annual Report. The report represents the primary report to the Bank's stakeholders and presents an overview of the Land Bank Group's performance, value created for stakeholders, and contributions to society for the year ended on 31 March 2021. The report has been structured to provide relevant information in accordance with the King IV framework. The report has been prepared for all stakeholders, with particular focus on matters relevant to the shareholder, providers of capital, regulators and clients. This integrated report presents a concise and balanced assessment of the Bank's ability to create sustainable value through the application of our business model, including performing the Land Bank's statutory mandate, and functions under the Land Bank Act.

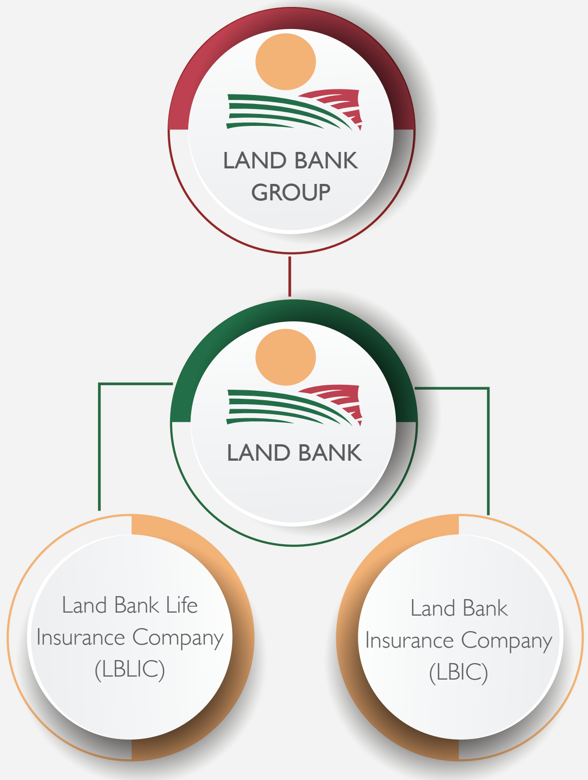
The Land Bank Group's 2021 Integrated Annual Report incorporates the financial reporting boundary of the Land Bank Group and covers the period from 1 April 2020 to 31 March 2021 (FY2021) for Land Bank and its insurance subsidiaries. The report provides an overview of the financial and non-financial performance in the context of the Bank's strategy, opportunities, material risks and outcomes, governance, and social and environmental issues associated with key stakeholders who significantly influence the Bank's ability to create value. No significant changes have been made in terms of the Bank's scope, size, structure, or shareholding during the reporting period that would affect the comparability against the Bank's FY2020 report.

Matters considered to be of material value, as well as those that may significantly impact the Bank's stakeholders in relation to sustainability, have been reported herein. Value creation is the consequence of the way in which the Land Bank Group applies and leverages its resources, strategy, and business model towards delivering holistic value for its stakeholders, including financial performance. The current strategy and business model is aligned to the needs and expectations of a wide and diverse range of stakeholders.

This report is compiled in accordance with The King IV Code™ of governance and Integrated Report (IR) framework, and Global Reporting Initiative (GRI) standard, to ensure that all material matters and relevant information are delivered to shareholders. Information provided in previous integrated reports has been considered and, where applicable, updates to matters have been provided.

The Board, supported by the Audit and Finance Committee, is ultimately responsible for the effectiveness of the Bank's application of combined assurance to support the integrity of the information presented in the integrated annual report. This responsibility extends to the design and operating effectiveness of the Bank's internal system of control, to identify, evaluate, manage, and provide reasonable assurance against material misstatement and loss. The Bank's management together with the internal audit function plays a crucial role in assessing the effectiveness of the Bank's internal control environment. Internal assurance applied to the integrated annual report includes coverage of figures, as well as factual statements.

Operating businesses reporting boundary for the 2021 Integrated Report



Please note, when referring to the Group or Land Bank Group, reference is made to the collective, i.e. Land Bank, Land Bank Insurance Company (LBIC) and Land Bank Life Insurance Company (LBLIC). We however stress that these are separate entities from a legal and governance point of view – as recognised by the Prudential authority.

External reporting suite – individual report	Applicable law/regulation/ framework/standard	Assurance applied to ensure integrity of reporting	Outcome
2021 integrated annual report (the full report)	International Integrated Reporting Council's Integrated Reporting IR Framework Johannesburg Stock Exchange (JSE) Debt Listing Requirements	Land Bank Board Audit and Finance Committee Risk and Governance Committee Executive Committee Combined Assurance – application of Land Bank's three lines of defence including, risk-based internal audit	Directors' approval
Annual financial statements for the year that ended 31 March 2021	Public Finance Management Act, 1999 Companies Act, 2008 and Companies Regulations 2011 International Financial Reporting Standards (IFRS)	Auditor-General Land Bank Board Audit and Finance Committee Executive Committee Combined assurance – application of Land Bank's three lines of defence, including risk-based internal audit	Directors' approval
2021 King IV disclosures	Land and Agricultural Development Bank Act, 2002 Companies Act, 2008 Public Finance Management Act,1999 Insurance Act, 2017 Prudential Standards of the Prudential Authority: Governance and Operational Standards King IV Report on Corporate Governance for South Africa 2016 (King IV) JSE Debt Listing Requirements	Land Bank Board Audit and Finance Committee Risk and Governance Committee Executive	

NAVIGATION ICONS

OUR CAPITAL

FINANCIAL CAPITAL

OPERATIONAL CAPITAL

INTELLECTUAL CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

NATURAL CAPITAL

HUMAN CAPITAL

BOARD APPROVAL

The publishing of FY2021 IAR has been significantly delayed due to an extensive audit remedial plan that was instituted to address internal control deficiencies that resulted in the Bank receiving a disclaimer of opinion audit outcome for FY2020. The remedial plan covered three financial years from FY2019 to FY2021 and resulted in delayed submission of the FY2021 Annual Financial Statements to 31 July 2021. As a result of the FY2021 disclaimer of audit opinion, the FY2021 audit covered the three financial years outlined above hence the finalisation of the audit towards the end of December 2021.

The term of the previous Board of Directors ended on the 30 November 2021, which was in the middle of the preparation of the IAR. The Minister of Finance has since appointed a new Board effective 8 December 2021. The FY2021 IAR therefore covers activities undertaken by the previous board. The incoming Board was not part of the reporting period. However, the Board has reviewed the IAR, and received the Auditor General's report taking due care to ensure an accurate report is published through reliance on governance process. Even though publication has been delayed and is only taking place in calendar year 2022, it should be noted that the reporting period refers to FY2021 and the coming year, whenever it is mentioned, refers to FY2022.

This report was approved by the Group's Board of Directors (Board) and authorised for release on 29 March 2022. The Board acknowledges its responsibility to ensure the integrity of the FY2021 integrated annual report and supplementary information referenced therein. It has reviewed the contents of the report and believes it presents a fair representation of the Group's material issues, performance, and prospects. The Bank's Audit and Finance Committee reviewed and recommended the report to the Board for approval. The Risk and Governance committee reviewed the 2021 King IV code disclosures and has recommended those disclosures to the Board for approval.

The Board has applied its mind to the integrated annual report and considered the operating context, strategy, and value creation model in this process. We have considered the completeness of the material aspects addressed in the report, and the relevance and reliability of the reported performance information. On this basis, the Board is satisfied that the FY2021 integrated annual report addresses those material matters that have, or could have, a material effect on the Group's ability to create value, and that the information contained in the report presents fairly the strategy and integrated performance of the Group.

To the best of our knowledge and belief, we confirm that all information and amounts disclosed in this report are consistent with the annual financial statements for the year that ended 31 March 2021 approved by the Board on 29 March 2022, which have been audited by the office of the Auditor-General of South Africa.

The Board approved the 2021 integrated annual report incorporating the 2021 King IV Code disclosures on 29 March 2022.

Ms Thabi Nkosi
Chairman of the Board
29 March 2022

Mr Ayanda Kanana
Chief Executive Officer
29 March 2022

LIST OF ACRONYMS

ACI	Asset Condition Index
ADRMC	Agricultural Disaster Risk Management Committee
AFASA	African Farmers Association of South Africa
AFC	Audit and Finance Committee
AG	Auditor General
AGM	Annual General Meeting
AGSA	Auditor General South Africa
ALCO	Asset and liability Committee
AML	Anti-Money Laundering
ASUF	Agri-Sector Unity Forum
ATF	Agricultural Technical Forum
AYII	Area-Yield Index Insurance
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BMEL	Federal Ministry of Food and Agriculture
BO	Black Owned
BWO	Black Women Owned
CA	Chartered Accountant
CAC	Credit Adjudication Committee
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
CIC	Credit and Investment Committee
CRMC	Credit Risk Management Committee
CRISA	Code for Responsible Investing in South Africa
CRMC	Credit Risk Management Committee
CROM	Credit Risk Monitoring Committee
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
CTI	Cost to Income
CTR	Cash Threshold Reports
DFI	Development Finance Institution
DALRRD	Department of Agriculture, Land Reform and Rural Development
DG	Director General
DMTN	Domestic Medium-Term
DPSCOM	Development Project Selection Committee
DWS	Department of Water and Sanitation
ECL	Expected Credit Loss
EE	Employment Equity
EIC	Equity and Investment Committee
EME	Exempt Micro Enterprise
ENSO	El Niño - Southern Oscillation
ERCO	Enterprise Risk Committee
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESS	Environmental and Social Sustainability
ESMS	Environmental and Social Management System
ESRA	Environmental and Social Risk Assessment
EXCO	Executive Committee
FIC	Fixed Income and Currency
FICA	Financial Intelligence Centre Act
FSCA	Financial Sector Conduct Authority
FSPs	Financial Services Providers
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geospatial Information System
GRI	Global Reporting Initiative
GWP	Gross Written Premiums
HDI	Human Development Index
HRC	Human Resources Committee
IFC	Internal Financial Controls
IFRS	International Financial Reporting Standards
IPCC	International Panel on Climate Change
IR	Integrated Report
ISF	InsuResilience Solutions Fund
IT	Information Technology
IT STEERCO	IT Steering Committee
JSE	Johannesburg Stock Exchange
LBG	Land Bank Group
LBI	Land Bank Insurance
LCR	Liquidity coverage ratio
LBLIC	Land Bank Life Insurance Company
MAFISA	Micro Agricultural Financial Institutions of South Africa
MoF	Minister of Finance
NAFU SA	National African Farmers Union of South Africa
NAMC	National Agricultural Marketing Council
NCA	National Credit Act
NED	Non-Executive Director
NPLs	None Performing Loans
NT	National Treasury
OCC	Officer Classification Code
OMI	Old Mutual Insurance
PA	Prudential Authority
PCOM	Pricing Committee
PDII	Pasture Drought Index Insurance
POPIA	Protection of Personal Information Act
PPC	Project Portfolio Committee
PPROCC	Policy and Process Change Committee
PRB	Principles for Responsible Banking
PRMA	Post-Retirement Medical Aid
QSE	Qualifying Small Enterprise
RGC	Risk and Governance Committee
RMB	Rand Merchant Bank
RNCRA	Rapid Natural Capital Risk Appraisal
SAAPA	South African Agricultural Processors Association
SADC	Southern African Development Community
SCB	Standard Chartered Bank
SCM	Supply Chain Management
SCR	Solvency Capital Requirement
SEC	Social and Ethics Committee
SLA	Service Level Agreement
SOC	State-Owned Company
SOE	State-Owned Enterprise
TDFALM	Technical Dialogue on Agricultural Finance Associated with Land Management
ToR	Terms of Reference
UN	United Nations
UNPRI	United Nations Principles for Responsible Investments
VAT	Value Added Tax
YTD	Year to Date
YTC	Yield to Call


SECTION
TWO
LEADERSHIP
LEADERSHIP

The Bank's **stabilisation process** will not only closely align the entity to South Africa's **broader developmental agenda**, it will seek to achieve **self-sustainability** and **operational efficiency** over the **long term**.

Mr Enoch Godongwana
Minister of Finance

> The Land Bank's primary mandate includes the promotion of sustainable agrarian reform and the development of South Africa's agricultural sector

STATEMENT FROM THE MINISTER

Mr Enoch Godongwana: Minister of Finance

South Africa is in an economic recovery and reconstruction phase following the shock of Covid-19 that has exacerbated our pre-existing triple challenges of high unemployment, inequality and low economic growth. The government's Economic Reconstruction and Recovery Plan has focused on sectors of the economy that seek to address these triple challenges speedily. Agriculture is one such sector of the economy, with the demonstrated capacity to contribute to job creation and economic vibrance in rural South Africa.

The key interventions aimed at unlocking this sector's growth are currently being finalised through the Agriculture and Agro-processing Master Plan led by the Department of Agriculture, Land Reform and Rural Development working collaboratively with social partners.

A critical component of the Master Plan is the provision of efficient financial support to farmers across the board to facilitate the expansion of commercial operations and the entrance of new farmers and agri-entrepreneurs. This responsibility sits squarely in the domain of the Land and Agricultural Development Bank of South Africa (Land Bank). The Land Bank's primary mandate includes the promotion of sustainable agrarian reform and the development of South Africa's agricultural sector.

For this reason, the government has taken firm steps to revive the Land Bank and to reposition the entity as an important tool for agricultural development following the immense financial challenges that it has experienced in recent years.

One of the first actions that I took as the Minister of Finance in this respect was the appointment of the new board with a clear mandate of stabilising and reviving the Bank as a key instrument of agricultural development, with the support of the National Treasury and the Department of Agriculture, Land Reform and Rural Development. The Bank's stabilisation process will not only closely align the entity to South Africa's broader developmental agenda, it will seek to achieve self-sustainability and operational efficiency over the long term.

In seeking to revive the Land Bank, the government is also cognisant that the Bank is operating in the agricultural sector, which is still mired by significant level of inequality and low levels of participation by black farmers in the growing commercial sector. With estimates suggesting that less than 15% of the commercial agricultural output comes from black farmers, the transformation of the agricultural sector remains a key objective. As such, the Land Bank will work collaboratively with the Department of Agriculture, Land Reform and Rural Development to build on instruments such as Blended Finance that will contribute to the expansion of financial support to new entrant farmers.

These and various other forms of financing will enhance the Bank's transformation strategy while also seeking to promote commercial activity.

As a Government, our commitment to the future of Land Bank remains strong. This is demonstrated among others by the declared intention of Government to recapitalise the Bank in the short to medium term. We have also engaged closely with the lenders, both locally and internationally, in order to find a sustainable financial solution for the Bank in the 2022/23 financial year. Although much work remains to be done, I am encouraged by the progress made by the Land Bank in its journey of recovery thus far. The decisive reduction of debt and the strengthening of operational controls, which have been achieved to date, provide a firm base for the recovery of the entity.

I want to take this opportunity to thank the management of the Land Bank and welcome the incoming board of directors as they embark on the journey to resuscitate this critical institution. I would also like to thank the Honourable Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza for her role in setting a clear policy path for the Land Bank and the agricultural sector at large. I look forward to a stronger Land Bank in years to come, one that earnestly supports the important objectives of agricultural sector growth and agrarian reform.

Mr Enoch Godongwana
Minister of Finance

Ms Thabi Nkosi
Chairman

The announcement of R7bn of Capital Injection by the Minister of Finance in his Budget Speech for FY2021/22 has provided certainty on the nature of support to Land Bank by the Shareholder.

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Ms Thabi Nkosi: Chairman

Opening Remarks

I am honoured to take up the role of Chairman of the Land Bank Board whose three year term took effect on 8 December 2021.

I, and my fellow Board members, thank the Minister of Finance for the confidence he has extended to us in our respective roles, as we lead the Bank during a period of significant adversity and extraordinary challenges that have befallen this strategic State-Owned Entity in the South African economy.

The Board does not take its fiduciary responsibilities lightly, and is conscious of the enormous accountability that has been placed on it.

Key Matters and Challenges

The new Board assumes its responsibility at a time when the Bank has been in a state of default on its debts since April 2020. The liquidity problem experienced in the beginning of the year 2020 resulted in the Bank's default on its debt commitments and led to the Bank's suspension of normal business operations.

The protracted length of time it is taking for Land Bank to conclude negotiations with lenders for a viable and acceptable liability solution has meant that the Bank continues to be constrained in its ability to provide financing support to its existing clients – let alone the financing of new applicants. This state of affairs has a significant negative impact on the business operations of the Bank's clients, as well as the agricultural sector, and has stalled strategic developmental programmes that would have been undertaken with key stakeholders such as the Department of Agriculture, Land Reform and Rural Development (DALRRD) to contribute to the transformation of the agricultural sector.

Due to the restricted financing support for clients the Bank has experienced significant client attrition and reduction of the Bank's loan book, causing a negative impact on the Bank's prime source of revenue (interest income) as well as an increased level of Non-Performing Loans as performing clients move their loan facilities to other financial institutions.

Delays in the conclusion of the liability solution will therefore have undesirable and dire consequences to the financial sustainability of the Bank, and will perpetuate the gap that exists in the market to support development and transformation of the agricultural sector.

It is for this reason that the Board's utmost priority is placed on the conclusion of the liability solution.

We are pleased with the progress that has been made to reinvigorate the negotiations for an acceptable liability solution with the Bank's lenders, and welcome the positive attitude adopted by the lenders in order to fortify efforts towards the conclusion of the solution.

Together with the lenders we have committed to conclude on the liability solution in the middle of the 2022/23 financial year. The extraordinary challenges faced by Land Bank in the previous financial year (FY2019/20) included a significant loss of R1.2bn (excluding the Land Bank Insurance Companies) as restated in the FY2020/21 financial statements, as well as a Disclaimer of Audit Opinion for that year, which required significant remediation efforts.

The audit remediation activities, in particular, contributed to the delays in the finalisation and tabling of the FY2020/21 Integrated Annual Report and Financial Statements. It is for this reason that the Integrated Annual Report is submitted approximately six months after the normal due date. I wish to express my sincere thanks to Parliament and the Minister of Finance for allowing the Bank to table this report after the regular due date.

As I reflect on the year under review (FY2020/21) I note with encouragement some significant improvements, being the reduction of outstanding debt by 28%, and an improved audit outcome of a Qualified Audit Opinion (compared to the Disclaimer of Audit Opinion in FY2019/20).

Looking Ahead

I remain concerned about the overall performance of the Bank. As I look forward into FY2022/23, I wish to note some of the critical issues which will receive the requisite attention and oversight by the Board:

- Finalisation of the Bank's revised corporate strategy that will ensure financial sustainability and improved delivery of the development and transformation mandate.
- Conclusion of the Liability Solution, and future funding strategy of the Bank.
- Improved internal controls and remediation of audit findings with the aim to achieve an Unqualified Audit Opinion in FY2022/23.
- Loan Book Portfolio Management improvement interventions aimed at the preservation of the quality of the loan book. These interventions include:
  - A considered resumption of lending activities to preserve the quality of the Bank's loan portfolio, and build a portfolio that will improve the financial sustainability of the Bank.
  - A viable intervention to address the growing challenge of the Non-Performing Loan book.
- Bringing stability and effectiveness of the Bank's human resources through retention of key talent, capacitating the key areas of the Bank's business with appropriate skilled employees, appropriate performance management, and implementation of an appropriate consequence management and reward system.
- Improved operating efficiencies to better support and serve our clients, and to turn around the financial performance of the Bank.

Acknowledgements and Appreciation

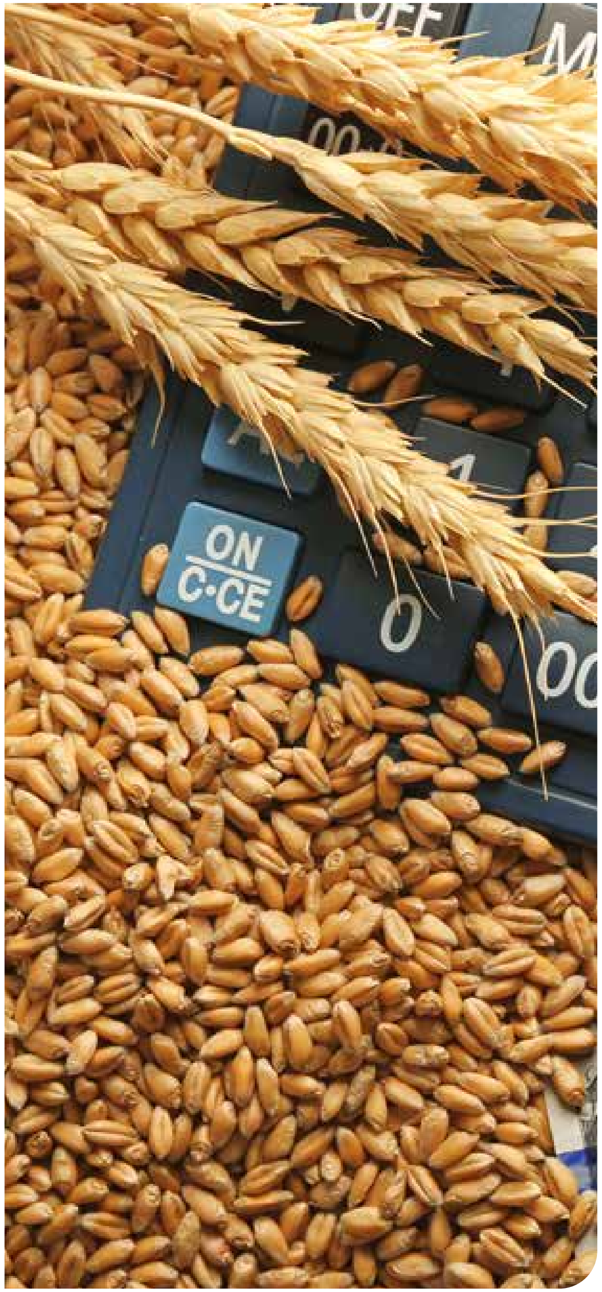
The Board wishes to thank the Minister of Finance, the Minister of Agriculture, Land Reform and Rural Development, the National Treasury team, and Parliament for all the support and guidance that it has received during these trying times. A total amount of R10bn has been appropriated to the Land Bank since FY2020/21 – besides the R3bn Capital Injection received by the Bank in September 2020, the announcement of a further R7bn of Capital Injection by the Minister of Finance in his FY2021/22 Budget Speech has provided certainty on the nature of support to Land Bank by the Shareholder.

The Board also wishes to thank the Land Bank and Land Bank Insurance Company's employees for their commitment to the Bank and its mandate at a time of significant challenges.

The Board wishes to thank all its funders, creditors and partners who have stood by and accommodated the Bank during its time of crisis.

Conclusion

The Board is committed to ensuring that Land Bank continues to occupy a vital catalyst role in the South African agricultural sector. Whilst we appreciate the demanding and difficult journey that lies ahead we do believe that working collaboratively with the Minister of Finance and National Treasury, Parliament, the Department of Agriculture, Land Reform and Rural Development, lenders, our clients, and all agricultural organisations which represent the interests of the sector; the Bank will emerge from its current challenges and successfully reposition itself to meaningfully execute on its development and transformation mandate, as well as the growth of the sector as guided through the well-considered Agriculture and Agro-processing Master Plan (AAMP).



Mr Ayanda Kanana
Chief Executive Officer

Our mandate does not only require stewardship to develop and sustain the agricultural economy but extends to social capital and natural capital.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Mr Ayanda Kanana: Chief Executive Officer

The last financial year has seen South Africa and the rest of the world continue to be hammered by the devastating impact of COVID-19. As the Land Bank, we have continued on our path to remain resilient and focus on Vision 25 which outlines the new direction of the Land Bank.

We have made strides in implementing the milestones that we had set for ourselves. As the CEO of the Bank, I take my role to ensure we meet these milestones very seriously - not only because it's a promise to the Shareholder and the Board, but because of my fundamental belief that the difference needs to be felt on the ground at farmer level.

The 2020/21 financial year commenced with the Land Bank defaulting on its financial obligations and that set the tone for our response as management and staff. Inevitably, the financial year has been challenging amidst the liquidity challenges and an extended debt restructuring process in a difficult operational environment, with COVID-19 lockdown restrictions. Our support to the sector has been compromised as we became unable to meet all sector financing requirements. Therefore, curing the event of default on our liabilities remains a critical objective with relentless focus from the Land Bank Board, supported by our Shareholder and Lenders.

The Liability Solution, which is intended to cure the current event of default and put the Land Bank back to normal functioning with its own autonomy, consists of various work streams with the Lenders. We are far progressed and continue to spend most of our time towards finalisation of the Liability Solution.

The Honourable Minister of Finance made provision to support the Land Bank through an appropriation of R3 billion during the past financial year, R5 billion during FY2021/22, as well as R1 billion per year for the two years thereafter. We extend our appreciation for the continued support to the organisation and the sector.

The Land Bank Group submitted its Corporate Plan and Shareholder Compact to the Minister of Finance on 31 March 2021 and was subsequently exempted from submitting a Corporate Plan in terms of Section 92 of the Public Finance Management Act No 1 of 1999. The exemption was mainly linked to the conclusion of the Liability Solution, which would pave the way for resolving the Bank's default position with Lenders and inform key deliverables for the medium term.

In response to the audit findings from the Auditor General in FY2020, an audit remediation plan has been earnestly implemented to address the presentation of Annual Financial Statements and controls pertaining to loans and advances, net impairment charges, claims and recoveries, as well as credit risk disclosures. The remediation process recognised that the control failures required an end-to-end solution for the loan book and not just responding to audit findings.

This approach has been very valuable leading to commendable improvements in the manner in which the loan book is managed. The audit remediation plan covered three financial years and significant restatements had to be done to ensure that the affected financial statements fairly present the true state of the loan book. Except for the intermediary partner that did not cooperate with the audit requirements, there is a great improvement in the audit outcomes for Land Bank. I would like to thank all our staff members for the team work demonstrated during this difficult time and encourage them to intensify on the control environment in the loans and advances of Land Bank.

Another priority for the organisation during the past financial year was the insourcing of the books managed by some of our Intermediary partners, the so-called Service Level Agreement (SLA) partners. The insourcing enables the Land Bank to manage these portfolios internally through direct engagements with clients. The portfolios of Suidwes, GroCapital, and Obaro have been successfully migrated to us during the financial year with the insourcing of Unigro having taken place at the end of September 2021.

The stabilisation of the organisation continues to be a key focus area for the Land Bank. This will lay the foundation for an improved and financially sustainable Bank for many more years to come. I encourage staff to spend less time in their offices and more time with our clients, walking the farms and identifying key business opportunities that the Bank can partake in and support as it entrenches its developmental mandate. The new direction of the Bank is going to require this approach and it is essential that each Province is geared towards managing and growing its loan book in order to ensure quicker decision making for a more responsive bank and improved customer experience.

Improving our relationship with our Shareholder and government departments enjoyed a deliberate effort during the year whereby we developed specific stakeholder engagement plans with each ministry on business support, policy alignment, resource mobilisation, and collaboration on development programmes. The Coordinating Forum between the National Treasury, Department of Agriculture, Land Reform and Rural Development (DALRRD), and the Land Bank will be another important mechanism to support this alignment process.

*Note: This material issue falls outside of the reporting period, but is included for accuracy of business state at the time of report finalisation.

Various reports have been published related to the agricultural sector. Below are some key findings published by Statistics SA as part of the Agricultural Survey 2019 (released in May 2021):

Total income earned in the agriculture and related services industry was R351.4 billion in 2019 compared with R314 billion in 2017. The total income figures reflect an annualised increase of 5.8% between 2017 and 2019.

Concentration ratios: In 2019, the 100 largest enterprises (in terms of total income) in the agriculture and related services industry contributed 26,5% of total income. The concentration ratios in the agricultural industry increased in all the categories between 2017 and 2019.

Income by enterprise size: Large enterprises contributed 60.2% or R211.3 billion of the total income in 2019, followed by small enterprises with a contribution of 22.4% or R78.8 billion. Micro enterprises and medium enterprises contributed 9.1% and 8.3% respectively.

Total expenditure incurred by the farming sector for 2019 was R330.4 billion, compared with R289.1 billion in 2017 (an annualised increase of 6.9%). The highest contributor to total expenditure was 'purchases' with 51.7%, followed by 'salaries and wages' (13.1%), 'repairs and maintenance' (5.3%), and 'depreciation' (4.6%).

Employment: The total number of persons employed in the agriculture and related services industry as at the end of June 2019 was 768 171, compared with 764 428 in June 2017; an annualised increase of 0.2%.

It can be deduced that the agricultural sector continues to contribute meaningfully to the South African Gross Domestic Product (GDP) and can grow even further if supported effectively. Further, the rising input costs have put margins under pressure, necessitating consolidation of enterprises to gain economies of scale. This makes the barriers to entry even higher for smallholder farmers to establish and sustain their farming operations.

Our role to address market failure by developing small and medium farmers to grow towards commercialisation, therefore, becomes even more crucial. In addition, we can structure financing solutions that facilitate transformation of the sector through large enterprises. Resolving the agricultural value chain challenges will also become an increased focus area in the short to medium term. We are preparing to implement programmes that will:

- Aggregate development farmers, coordinating them to produce and sell as a collective, providing more bargaining power.
- Provide technical support (pre- and post-financing) to ensure sustainability and commercialisation of these farmers.
- Provide linkages to the market through off-take agreements to ensure supply meets the demand.

In the last six years, effort has been made to grow the Development and Transformation Loan Book with shown growth of R5.7 billion, from 6% in FY2016 to 22% in FY2021. However, the Book is on a shrinking trajectory since new business has been halted after the commencement of the liquidity challenges.

Supporting Development and Transformation has proven to be a challenging task as a result of the cost of the Bank's funding which is based on commercial interest rates from the capital markets as well as the cost of pre- and post-lending support as one of the necessary interventions to remedy high None-Performing Loans (NPLs).

Our mandate does not only require stewardship to develop and sustain the agricultural economy but extends to social capital and natural capital. Becoming a 'Smart Bank' will be key not only in terms of efficiency and use of technology, but also in terms of Environmental and Social Governance. Climate Smart Agriculture (with mitigation and adaptation initiatives) is important to ensure the sustainability of our clients, the sector, and food security. An initiative to develop green products has been initiated and it will require a deliberate focus as well as suitable partnerships with other organisations.

Looking ahead, our vision is to build a client-centric organisation. Naturally, the employees of the Bank should be in the forefront; engaging with clients in their business operations. Over the past year, we increased visits to clients as soon as restrictions were lowered. We visited performing as well as non-performing clients to understand their challenges. We have also started to drive the theme of regionalisation to ensure that our Provincial Network is empowered to deliver taking advantage of its close proximity to our clients. In order to improve access and service to clients, implementation of the client portal has been one step in this direction. Reducing turn-around times has been a long-standing challenge which needs to be addressed next. I believe that this approach will create an efficient and effective organisation.

Thank you to the members of the Board for your support, to my Executive team for your dedication, and to all members of staff for your tenacity during these trying times. I also recognise your family members who were hard hit by your extended working hours. To them, we are grateful for the support given to you!

SECTION THREE
ORGANISATIONAL OVERVIEW

ORGANISATIONAL OVERVIEW

We consider our **various stakeholders as key partners** in the Bank's activities. **Agriculture** as a sector is predisposed to **co-dependence** and delivers best when we recognise our **stakeholder needs** in the business.

ORGANISATIONAL OVERVIEW

Land Bank is a government-owned DFI promoting inclusive agricultural and rural development for improved food security and economic growth.

The insurance subsidiaries, Land Bank Insurance SOC (LBIC) and Land Bank Life Insurance SOC (LBLIC) complement the Bank's financial services by providing insurance and risk management solutions to the agricultural community.

The Land and Agricultural Development Bank of South Africa (Land Bank Group) herewith presents the 2021 Integrated Annual Report. The report represents the organisation's primary report to stakeholders, representing the Group's performance for the reporting period. The report has been structured to provide relevant financial and non-financial information including how the Group's strategy, governance, and performance add to the value-creation over the short-, medium-, and long-term. The report has been prepared for all stakeholders, with particular focus on matters relevant to the shareholder, providers of capital, regulators, and clients.

The 2021 Integrated Annual Report, as produced by the Land Bank Group, deals with material matters for the period 01 April 2020 to 31 March 2021 – the FY2021 – and incorporates the financial reporting of Land Bank, as well as its insurance subsidiaries. The report is drafted in such a manner that the Bank's key stakeholders (who markedly influence the value creation of the organisation) are able to derive an overview of both the financial and non-financial performance of the Land Bank Group. Such reporting is provided in the context of the organisation's strategy, opportunities, material risks and outcomes, as well as governance, and social and environmental issues.

Our Vision

To be a world-class agricultural development bank that stimulates development, growth, and transformation; and drives solid performance and spurs innovation.

Our Mission

To collaborate with all stakeholders to build an adaptive, transformed, sustainable, and competitive agricultural sector that drives environmental, social and economical development and contributes to food security.

Our Values

- Meaningful contribution
- Empowerment
- Organisational synergy
- Accountability
- Pro-activity

Our Purpose

Our purpose is to provide appropriate financial services to:

- Transform and foster an inclusive agricultural sector by increasing agricultural land ownership and promoting greater participation by historically disadvantaged persons;
- Promote sustainable agrarian reform;
- Develop land and other agricultural resources on a sustainable basis;
- Contribute to food security; and
- Promote agricultural entrepreneurship and a competitive and profitable agricultural sector.

LAND BANK
We stand by you

Land Bank objectives, as set out in Section 3(1), in alignment with the national and international goals as encapsulated by the NDP and SDGs:

The objectives of Land Bank are the promotion and support of:	NDP	Sustainable Development Goals
• Equitable ownership of agricultural land; particularly increasing the ownership of agricultural; by historically disadvantaged persons. • Agrarian reform, and redistribution or development programmes aimed at historically disadvantaged persons for the development of farming enterprises and agricultural purposes. • Removal of the legacy of past racial, gender and generational discrimination in agriculture..	• Making land reform work to unlock the potential for a dynamic, growing and employment creating agricultural sector.	5 GENDER EQUALITY 10 REDUCED INEQUALITIES
• Programmes that contribute to agricultural aspects of rural development and job creation. • Agricultural entrepreneurship. • Enhancement of productivity, probability, investment and innovation in the agricultural and rural financial systems.	• Support job creation in the upstream and downstream industries. • Develop strategies that give new entrants access to product value chains and support from better resourced players.	1 NO POVERTY 4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
• Commercial agriculture. • Land access for agricultural purposes. • Better use of land.	• Commercialise some under-used land in communal areas and land reform project. • Pick and support commercial agriculture sector and regions that have the highest potential for growth and employment.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
• Food security.	• Everyone should have access to sufficient, nutritious, and safe food at all times.	2 ZERO HUNGER 3 GOOD HEALTH AND WELL BEING
• Promote and develop the environmental sustainability of land and related natural resources.	• Expand irrigated agriculture; find creative partnerships between opportunities.	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

BUSINESS MODEL/FUNCTIONS

LAND BANK

LAND BANK INSURANCE COMPANY

Land Bank Insurance Company (a short-term insurance company) is registered with the Financial Sector Conduct Authority (FSCA) and is the second largest crop insurer in the country; providing cover to farmers for hail, fire, and yield losses due to weather conditions.

LAND BANK LIFE INSURANCE COMPANY

Land Bank Life Insurance Company is a licensed life assurance provider that has been providing individual and group credit life insurance products, as well as disability cover to Land Bank clients and farmers.

CORPORATE BANKING AND STRUCTURED INVESTMENTS

Provides debt, structured finance and equity solutions to agri-corporate and mega- and large-farmer client segments.

COMMERCIAL DEVELOPMENT AND BUSINESS BANKING

DIRECT LENDING

Financial solutions to large-, medium-, and smallholder farmer-client segments via provincial lending network. Further segmented into direct and indirect lending channels.

INDIRECT LENDING SLA PARTNERS

Loans obtained from SLA partner balance sheets, appoint them to originate loans on Bank's behalf. SLA partners assist with end-to-end credit process from loan disbursement, monitoring, collection, and legal recoveries. Partners are paid a management fee. Risk and profit-sharing ensure quality assets.

INDIRECT LENDING WFF

Wholesale financing facility.
Provides wholesale funding to intermediaries who on-lend to smallholder farmers.
Intermediaries give technical assistance to these farmers to develop their farming skills and provide market access.

SECTION

FOUR

OPERATIONAL OVERVIEW

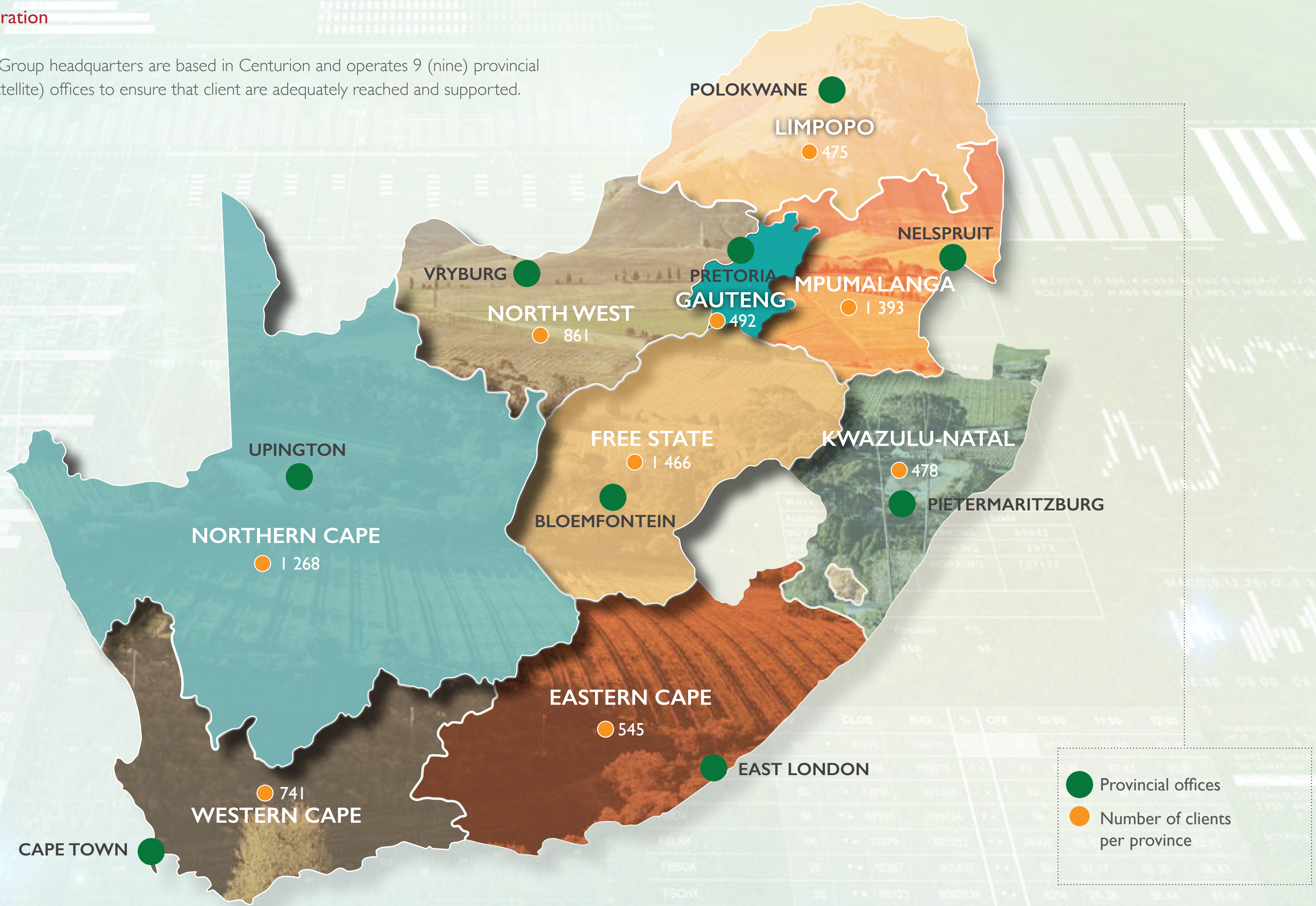
OPERATIONAL OVERVIEW

During the year under review, we **identified and determined** what support could enable mechanisms for more smallholder farmers and **increase transactions** that **promote transformation** and **inclusive growth**.

OPERATIONAL OVERVIEW

Areas of Operation

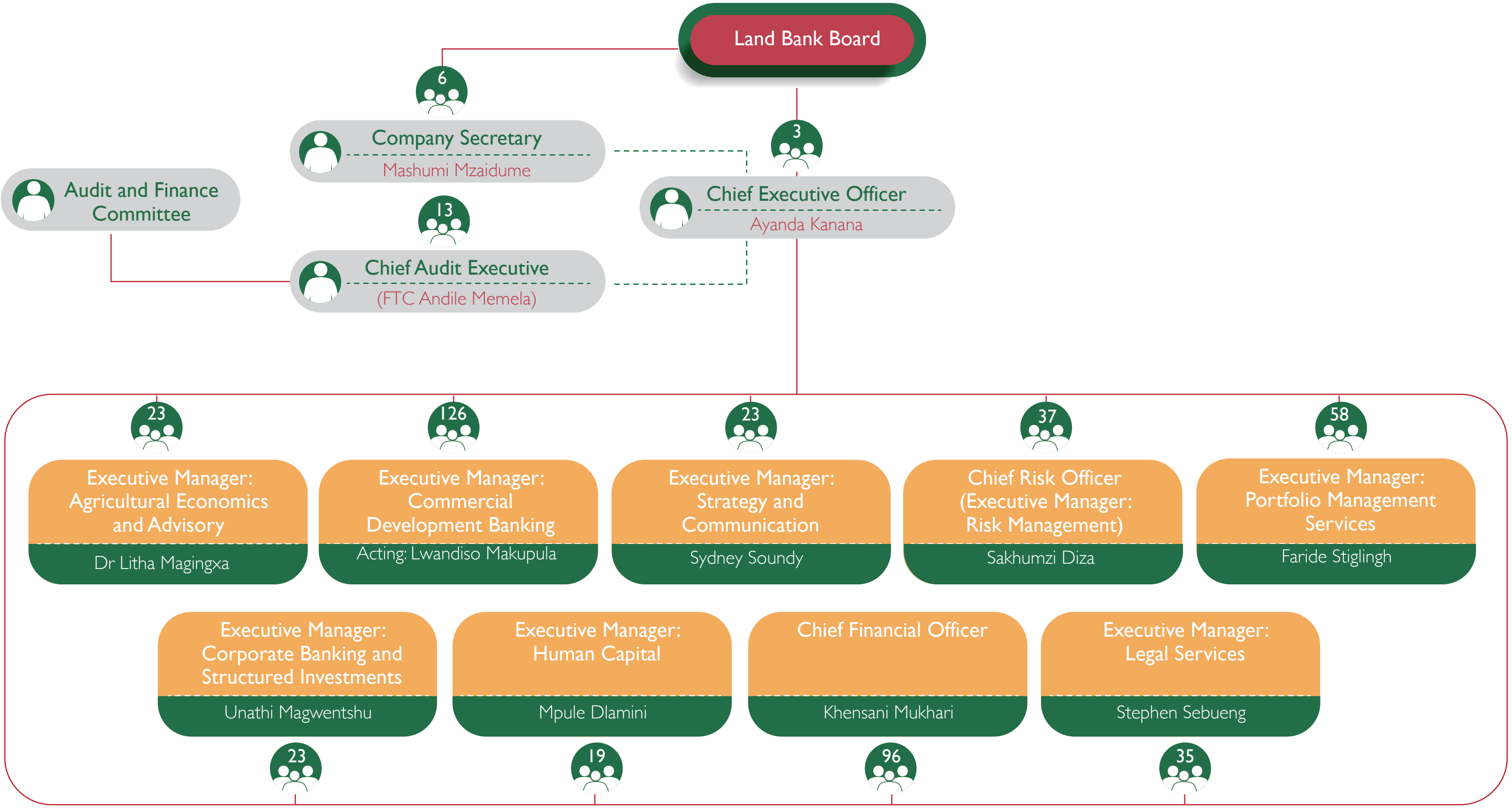
The Land Bank Group headquarters are based in Centurion and operates 9 (nine) provincial (as well as 14 satellite) offices to ensure that client are adequately reached and supported.



ORGANISATIONAL STRUCTURE

Executive Committee Structures:

LAND BANK EXECUTIVE STRUCTURE



FY2020/21: Permanent Group Staff: 486
= Land Bank: 462
= Land Bank Insurance: 24

PROFILES OF EXCO MEMBERS

EXECUTIVE COMMITTEE - LAND BANK

Members: 10

Historically disadvantaged: 10

Male: 7
Female: 3

Mr A.C. Kanana
Chief Financial Officer

Appointed:
1 March 2020

Ms K.H. Mukhari
Chief Financial Officer

Appointed:
1 February 2020

Mr S. Diza
Chief Risk Officer
Acting Chief Risk Officer: Credit

Appointed:
17 August 2020

Mr S.N. Sebueng
Executive Manager:
Legal Services

Appointed:
1 January 2018

Mr S.C.E. Soundy
Executive Manager:
Strategy and Communications

Appointed:
17 August 2015

Ms E.T.M. Dlamini
Executive Manager:
Human Capital

Appointed:
15 August 2013

Mr F. Stiglingh
Executive: Post Investment
Management Services
Acting Executive Manager:
Intermediary Channel
Partnerships

Appointed:
1 June 2016
15 February 2019

Ms U. Magwentshu
Executive Manager:
Corporate Banking and
Structured Investments

Appointed:
1 March 2019

Dr L.L. Magingxa
Executive Manager:
Agricultural Economics
and Advisory

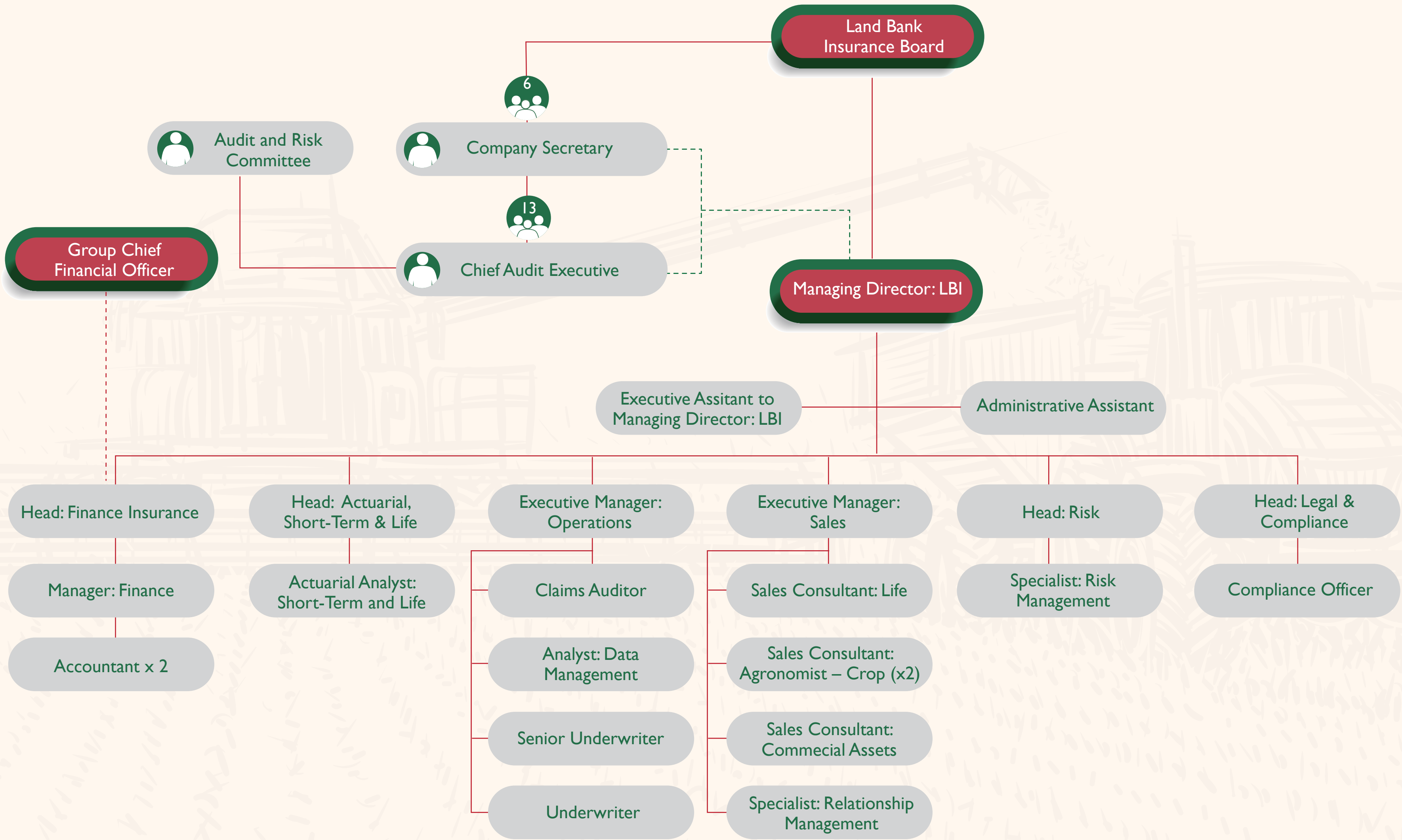
Appointed:
1 March 2018

Mr L. Makupula
Acting: Executive Manager:
Commercial Development and
Business Banking

Appointed:
*Acting: 7 January 2020

ORGANISATIONAL STRUCTURE

LBI (LBIC/LBLIC) ORGANISATIONAL STRUCTURE



Support:EM: Human Capital
Approved: Managing Director: LBI

Permanent Headcount: 24

Insourcing of Finance approved at LBI Board
26 January 2021. Implementation 1 June 2021

PROFILES OF EXCO MEMBERS

EXECUTIVE COMMITTEE - LBI (LBIC/LBLIC)

Members: 7

Historically disadvantaged: 7

Male: 5
Female: 2

Mr A. Rakgalakane
Managing Director: LBI

Appointed:
10 August 2016

Mr C. Abdullah
Executive Manager: Sales

Appointed:
15 July 2021

Ms T. Tisane
Head: Risk

Appointed:
1 October 2019

Mr K. Ngwenduna
Head Acturial, Short Term and Life

Appointed:
1 December 2020

EXECUTIVE COMMITTEE - LBI (LBIC/LBLIC)

Mr L. Mnyandu
Head Legal and Compliance

Appointed:
1 July 2020

Mr M. Dladla
Manager: Operations - LBLIC

Appointed:
1 April 2008
31 May 2021

Ms A. Baloyi
Manager: Finance

Appointed:
1 January 2020

OPERATING ENVIRONMENT

Earlier harvesting of crops, which yielded high-quality grains, was undertaken during FY21. This was a result of early planting and favourable weather conditions. The global grain prices reached multi-year highs due to concerns over supply, but the outlook for production conditions for the 2021/2022 global harvest remain promising. With the higher grain prices, feed prices are increased and this presents a challenge to the livestock and poultry industries.

The forecast for the 2020/2021 summer crop season remains optimistic. The expected crop is anticipated to potentially be the largest maize crop ever produced in South Africa. This is attributed to the favourable weather conditions and the increased planting area. The winter grain production (for 2020/2021) yielded the largest wheat crop seen in 12 years, and the canola and barely crops were the largest ever recorded in the country.

An outbreak of the brown locust was reported in the Western Cape, covering a wide area of the Central and Upper Karoo in January and February 2021. The outbreak began in September 2020, in the Eastern and South-Eastern Karoo. The outbreak was not intense enough to be classified as a plague and no major damage was reported. An outbreak of African Swine Fever was also experienced in the Western Cape. This was identified following laboratory testing of samples of deceased pigs. A ban was placed on the sale and movement of live pigs from Mfuleni, in an effort to limit the spread of the disease. Farmers were instructed to remain vigilant and to report any sudden illness or death of pigs to the local State Veterinary Office.

During the reporting period, the sale and distribution of alcohol was intermittently prohibited with South Africa being in various levels of lockdown following the outbreak of COVID-19. This placed a great deal of strain on the wine farming industry as farmers suffered cashflow constraints due to the lack of alcohol sales, which diminished the need for their produce.

HIGHLIGHTS FOR THE REPORTING PERIOD

This Integrated Annual Report is based on the Corporate Plan which provides an indication of the desired state towards which the strategic repurposing is aimed in pursuance of its mandate. Importantly, the Corporate Plan focuses largely on the stabilisation and rebuilding of the Bank, following the financial distress that had befallen it following the events of the past months - beginning with the Bank's credit rating downgrade in January 2020.

- In view of the Bank's liquidity challenges, a coordinated effort among the Land Bank Board, National Treasury and Lenders was executed during the period to address the challenges and path a way forward.
- A R3 billion Equity appropriation injection was received from National Treasury to Land Bank in September 2020. The injection assisted to:
  - Pay all arrears interest owing to Noteholders and other financial creditors.
  - Resume Interest and Capital repayments to Lenders. By March 2021 Land Bank had made a 12% capital repayment to Lenders ~ R4.2 billion.
  - Contractual Payments to international DFIs and lenders.
- Insourcing of a significant number of clients, funded by Land Bank but previously administered by SLA partners (Suidwes, GroCapital, and Obaro).
- Implementation of the Remediation plan in order to address audit gaps identified:
  - Presentation of Annual Financial Statements, resolving the going concern risk.
  - Loans and advances, net impairment charges, claims and recoveries, and credit risk disclosure.
- Client Portal Development
  - Gaining traction in the Digitisation strategy with the Bank developing its Client Portal to facilitate loan enquiries and applications, service queries, complaints, etc.
- Developing a blueprint for implementation of a Bancassurance offering, and leveraging off the capabilities from the Land Bank Insurance Company while pursuing revenue diversification opportunities.

Challenges

- Not being able to conclude the Liability solution with National Treasury and Lenders. As a result, the Bank is unable to access new funding from the financial markets and would only be able to do so once the default status has been cured.
- Land Bank's liquidity constraints do have a relatively significant negative impact on the agricultural sector with 22% of the sector's debt being supported through the Bank.
- The Bank did not have the liquidity to fully support the agricultural sector with financing requirements at a time of high finance needs in the planting cycle.
- Uncertainty around the Bank's challenges resulted in a number of clients settling their facilities and sourcing finance elsewhere. As much as this has alleviated liquidity pressure, loss of future interest income is anticipated.
- The COVID-19 Support programme provided relief to a number of farmers in distress. Initial utilisation was, however, slow with momentum expected in the upcoming financial year.

Key Performance Indicators

Group

	FY2020/21	FY2019/20
Net interest margin	**0.4%**	0.9%
Cost to income	**-1197.8%**	563.6%

Bank

	FY2020/21	FY2019/20
Basel II CAR (Capital)	9.7%	4.2%
LCR – Liquidity coverage ratio	35.7%	35.0%
NSFR- Net Stable Funding Ratio	96.0%	94.5%
Non-performing loans ratio	32.5%	23%

Looking Ahead:

- The confirmed Capital Injection of R7 billion over FY2021/22 to FY2023/24 provides the basis for the Shareholder's Support for the Liability Solution. The Capital Injection is intended to:
  - Reduce the restructured amortising debt for local lenders; and
  - Provide a baseline for re-establishment of the Development and Transformation portfolio of the Bank.
- The Bank will continue to service the following segments:
  - Corporate and Commercial business – the cash proceeds from loans of this portfolio will service the amortisation of the restructured debt. This segment will reduce initially and then stabalise going forward.
  - Development and Transformation business – this portfolio will set the basis for the re-establishment of the development and transformation mandate of the Bank.

The key themes for Corporate Scorecard of the upcoming year (FY2022) includes:

- Stabilisation:
  - » Targeted activities to facilitate conclusion of the Liability Solution;
  - » Loan book reduction to ensure sufficient cash to repay Lenders; and
  - » Audit remediation to address Auditor-General Findings.
- Re-purposing:
  - » Develop revised Operating Model;
  - » Design a fit for Purpose Structure; and
  - » Initiating a Business Re-engineering Programme to improve efficiency.

Land Bank FY21 Corporate Scorecard

KPA	KPI	Outcome	Comments
Develop Solutions for Balance Sheet Challenges.	Development of Liability Solution to cure the Bank's default and restructure the repayments to lenders/funders.	Not achieved.	Liability solution was reformulated, but not signed-off by creditors.
Obviate the Effects of Restricted Access to Capital Markets	Reduction of the Loan Book to R38bn	Achieved.	The loan book has been reduced to R36,9bn.
	Sale of non-core equity assets to the value of R400m	Not achieved.	Total disposals amounted to R310m.
Profit Optimisation.	Address Inadequate Margins and Increased Funding Costs: • Identification of existing portfolio that qualifies for repricing	Not achieved.	Repricing was done on an individual basis, not at portfolio level
	• New pricing model approved	Achieved.	The New pricing model was approved by EXCO.
	• Pricing adjustments implemented	Achieved.	Price Adjustments at contract level on SAP
	SLA Improvement Plan: • New SLA signed agreements containing new pricing methodology	Not achieved.	CIC Approved new pricing methodology for SLA partners, but was not concluded as part of the renegotiations process by 30 November 2020.
	• Intermediary accounts transferred to the Direct Book	Achieved.	Suidwes and GroCap SLA portfolios on-boarded to SAP by 30 September 2020.
Implement Immediate Opportunities for Revenue Diversification/Non-Interest Income Generation.	The process to implement the Banking Partnership model is initiated.	Achieved.	Banking Partnership Strategy developed by 31 March 2021.
Client Value Proposition and Product Offering	Enhanced Customer Value Proposition and Product Offering: • Customer Value Proposition and Product Offering	Achieved.	EXCO Resolution: Recommendations on the Draft Customer Value Proposition and Product Offering
	• Review Land Bank Act with recommendations on potential opportunities	Not achieved.	The proposed review of the Land Bank Act was considered by EXCO but further work was required

KPA	KPI	Outcome	Comments
Business Efficiency Improvements	Technological Enablement: • Approved Customer Portal concept document and business plan • The Customer Portal (web-based application and app) launched by 31 March 2021.	Achieved.	Customer Portal concept document and Business Plan was approved by Project Portfolio Committee in August 2020
		Not achieved.	The web-based application was launched, but not the App
	Organisational Capability Build: • Fit for Purpose Organisational Structure • Skills Audit Analysis	Achieved.	Draft discussion document tabled at Board by 31 March 2021.
		Achieved.	The Skills Audit Analysis report was discussed at EXCO on 29 March 2021
	Process Improvements: Process Re-engineering Programme Concept Document	Achieved.	Process Re-engineering (Internal Integration and Automation included) Terms of reference developed and approved by EXCO by 31 January 2021.
Improved Risk Management	Implementation of Improved Non-Performing Loan Strategy	Achieved.	NPL Strategy approved by Board.
Insurance Integration	Improved Insurance Model.	Not achieved.	Bancassurance Model was approved by EXCO and the LBIC Board only. Land Bank Board did not approve before 31 March 2021
Reputation Management	Rebuild the Bank's Reputation.	Achieved.	Board approved the Reputation Management Strategic Plan in January 2021.
Corporate Governance	Achieve an Unqualified Audit Opinion or better. • Outcome of AG Audit Report • Implementation of a Board-approved Remediation plan, and review of the identified policies and SOPs	Not Achieved	A Qualified Opinion, based on non-submission of bank statements by a SLA partner of the Bank
		Achieved.	All Policies of and standard operating procedures (SOP) relating to collateral, modifications, staging, risk rating identified and reviewed by 31 March 2021


SECTION
FIVE
VALUE CREATION
VALUE CREATION

The **repurposed bank** will focus on **increased development** effectiveness on the back of **growing the commercial business** offering and **diversification of revenues** beyond the current interest income revenue streams.

VALUE CREATION

Strategic Plan

The Bank's current challenges with commentary on how these challenges are being addressed are listed in the table below.

Key Development	Comment
Continuing Debt Default	The Bank is in a Debt Default position, having defaulted on its debts since April 2020. With support of the R3 billion equity appropriation form National Treasury in September 2020 and client collections, periodic lender payments resumed - total capital repayments (R8.7 billion) and interest payments (R1.1 billion).
Continuing liquidity challenges	The liquidity challenge has limited the Bank's support of the agricultural sector, with it being restricted to limited disbursements to its existing clients. The announcement of R7 billion of Capital Injection by the Minister of Finance in his Budget Speech for FY2021/22 has provided certainty on the nature of support to Land Bank by the Shareholder. Corporate advisors were also appointed to assist with negotiations towards finalisation of the Liability Solution with Lenders.
Undesirable financial results	In FY2019/20, the Bank experienced a loss that was largely a consequence of increased credit risk and a deterioration in the quality of the loan book which resulted in very high impairments. Default interest rates, charged due to the state of default with lenders, also increased the cost of funding. Financials have been restated for the past three years in line with the remediation work to ensure an accurate reflection. A number of initiatives have also been identified to address cost containment and income diversification going forward.
A Disclaimer of Opinion audit outcome	The Bank experienced a Disclaimer of Opinion audit outcome from the Auditor-General of South Africa in FY2019/20. A remediation plan has been implemented to address gaps identified related to the going concern challenges and the management of loans and advances, net impairment charges, claims and recoveries and credit risk disclosure.
Continuing impact of COVID-19	Although the Agricultural sector was classified as an essential service, a number of farmers experienced direct and indirect financial implications as a result of COVID-19. In support of farmers, a R100 million COVID Relief Fund was established (supported by the Department of Agriculture, Land Reform and Rural Development).

Introduction and Background

In the Bank's 2019/2020 Integrated Annual Report, the Vision 25 was introduced as the strategy that would take the Land Bank to another level in improving its financial sustainability while enabling it to achieve its development mandate in more substantial ways. The journey involves undergoing a significant organisational change over the upcoming years. These changes will improve and enhance technological advances to respond to the ever-changing needs of stakeholders, as well as employees, resulting in the improved rendering of services to clients.

The five areas are the following:

- Organisational change from manual to automated systems.
- Change in the operating model to facilitate an improved development approach.
- Development and empowerment of staff and focus on client service.
- Management of costs.
- Focus on orchestrating the agricultural ecosystem across the value chain.

Our Vision 25

The Vision 25 is that of a new Land Bank that is focused on technological strength, an expanded development mandate, revenue diversity (in which the Bank increases the relative contribution of non-interest income to its revenue streams), and enhanced efficiencies and cost-management. This vision is depicted in the diagram below:

TECHNOLOGICAL STRENGTH

- Improve customer experience through online banking capability
- Data analysis and analytics
- Innovative solutions and technological advancement-controlled agriculture
- E-commerce for subsistence farmers
- Speed of turnaround times in application approval and delivery of services

ENHANCED COST AND PROFITABILITY MANAGEMENT

- Improved efficiencies and cost reduction
- Improved commercial arrangements with SLA intermediaries
- Structure that is fit for purpose -reduced asset base
- Devolve/empower appropriate decision-making at point of client engagements
- Improve governance and information management

VISION 25

EXPAND DEVELOPMENT MANDATE

- Grow the loan portfolio to be predominantly developmental
- Aggregation model supported by formal offtake agreements
- Improved access, marketing, and visibility

REVENUE DIVERSITY

- Increased services across the agricultural finance value chain
- Transactional banking products and services
- Risk coverage and insurance
- Leveraging of state land to enhance collateral position

Vision 25 as presented in our 2019/2020 Integrated Annual Report, involved a change program consisting of a plan that required an asset solution to reduce the size of our liabilities, an equity solution including additional injections from the state and a liability solution to cure our default position with funders. Our repurposing plan would entail focusing the Bank into two distinct business units: commercial and development.

The commercial unit would have diversified commercial offerings and revenue streams to better support commercial clients across the agricultural value chain. The development unit would offer affordable financial solutions, and value chain pre- and post-support services to, primarily, the smallholder segment.

The plan would require continued engagement with our stakeholders. Buy-in and approval by the Minister of Finance and National Treasury, as well as alignment with National and Provincial Departments of Agriculture would be essential. The private sector was seen as a critical anchor of this strategy, to support the off-take model and the aggregator model. Engagements took place with a number of Fast-Moving Consumer Goods companies during the past year to identify opportunities for joint programmes. Progress has however been delayed, in light of the Bank's current liquidity challenges, with a dependency on match funding (Land Bank Debt commitment) to set up these Development programmes.

During the year under review, the Bank embarked on a strategic repurposing of its business with the objective to enhance its effectiveness as a specialist agricultural Development Finance Institution (DFI). The Land Bank Act 15 of 2002 remains the basis upon which the Bank's mandate is derived.

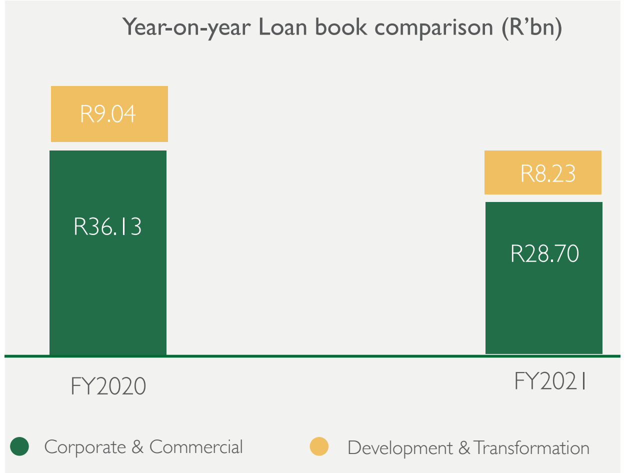
The extent of the ongoing liquidity constraints has significantly impacted upon the Bank's financial performance, thus restricting its ability to grow the loan book through new loan disbursements. The ongoing impact of COVID-19 on business operations has further exacerbated the situation, with the cumulative effect being a substantial decline in revenue.

The Bank has developed and initiated a remediation plan to respond to its financial challenges. This intervention provides a basis upon which the stabilisation and rebuilding plan is implemented during the period FY2020/21 to FY2021/22. The stabilisation and rebuilding plan is a necessary part of the journey towards the desired state.

Business Performance Overview

During the year under review, Land Bank disbursed R5.09 billion into the sector amidst liquidity challenges. Priority was given to commitments of existing clients, with a specific focus on production loans and working capital facilities to ensure planting can continue as far as possible. These disbursements were unfortunately much less than in previous years - R21 billion in FY2020, R29 billion in FY2019, R32 billion in FY2018, and R38 billion in FY2017.

In line with the Asset Solution, non-core exposures were identified and reduced through a facilitated process by the Corporate Banking team. Clients were migrated from four Service Level Agreement Partners, to be serviced directly by Land Bank's Banking teams. Subsequently, some of these clients settled their accounts and sought finance elsewhere. In light of this, deposits to the value R16.2 billion were collected during FY2021. Tapered disbursements combined with accelerated repayments, resulted in a 18.25% reduction in the loan book from March 2020 to March 2021. In order to maintain Land Bank's balance sheet, cash from collections was used to continue capital repayments to lenders.



The Corporate and Commercial loan book declined with 20.56% year-on-year, through a deliberate attempt to accordingly reduce liabilities. The Development and Transformation loan book reduced less year-on-year, at 9.02%. To execute the mandate of the Bank, this loan book will be maintained as far as possible.

As briefly indicated above, a key focus area for the organisation during the period under review has been the insourcing of SLAs. Below is an overview of the background and progress made against the focus area, for which the Bank continues to drive the achievement of its goal to reduce service fees paid, improve pricing and quality of the loan book, and seek transformation opportunities.

Land Bank introduced the concept of intermediaries in 2011 as a response to the financial challenges the Bank was facing at that time. Since the inception of the SLA Agreements, the intermediaries have acted as agents of the Land Bank (responsible for originating debtors, administering the loan book, providing relationship management services to clients, handling all queries related to the loan book, collecting and accurately allocating all instalments received from clients, etc. on behalf of Land Bank) in exchange for agreed administration and margin fees. These fees cover operating costs associated with managing the end-to-end process on behalf of the Bank.

In the recent years, the Bank witnessed an increase in non-performing loans from some SLA partners, reducing returns and in some cases losses to the Bank as well as the overexposure to certain counterparties which has resulted in a decision by the Board to initially insource Suidwes and GroCap. This was followed by the decision in November 2020 to insource Unigro and Obaro, these also represented the largest SLA exposure. The Insourcing of the SLAs will contribute to increasing access to production and improve food security (larger footprint; reducing credit risks given the experience and improving the Bank's overall profitability and long-term sustainability).

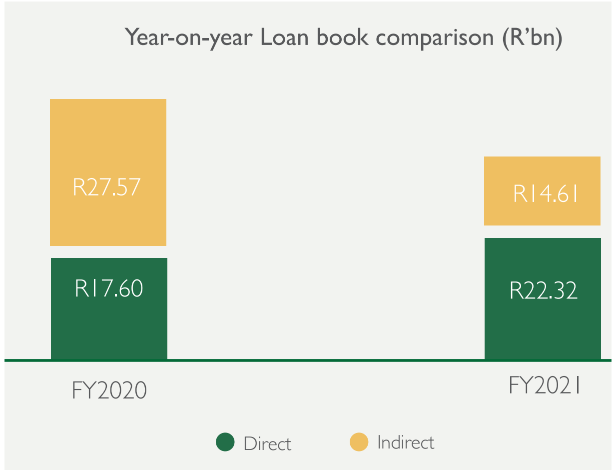
The objectives of the SLA Insourcing programme is to:

- Align and standardise credit processes across all channels, enhance operational efficiencies with intent to increase profitability by using internal resources to manage previously outsourced services.
- Ensure effective handover of the client data to the respective Business units with minimal inconvenience to clients and internal stakeholders with minimal loss to the Bank and ensuring data integrity is maintained. This is intended to also support the relevant teams responsible for on-going monitoring of the loan book with the aim of reducing Non-Performing Loans (NPL) and conducting recoveries on behalf of the Bank.
- Ensure the impacted Business units are adequately capacitated through staff repurposing and appointment of Fixed term Contractors in order for the Bank to conclude the insourcing project within the targeted period with minimal disruption to business, whilst ensuring the on-boarded clients receive the best possible service experience.

As a result of the SLA insourcing projects, the year-on-year Loan book composition shifted

- From March FY2020: Direct loan book 39% and in-direct loan book managed by SLA partners 61%
- to March FY2021: Direct loan book 60% and in-direct loan book managed by SLA partners 40%

Due to some client attrition indicated above, the total loan book reduced in line with the objective to right size the Bank's balance sheet.




SECTION
SIX
PERFORMANCE
PERFORMANCE

With the **support of the shareholder**, interventions have been put in place to **turn the business around**. **We believe** Land Bank will come out of this challenge **stronger and better** able to respond to its mandate.

Ms Khensani Mukhari
Chief Financial Officer

We are encouraged and motivated by the continued support of the Shareholder.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Ms Khensani Mukhari: Chief Financial Officer

The 2021 Financial Year (FY2021) was a challenging year for Land Bank. The Bank started the year with liquidity challenges that eventually led to the Bank defaulting on its obligations during April 2020. This led to an installation of a restructuring process which was ongoing at year end. Negotiations with lenders to cure the default have been protracted. The disclaimed audit opinion outcome of FY2020 meant that the Bank needed to undertake an extensive audit remediation process to address control deficiencies identified through the audit. In addition, the Bank has had to operate in an environment of unprecedented uncertainty and a weak economy exacerbated by the impact of the COVID-19 pandemic.

Despite these challenges, the Bank has been able to steadily build its cash reserves which enabled continuous servicing of interest and repayment of a substantial amount of debt owing to its lenders, as well as to continue supporting its customers – especially with production loans. The Bank has additionally insourced the majority of its loan book that was previously managed by intermediaries also known as Service Level Agreement (SLA) partners.

All of the above factors have had an impact on the performance of the Bank for the year under review, which has seen the Bank reduce its losses from the previous financial year.

The Bank has had to navigate operating in a state of default with a restructuring process that has taken much longer than initially anticipated. This has resulted in inadequate support to the sector, impacting existing customers and creating an inability to originate new business; customers have left the Bank to seek funding elsewhere and this has facilitated collection of cash that has enabled the repayment of some of the debt, though at the cost of the Bank's performance. The uncertainty created by the lengthy restructuring process has unfortunately contributed to the loss of staff by the Bank.

Following the audit outcome of FY2020 where Land Bank received a disclaimed audit opinion, an extensive audit remediation plan that covered three financial years (from FY2019 to FY2021) was instituted and implemented over a very short period of time. The team has worked diligently to meet the requirements of the remediation plan. This has resulted in a much-improved audit outcome for the Bank for FY2021, which is "qualified with findings" from a disclaimed audit opinion in the prior year. It is essential at this point to note that the only reason for the qualification of the audit outcome for FY2021 was as a result of one of the Bank's former SLA partners refusing to provide audit evidence on some of the transactions to satisfy the audit requirements.

This item fell outside of the remedial work undertaken by the Bank. Had it not been for the withholding of information by the partner, the audit outcome for FY2021 would have been unqualified. The Bank will continue to work hard to ensure a clean audit in the near future.

Operating under a state of default has made it impossible for the Bank to raise much needed funding to support the sector. The Bank has had to rely on customer collections and support from the Shareholder to sustain operations. This has enabled the steady build-up of cash reserves to just under R6bn by end of the financial year. This, however, has come at the cost of the sector as only limited funding could be provided to existing customers, with no new business origination since the default. This, together with increased funding costs owing to the default position, and the impact of the clean-up of legacy issues has resulted in increased expected credit loss provisions, and has negatively impacted the Bank's financial performance.

The Bank has insourced the majority of loan books previously administered by intermediaries. This has been a worthwhile exercise, one for which Land Bank now has a definite model that will allow for strengthening of controls around the management of the full loan book and improved support to its customers.

Many of the Bank's efforts have yielded positive results, but likewise the Bank has also faced extreme hardships. One of the greatest casualties of its financial position has been the inability to support the sector. Land Bank is keenly focused on curing the default and resuming some normalcy in its operations as it continues to strive to deliver on its mandate. The repayment of liabilities, the ability to keep the lights on, and to continue to support the sector (albeit minimally at present) remain critical. The Bank must continue to keep a close eye on governance and tightening of controls to give assurance that it is moving forward and driving towards success.

We are encouraged and motivated by the continued support of the Shareholder with a total of R10bn appropriated to recapitalise the Bank since FY2021, with R3bn received during September 2020 and the remainder expected over a 3-year period from FY2023. The Shareholder's continued involvement in the discussions with lenders on the liability solution is a source of strength.

In conclusion, the Bank's immediate priority is stabilisation of its financial position, with a view to set the right foundation for the re-establishment of the development and transformation mandate while ensuring financial sustainability into the future. The ultimate goal is to enhance support for the development sector with an end-to-end solution and by walking the journey with the customer both pre- and post-financing.

Land Bank, as an organisation, has the ability to effect real change and to make a positive impact on the country. I believe that we are now on the right path to restore the business and to leave an indelible mark on the sector. I have faith that we will be able to accomplish self-sustainability in the near future and continue to grow from strength to strength.

I extend my gratitude to all colleagues in the Bank who continue to work tirelessly to restore the Bank and its ability. Such a task is not an isolated one, it takes the consolidated efforts of the team to achieve our goals.

FINANCIAL CAPITAL

Introduction

The financial performance results of the Group for the year under review continues to be under pressure as a result of various factors, which include:

- Negative growth in the loan book due to constrained disbursements and attrition as customers seek funding elsewhere - owing to the Bank's liquidity challenges.
- Expected credit loss provisions of R324 million for the year as a result of an increase in non-performing loans (NPL) from 18.1% in March 2020 to 33%. The NPL increase is a result of a combination of loan book deterioration and the declining loan book balance.
- The Group posted a loss of R711 million for the year(FY March 2020 R1,6bn restated) mainly due to a decline of R220 million in net interest income year on year from R387 million to R168 million resulting from the declining loan book, the impact of repo rate decreases during the financial year and increased funding costs owing to the state of default.

Performance Drivers

The Group's net interest income of R168 million (representing a 57% decline from FY2020), the Bank's impairment charges of R324 million, and SLA management fees of R220 million included in Non-Interest Expense and Operating Expense of R593 million are contributing performance drivers. The Bank incurred a loss of R920 million, which was slightly offset by a profit of R208 million from Land Bank Insurance.

The Group's financial position is as follows:

- Total Assets for FY2021 of R40 billion represents a reduction of R4 billion when compared to the FY2020 balance of R44 billion. The R4 billion net decrease in total assets is driven by an R8.6 billion reduction in loans and advances of the Bank, offset by a R4.9 billion increase in cash and cash equivalents.
- Total Equity and Liabilities for FY2021 of R40 billion is a reduction of R4 billion compared to R44 billion for FY2020. The R4 billion reduction is mainly due to a R5 billion reduction in funding liabilities of the Bank resulting from capital repayments made by the Bank.

Banking Operations

Land Bank operated in a state of default that took place during April 2020, for the year under review pending implementation of the Liability Solution. This hampers the Bank's ability to access funding to support the business.

The Bank's loss for the year ended 31 March 2021 is R920 million. Main drivers of the performance include net interest income of R163 million, which represents a 57% decline from FY2020, impairment charge of R324 million, SLA management fees of R220 included in Non-Interest Expense, and Operating Expense of R564 million.

Net Interest Income

- Net interest income for the year amounted to R163 million, R221 million below the FY2020 amount of R383 million.

Interest income earned was R3.2 billion. This is R1.3 billion lower than the FY2020 amount of R4.5 billion. This is mainly attributable to the interest in suspense adjustment of R301 million as a result of the increased non-performing loans and the remainder is attributable to the declining gross loan book combined with the repo rate reduction.

IInterest expense amounted to R3.1 billion, which is R1 billion lower than the FY2020 amount of R4.1 billion. The reduction in the Repo rate by 3.25% since January 2020, offset by increased cost of funding, as a result of the defaulted funds attracting higher interest rate contributed to the reduced interest expense.

Funding Liabilities decreased to R36.1 billion, from the R41.4 billion reported at 31 March 2020 as a result of a R4.1 billion capital repayment in the month of February 2021, and continuing interest payments as they fall due.

Net Impairment and Recoveries

The Net impairment charge for the year amounted to R324 million, made up of R286 million Gross impairment charge and second loss adjustment of R54 million, slightly offset by R16 million in bad debts recovered; compared to the restated net impairment release of R68 million as at 31 March 2020. The Gross impairment charge is driven by an increase of R1.6 billion in NPLs from R10.4 billion in March 2020 to R12.0 billion in March 2021.

Non-interest Income/(Expense)

- Admin Fee expenses incurred amounted to R297 million. This was R60 million lower than the R357 million incurred in FY2020. This is attributed mainly to the decline in the SLA book as the Bank continues to insource the SLA book. Savings from the insourcing of the SLA book were R109. million and were partially offset by a R66 million termination fee paid to Obaro on termination of that SLA.

Fee and other income decreased by R17 million to R76 million mainly as a result of the admin fee income reducing by R23 million, from R73 million to R49 million, as the loan book continues to decline. Other non-interest income increased by R6 million.

Operating Expenses

Total operating expenses were R564 million, which is an improvement compared to the prior year amount of R680 million. The main drivers for the decrease in operating costs is lower personnel costs due to vacancies as only critical roles were filled, low travel costs as a result of COVID-19 travel restrictions. The bank negotiated discounts on services that were not fully required due to the lock-down.

Investment Income

Total investment income for the year amounted to R16 million as a result of improved investment performance.

Cash and Cash Equivalents

Cash and cash equivalents were R5.5 billion as at 31 March 2021, which is an increase of R5 billion from the R585 million recorded on 31 March 2020. The R3 billion equity injection from the shareholder in September 2020 and the R16 billion collected from clients, contributed to the increase in cash balance. This was offset by the R4.1 billion capital repayments made to funders in the year under review, customer disbursements of R5.1 billion, and R3.8 billion utilised in the restoration of third-party funding previously utilised, as well as to maintain the operations of Land Bank.

Investments

The Bank's R1.4 billion investment portfolio consisted of R303 million in Post-Retirement Medical Aid (PRMA) assets, R650 million investments in the insurance subsidiaries, and equity investments in the following entities:

- Ideafruit **(R44million)**
- Acorn Agri **(R89 million)**
- Rhodes Food Group **(R91 million)**
- Riverside **(R101 million)**
- Afgri Silico **(R153 million)**

The investment related to the PRMA portfolio was set up to hedge against the Bank's post-retirement medical aid liability, which amounted to R284 million. An independent fund manager on behalf of the Bank manages the investment and independent actuaries value the liability annually.

Equity investments reduced by R253 million compared to 31 March 2020. This resulted from the sale of Southern Cross (R75 million), Mouton (R85 million), Afrifresh (R80 million), and Cavalier (R74 million), as well as the fair value adjustment of Rhodes Food (R27 million). The impact of the sell-off was partially offset by the increased investment in the subsidiary LBIC (R200 million) as well as the increase in the value of the PRMA Fund of R93 million. The overall reduction in equity investments is in line with Bank's strategy of disposing of non-core investments to bolster the liquidity reserves in order to honour funding maturities. Land Bank is also exploring the disposal of the remaining equity holdings to alleviate the liquidity pressure.

Net Loans and Advances

Net loans and advances for the year decreased to R30.9 billion from the R39 billion balance as at 31 March 2020. The main contributors are the reducing loan book owing to restricted disbursements and customer settlements as clients leave Land Bank for funding with other institutions. An increase in credit impairments was also an attributing factor to the decrease.

Gross loans decreased by R8.2 billion to R36.9 billion from the R45.1 billion was restated at 31 March 2020. This was mainly due to customer settlements.

Non-Performing Loans (NPL)

NPLs increased by R1.6 billion (20%) to R12 billion in the year under review from R10.4 billion as at 31 March 2020. This increase was driven by the loan book quality deterioration and the continued Expected Credit Loss (ECL) inputs clean-up process following the FY2020 audit process.

This together with a declining loan book, has contributed to the NPL ratio increasing from 23.01% at the end of March 2020 to 33% at the end of March 2021.

Land Bank will continue to monitor the book and take steps to address non-performance.

Funding Liabilities

As at 31 March 2021, Land Bank's total funding liabilities amounted to R36 billion, these have decreased by R5.3 billion from the R41.3 billion reported as at 31 March 2020.The decrease is due to capital reduction and interest payments. As at 31 March 2021, a total of R13.7 billion of the Bank's funding liabilities had matured but not paid. However, the full R36 billion funding liabilities is callable as a result of cross default clauses.

Land Bank Credit Rating

During the period March 2020 to February 2021, the Bank's national scale rating was downgraded from Aa3.za to B2.za resulting in an increase in interest rates payable to some of the Bank's bilateral borrowings.

Cancellation of Contracts with Credit Rating Agencies

The Bank required a credit rating as part of the Debt Listing Requirements and for ease of access to local and international markets for funding. Given that the bank is still working on a liability solution to cure the default, a decision was taken by the Bank to terminate the credit rating service conducted through Moody's when it expired on 30 April 2021. This decision will be reviewed in the future should it become necessary.

Land Bank's balance sheet is significantly exposed to basis risk, given that its Loan Assets are Prime-linked, while the Funding Liabilities are Jibar-linked. As such, the Bank has developed an Interest Rate Management strategy to protect the Bank's net interest margin. This strategy has been impacted by the state of default the Bank is operating under.

The table below shows the swap balances and maturities at the end of each calendar year.

Swap Balances

	FY2022	FY2023	FY2024	FY2025	FY2026
Swap Balance as at 31 March 2021	10 370	4 400	800	800	100
Maturities	(5 970)	(3 600)	-	(700)	(100)
Closing Swap Balance	4 400	800	800	100	-

All the hedges were put in place before the Bank went into default.

Standard Chartered Bank

On 18 August 2020, Standard Chartered Bank (SCB) served a court application on Land Bank to recover certain debt owing by the Bank. Land Bank opposed the application. On 2 December 2020, the High Court granted an order against the Land Bank, the salient terms of the judgment can be summarised as follows:

- Land Bank is required to make payment to SCB of the amount owing plus interest.
- However, this Court Order and such payment is suspended for 17 months, until 30 April 2022, unless certain designated milestones are not achieved, in which event the court order will become immediately enforceable. As at 31 March 2021, there was no agreement between Land Bank and its lenders, consequently, the Court Order came into effect, and the payment of R352 million plus accrued interest was made to Standard Chartered Bank in full and final settlement of the loan.

Capital Expenditure

The YTD March 2021 capex amounted to R653 million.

At the end of March 2021, irregular expenditure incurred, amounted to R220 million. This relates to the extension of SLA contracts. A process is underway to request condonation for the irregular expenditure.

Fruitless and wasteful expenditure amounted to R105k, of which R87k was fully recovered.

Supply Chain Management

Overview

The Bank's Supply Chain Management (SCM) division is prominently regulated and guided by its Supply Management policy which objectives are:

- To ensure adherence of constitutional principles such as Fair, equitable, transparent, competitive, and cost-effective Supply Chain Management processes;
- To achieve continuous improvement on all SCM transactions;
- To promote transformation; and
- To achieve value for money in all SCM activities.

The Supply Chain Management policy is further based on various legislation and regulations such as the PFMA, PPPFA, as well as National Treasury regulations and practice notes.

It is the mandate of the SCM Department to promote expenditure with companies compliant in terms of the B-BBEE Act and Code of Good Practice. The focus is to spend with companies that have at least a Level 4 B-BBEE accreditation in order to ensure the Bank obtains the recognition for the spend. The SCM Department endeavours to, where possible, procure from Service Providers with a BEE level of four or better and in the abovementioned period the below sets out what the SCM department achieved.

SCM Department Spend on Each BEE Level

The below sets out how much the SCM department spent on each BEE level.

Preferential Procurement Expenditure

Total Spend (Excl.Vat)	R 90 992 006.10
Total Spend (Including VAT)	R 104 221 399.37
Total Eligible Spend (Applied Spend)	R 114 481 621.84
Total QSE spend	R 9 888 824.00
Total EME Spend	R 9 602 953.00
Total Spend >= 51% BO	R 25 546 340.00
Total Spend >=30% BWO	R 15 787 846.00

The SCM Department endeavours to, where possible, procure from Service Providers with a BEE level of 4 or better, and in the above mentioned period the below sets out what the SCM department achieved.

LAND BANK INSURANCE REPORT

Land Bank Insurance Operations

Land Bank Insurance SOC (LBIC) is registered with the Financial Sector Conduct Authority (FSCA) and is the second largest insurer of crop in the country, providing cover to farmers for hail, fire, and yield losses due to weather conditions. Land Bank Life Insurance SOC (LBLIC) is a licensed life assurance provider that has been providing individual and group credit life insurance products as well as disability cover to Land Bank clients and farmers since its inception in 1954. The Insurance Companies complement the Bank's financial services by providing insurance and risk management solutions to the agricultural community.

Bancassurance Model

The insurance companies (LBIC and LBLIC) and Land Bank have entered into a Bancassurance model arrangement wherein the Bank will be used as a distributor and lead generator for LBIC to get access to Land Bank current client base and the Land Bank to earn non-interest income from these transactions. The model of Bancassurance has gained a tremendous importance over the previous few years. A comprehensive strategic blueprint has been designed and has been approved by both Land Bank Insurance and Land Bank Boards of the entities

The integration of financial markets, introduction of new updated technologies, world-wide bank operations and diversification in non-banking activities has brought major changes in the working of the banking sector. Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the Bank's client base. This partnership arrangement can be profitable for both companies.

Banks earn additional revenue by cross selling insurance products, and insurance companies expand their customer bases without increasing their sales force. The bank benefits from improved customer satisfaction, integrated solutions, risk coverage, and additional non-interest revenue from sales of insurance products.

The Bancassurance Model is aimed to be a partnership between the Land Bank and the Land Bank Insurance companies, where the insurance companies can sell its products to the bank's clients through various means; i.e. value-added products and providing packaged solutions at the point of sale.

Internal Systems Capacity Building

The non-life insurance company is in the process of making an offer of R2 million to purchase the Crop system used by Old Mutual Insurance (OLD), who have since divested from the Crop risk insurance. Should the Land Bank Insurance be successful in acquiring the OMI Crop insurance system, this will meet one of the Vision 2025 strategic objectives and the Insurance Company acquiring its own Crop Insurance policy management system. This will reduce reliance on the system used by our Underwriting Managers Agriseker. Furthermore, the Insurance Company following a tender process appointed Brolink to provide the Insurance Company with its own Assets and Life policy management system. These activities are aimed at bolstering the insurance company Information Technology (IT) systems and complying with the insurance regulator objective requiring the insurance companies to develop own data management system instead of solely relying on third party contracted systems.

Land Bank Insurance contribution to Development and Transformation

LBIC and LBLIC support Land Bank transformation and development strategy both through the transformation of the insurance sector and supporting smallholder and medium-scale commercial farmers. In terms of the insurance sector, the organisation has embarked on ambitious programmes to identify and develop Black Brokers and Black Assessors to improve equality in the broader financial services sector. During the period under review, LBIC has collaborated with the Bank to develop unique insurance solutions for the Black Producers Commercialisation Programme and the Hortfin project in conjunction with the Jobs Fund.

It is the intention of the insurance subsidiaries to develop a focused Bancassurance model that will serve the development mandate of the Bank and improve the client value proposition to clients of all parties.

Parametric Insurance for Smallholder and Merging Farmers

In order to improve access to agricultural insurance for smallholder farmers, LBIC has successfully applied for grant funding from KfW Development Bank under its flagship InsuResilience Solutions Fund (ISF). The ISF grant, structured under a co-funding model with LBIC, will be used to develop and market innovative parametric drought insurance solution for crop and livestock to smallholder farmers. An Area-Yield Index Insurance (AYII) is proposed for crops and Pasture Drought Index Insurance (PDII) for livestock.

To date, Land Bank Insurance – together with its strategic partner CelsiusPro – have designed parametric crop and livestock insurance solutions providing cover against drought which is the main peril affecting agricultural growth and sustainability. The two products are subject to regulatory approval as they are the first of their nature in the country since parametric insurance is not yet recognised in legislation. Following a submission to the Prudential Authority for regulatory approval, feedback was received in November 2020 advising that the products cannot be accommodated in the current insurance regulatory framework as nonlife insurance business. However, regulatory relief can be granted allowing for testing of these products to obtain sufficient data and experience to assess the functionality and developmental impact under the classification of these products as business other than insurance. Following a consultative meeting between the LBI and the Regulator.

The Regulator requested LBI to seek approval for providing Index Insurance solutions to the SA market. Therefore, a letter to the Minister of Finance (MoF) was submitted to the Board of LBI and following approval of the letter, it has now been provided to the Chairman of Land Bank for submission to the MoF.

The reason for the request was that the Minister of Finance Mandate letter in 2011 alters the suit of product available for LBI as an insurance company in terms of the Insurance Act, which then makes it necessary for the Minister of Finance to relax the conditions of his mandate to the Insurance Company. Black Broker Program Crop insurance in South Africa is distributed primarily through intermediaries or brokers who have historically been mainly white, Afrikaans-speaking males.

The success of these brokers may be partially attributed to the access that LBLIC has gained to large smallholder development projects being undertaken by the private sector such as the Old Mutual Masisizane Fund in Eastern Cape and ABInbev barley project in the North West. It was the first season LBIC provided crop insurance to these projects and supported transformation in the sector through these initiatives.

The other area of the agricultural insurance market value chain, which LBLC has targeted for transformation impact, is the assessors used to estimate damage to crops after any risk event 103 such as hail, fire, etc. At this stage there are approximately 900 assessors used by the crop insurance providers in South Africa and this has a similar profile to the crop insurance broker sector. LBIC has commenced a Black Assessor Development Programme and its Board has approved R3.8 million to fund it. The programme is being offered in conjunction with Walter Sisulu University. The 20 candidates who started the course have completed and graduate in March 2021.

Black Women in Agriculture Empowerment

In the year 2021/2022, we will embark on yet another programme aimed at developing and supporting the business that is written by the black women-owned brokers to differentiate this programme from the existing transformation programmes being the Black Brokers Development and the Black Assessors programme which are articulated in the other parts of this corporate plan.

These programmes aim to train and develop 100% Black Women Brokerages which is different from the Black transformed businesses (i.e. those with ownership of 50+1% and with some black management in senior positions). This is purely for 100% black women-owned and 100% black women management controlled. This is to avoid the risk of fronting where black women businesses are registered only to undermine the objectives of this programme.

Insurance Operations Solvency Capital Requirement (SCR)

As at 31 March 2021 the LBLIC SCR Cover Ratio, submitted for the annual regulatory return to the Prudential Authority, increased from 2.83 (in March 2020) to 3.30. This can be attributed to the significant decrease in liabilities experienced since March 2020.

During the 2020 financial year, a dividend of R300 million was declared, of which only R100 million was paid during 2020. The outstanding amount was raised as the amounts due to holding companies and subsidiaries. This was paid at the beginning of the 2021 financial year, leading to a significant reduction in liabilities, and increased own funds. The LBLIC SCR Cover Ratio is above the Company's targeted SCR ratio of 200%.

The underwriting profit for the YTC amounted to (26.3 million), which is greater than the budgeted loss amount of (R30.7 million). The Gross Written Premiums amounted to R600 million (compared to a budget of R510 million). During the same period for the previous year, LBIC reported Gross Written Premiums of R563 million as at the year end.

The Insurance business reported a profit of R226.8 million for the year. This was largely attributed to the Investment valuation within LBLIC. The total assets, being R2.6 billion, slightly exceeded the budget by 34.1 million, and was due to investments having exceeded the budget by R105.5 million.

Financial Performance:

- LBIC reported a net combined operating ratio of 84% in the current reporting period (FY2020: 135%) reflecting a net profit of R51.5 million (FY2020: R39.8 million loss).
- Gross Written Premium (GWP) increased by 6.6% to R600 million (FY2020: R563 million) while operating expenses increased to R23 million (FY2020: R19. 6 million).
- The performance of the crop portfolio is 7% higher compared to last year. This is attributable to growth in winter business particularly in Mpumalanga and Easter Cape as well as 24% growth in the Fruit portfolio. The growth in fruit portfolio has been steady across the various provinces with the exception of Western Cape where premium increased by R5 million which represents a 140% growth. The hail summer portfolio has remained consistent showing a 5% growth in GWP.
- The Investment Fund portfolio comprises predominantly government bonds, corporate bonds, cash, and deposits in line with the Investment Policy. These have increased drastically since the last year due to inflows and favourable returns to the fund. Bonds exposure have increased since the previous year due to a R200 million transfer received from the Land Bank and cash transferred from the LBIC's main bank account post March 2020. The cash amount was used to increase the fund's exposure to variable and short-dated inflation-linked bonds to diversify the portfolio.

LBIC	FY2021	FY2020	Variance
	R Million	R Million	
Gross Premiums	600.2	563.3	6.6%
Net premium income	148.2	140.4	7.6%
Operating Expenses	(23.0)	(19.7)	(17.1)%
Underwriting profit/(loss)	24.4	(48.9)	153.5%
Net profit/(loss)	51.5	39.8	236.0%
Combined operating ratio	84%	135%	52.0%

- The assets over liability balance remained positive for all scenarios tested and for the five years strategic planning horizon. This means that the company has sufficient capital to meet its liabilities, including the regulatory capital requirement as they become due at least for the five year period and under the extreme risk events considered. The company has a healthy balance sheet and is sustainable in the future. The Solvency Capital Requirement (SCR) cover ratio is stable and above the company's benchmark

Performance Highlights

- Maintained our market share and increased our premium income slightly more than IFY2020
- Adapted our risk under-writing processes to weather volatility.
- Claims decreased in the FY2021
- Achieved our objectives to expand our Black Broker Programme. LBIC has trained and accredited 62 Financial Services Providers (FSPs) from historically disadvantaged backgrounds. With the zeal to deepen transformation, LBIC focused on women-owned FSPs for the ambition. Under the COVID-19 lockdown regulation and safety protocols during the crop season 2020/21, LBIC still managed to ensure business continuity by training and accrediting brokers.
- The Black Assessor Programme in partnership with Walter Sisulu University remains an important strategic objective in LBI's development and transformation agenda. The first leg of the programme was completed where 19 students from previously disadvantaged backgrounds undertook the theoretical leg of the programme. The second leg, which includes practical aspect of the programme, is underway.
- LBIC insurance is one of the participants in sector discussions with National Treasury (NT) to bring about insurance solutions for smallholder farmers. We are proud to contribute to this initiative and are excited about the potential of the initiative for the greater good of the sector. We hope to disclose details of the initiative in the next reporting cycle.
- The Bancassurance Model objective is to make use of the synergies between Land Bank and Insurance entities efficiencies to provide impactful services and product provisions to clients. The effectiveness of the Bancassurance model is a fundamental strategy to the sustainability of non-life and life business. For the year ending 2021, a comprehensive strategic blueprint has been designed and approved by both boards of the entities.
- LBIC received clean audits (FY2020: unqualified with no findings).

Challenges

- Growth remains stagnant on the agri-asset portfolio which has been implemented as a diversification tool. With the exponential premium growth in crop, the diversification set March 2021.

Land Bank Life Insurance Company

Land Bank Life Insurance Company (LBLIC) is a licensed life assurance provider that has been providing individual and group credit life insurance products as well as disability cover to Land Bank clients and farmers since its inception in 1954.

Its appointed asset managers support responsible investment and are either signatories of the United Nations Principles for Responsible Investment (UNPRI), a framework for achieving better long-term investments and more sustainable markets or subscribe to the Code for Responsible Investing in South Africa (CRISA,) that guides institutional investors on conducting investment analyses and activities, as well as exercise rights to promote sound governance.

Financial Performance

- Net profit for LBLIC is a 454.6% increase from the loss reported in the prior year, to R157 million (FY2020: (R44.3 million) owing mainly to the increase in investment income by 502% to R193.9 million.
- Gross written premiums declined by 08.5% to R4.9 million (FY2020: 5.4 million) owing to the cancellation of some of the group life schemes.
- Operating expenses increased by 23.3% to R7.2 million (FY2020: R5.8 million). Total excess assets over liabilities increased to R1.059 billion (FY2020: R902 million), as a direct result of the Investment increase by 17.4%.
- During the 2020 financial year a dividend of R300 million was declared, of which only R100 million was paid during 2020. The outstanding amount was raised as the amounts due to holding companies and subsidiaries and was paid at the start of the 2021 financial year. The decrease in other liabilities is due to the R200 million which was paid to the Land Bank at the start of the 2021 financial year, to settle the outstanding dividend payment. This settled amount also had an impact on the 1% reduction in the investment portfolio as disinvestments were made from the investment fund.

LBLIC	FY2021	FY2020	Variance
	R Million	R Million	
Gross Premiums	4.9	5.4	(8.5)%
Net premium income	2.5	2.8	(9.0)%
Operating Expenses	(7.2)	(5.8)	23.3%
Underwriting (loss)/profit	(37.5)	2.8	1 447.0%
Investment income / (loss)	193.9	(48.2)	(502.3)%
Net profit / (Loss)	157.0	(44.2)	(454.6)%
Excess assets over liabilities	1.059	902	17.4%
Investments	1.107	1.118	(1.0)%

Performance Highlights

- Our profits increased by 454.6% due to a positive performance of investment.
- LBLIC received clean audits (FY2020: unqualified with no findings)

Challenges

- LBLIC's product offering is limited by its ministerial mandate which severely affects its ability to grow the book.The GWP decreased by 8.5% from 2020.
- The net total assets have reduced by 2% since the previous valuation date, mainly due to a decrease in reinsurance recoveries, investments and receivables. Investable assets comprise mainly of equity, bonds and cash and cash deposits. These have reduced by 1% since the last year due to the economic environment in 2020 which was dwarfed by the effects of COVID-19.

OPERATIONAL CAPITAL

IT Governance and Business Continuity

During FY2020/21(Q4), the function focused on the following deliverables:

Information Technology Governance
- Facilitation of Client Portal risk workshops.
- Review of IT Governance Framework and IT Governance Charter.
- Reporting of quarterly attestation as well as annual effectiveness survey results has been deferred to FY2021/22(Q4).
- Rollout of IT Maturity assessment phase two has been carried forward to FY2021/22(Q2) due to resource constraints in the IT function.

Business Continuity

- Supporting and monitoring of the pandemic contingency management plan.
- Ongoing review of the recovery plans.

Compliance

The compliance coverage plan was not achieved due to resource constraints. The compliance resources were focused on providing advisory and business support, resolution of queries on processes, legislation, and governance queries. The following key activities are currently in progress:

#	Compliance Area	Details
1	POPIA Compliance	The number of required activities to ensure the successful implementation of the Protection of Personal Information Act and its Regulations by 1 July 2021.
2	Compliance Monitoring - NCA Assurance Engagement	The Assurance Report for FY2021 is due in September 2021, the review is currently in progress and the expected submission date will be end of October 2021, as per the extension granted by the National Regulator.
3	Governance: Information Privacy Policy	The Information Privacy Policy has been revised and awareness session to be carried out in FY22.
4	Anti-Money Laundering (AML) Compliance	645 entities/individuals (clients and suppliers). [Note: the total numbers depict all individuals/entities related to the transaction and/or supplier including ultimate beneficial ownership of juristic persons and should not be confused with the total number of client/supplier applications.]
		A total number of 59774 clients'/suppliers' records were uploaded onto the Dow Jones platform for screening purposes.
		18 new cash threshold reports (CTRs) were reported to the FIC, bringing the total number of CTRs reported to the FIC as at March 2021 to 354.

Land Bank's Digital Evolution Journey

The Department recently reviewed the IT Strategy to ensure alignment with both Land Bank's Vision 2025, and its digital transformation agenda. The following key business imperatives were identified as being crucial to the success of the business:

1. Implement Land Bank Organisation Model;
2. Financial Modelling and Funding;
3. Improve Customer Experience;
4. Enable Channel Strategy and Composition;
5. Enable Ecosystem Catalyst Role and Partnership Model; and
6. Building the Fit-For-Purpose Capabilities.

These strategic business imperatives, together with specifically identified key interventions, were considered during the review of the IT Strategy. The IT Strategy at a high level enables:

1. Client facing delivery – Multiple integrated channels (including digital) available to the clients enabling improved accessibility and presence, as well as a consistent and seamless service experience across a suite of offerings.
2. Internal business operations delivery – Fully automated and integrated internal client centric processes.
3. Back-office support delivery – Technology enablement of back-office support processes.

The following IT objectives and interventions were reviewed and consolidated based on the understanding of the identified business priority areas. These were informed by business imperatives to enable vision 2025 aspirations address various stakeholder challenges, technology trends influencing banking models, required IT capabilities, and controls to enable strategy execution.

1. Optimisation and Automation of Business Processes – Business Process Optimisation and Re-engineering; Entrench Enterprise Customer Relationship Management (CRM) Solution.
2. Robust Integration of Systems - Point to Point seamless system Interfaces; Enterprise Data Staging Area for common data system exchange to enable consistency.
3. Data Management and Analytics Enablement - Institutionalise data operating model; Enable Digital Data Architecture; Enable enterprise intelligence and MIS.
4. Revamp of IT Capability /Infrastructure - Modernise IT physical Infrastructure; Enhance IT operating model; Refine and Institutionalise IT Architecture disciplines.
5. Backend System Modernisation - System optimisation and provisioning; Modernise security layer.
6. Digital/Virtual Presence - Customer channels (Omni Channel digital enablement); Stakeholder digital portals for secure data and file exchange; Enhance employee digital portals – collaboration and productivity tools.
7. Cyber Security – Enhancing cyber security alongside omni channel digital enablement.

A key project that has progressed the Bank toward achievement of its objectives is the improved use of the organisation's technological facilities. An overview of the use of GIS technology is provided hereafter.

Geospatial Information Systems Technology

The Land Bank introduced GIS technology into their operations in 2017 and it was integrated into the credit application process as part of pre-screening. Geospatial Information System (GIS) Technology adds value by bringing informed decision making to the Bank's fingertips. The system intelligently integrates, refines, and interprets significant agro-soil, topography, climate, natural vegetation, land-cover, and land use variables. High-quality data and information are becoming increasingly important for farmers as data assists producers/farmers to enhance their farming experience, reduce their costs, and mitigate risks including risk associated with climate change.

The dissemination of GIS reports is in line with the Land Bank strategic pillars. Firstly, in terms of sector growth due to analysis of the farms that equips the farmer with land capabilities and land suitability for better informed decisions. The promotion of innovation and access to technology that will make available new information and insights about farmland in South Africa. There is currently an extension of the applications of this technology on the portfolio monitoring area, as well as close collaboration with the insurance subsidiary.

To expand accessibility to this service and to expand revenue generation streams, the Bank is preparing to make it commercially available on demand to clients and non-clients. In that regard, reports could be provided at significantly reduced rates or on a cost less basis as a form of support to small holder farmers to support their decision making towards achieving optimum productivity.

INTELLECTUAL CAPITAL

Principal Risks

Overview

Risk management is the responsibility of every employee of the Bank, particularly those charged with risk taking responsibilities. The Bank views risk as both an enabler and a threat to the achievement of the Bank's strategic goals. The risk management framework is informed by a comprehensive assessment of the Bank's strategic objectives and the risks inherent in the business environment in which the Bank operates. A systematic identification of all the risks is performed to ascertain those that will have a key impact on the Bank's ability to achieve its goals.

The assessment of risks takes into cognisance the causes, consequences, probability, and impact on its business objectives. Risk management strategies are developed for each key risk with full roles and responsibilities allocated to those charged with risk taking across the organisation. Risk management is performed on a continuous basis to ensure a timely identification of deviations, emerging risks, and complex risk consideration.

Risk Management Information is produced and tabled at various governance committees, as per the approved Delegation of Power. Records of all risk management activities are maintained in line with the approved Document Management Policy, to retain audit trail. Risk Management activities are built into individual performance scorecards. There is a consequence management process in place to enforce the culture of compliance to approved risk management practices.

Risk Appetite

The Bank's risk appetite is set by the Board of directors, clearly setting the tone and attitude to be adopted by all those charged with risk management in the organisation. The Board delegates the responsibility for risk executive management who oversee the day to day running of the Bank. The Bank's risk landscape is primarily dictated to by its mandate as contained in the Land Bank Act of 2002. According to this Act, the Bank exists to serve the agricultural sector within the Republic of South Africa in pursuit of the objects as listed therein. To determine and set the Bank's risk appetite, it reviews the strategic objectives and financial performance targets of the Bank as set by the Board and contracted with National Treasury (the shareholder) through the annual Corporate Plan.

A detailed assessment of all the Bank's business environment (both internal and external) is then performed. From the business environment assessment, the Bank identifies, assesses, and quantifies the inherent risks in terms of the opportunities they provide for the Bank to achieve its goals, and the threats which may inhibit the Bank's ability to achieve its stated goals. The Board then sets the maximum amount of risk the Bank can take in pursuit of its goals. Various risk mitigation strategies are developed to treat any excess risk the Bank may face to an acceptable level. Risk metrics are developed for each significant risk and risk aspect/dynamic.

These metrics are communicated to all risk owners as identified and allocated, and built into their performance scorecards. For each significant risk, a risk management policy is developed and reviewed by the Board to confirm that it is aligned to the set Risk Appetite. Each policy spells out the detailed considerations for the risk it addresses – clearly demonstrating all the business areas which are impacted by the risk. Roles and responsibilities are identified and allocated to each key role player and the commensurate authority level is allocated to those individuals or committees as per the approved Delegation of Power.

There are risk governance committees established for each significant risk wherein periodic reports are tabled for review and decision making where necessary. Each committee has an approved charter (with periodic reviews) which details its roles and responsibilities, together with the authority reach. The reporting follows an upward cascade all the way to the Board to keep the members of the Board apprised on the Bank's risk management activities during the financial period. The Board has an opportunity to assess, redirect, and provide support and guidance to Management each time the risk management information is reported to them.

In the financial year ended March 2021, the Bank's risk-taking activities were hampered by the default position as well as the operational risk loss events that emanated from the credit risk downgrades and the external auditor's opinion in the previous financial year end. The default position meant that the Bank could not take on new risks as it might have wanted. These loss events led to a further deterioration of the Bank's Balance Sheet. The Board and Management's focus was on addressing the liquidity and operational risk loss events which had occurred in an attempt to return the Bank to some level of normalcy.

Enterprise Risk Management

For the year ended 31 March 2021, the Enterprise Risk the Enterprise Risk Management process was particularly informed by the following:

- The purpose and mandate outlined in the Land and Agricultural Development Bank Act No 15 of 2002;
- The vision and mission of the Bank;
- The Land Bank Strategy outlining the path to a financial sustainable Development Finance Institution (DFI), and Strategic Plan; and
- The maturity level of the existing control environment.

The risk management process is iterative in nature to ensure continued alignment with the Bank's strategic goals. Typically, the risk assessment and risk management strategy have a medium term (three year) focus to foster the culture of building risk foresight. For the period under-review the medium-term risks and opportunities within the Bank were identified and managed in the context of the following adjustments to the strategic imperatives:

Financial Sustainability	• Curing the Bank's default status through a sustainable liability solution. • Propagating an appropriate review of the Bank funding structure.
Purpose and Mandate	• Re-establishing and entrenching the Development and Transformation mandate.
Governance and Risk Management	• Strengthening the governance and management of risk within the Bank.
Client Focus	• Improving client experience.
Internal Processes Improvements	• Improving Business efficiencies and technology enablement.

During the financial period, the Bank's financial sustainability had been put under severe pressure. The Bank faced a liquidity challenge which had started with a default position encountered since the previous financial period. This implied that the Bank had not managed its liquidity risk effectively. The occurrence of the event of default had a significant impact on the internal business environment. The Bank was now suffering financial losses (more interest charges, loss of income as a result of curtailed lending, etc.). As a response to the liquidity challenge, the Board and Management had to develop a solution to cure the default position. This entailed engaging with the lenders, funders, and the shareholder to develop a solution that would help stabilise the liquidity situation, and help the Bank return the Bank to normalcy.

The liquidity situation had been made more complex by the cross-default clause in the loan covenants. A Liability Solution was developed by Management taking into account the interests of the lenders, funders and the shareholder. The lenders and funders were primarily interested in mitigating their losses and the National Treasury were interested in ensuring that the Bank was refocused to the development and transformation mandate. Land Bank Management were interested in stabilising the liquidity situation and finding a funding structure that would support the Bank's financial sustainability. The liability solution had not been agreed to by all parties at year end. However, the Bank was able to continue servicing the interest payments which had become due. The changes in strategic priorities and implementation of remedial actions required a review of existing controls and alignment with the revised priorities to be evaluated for their continued adequacy and effectiveness.

The report of the external auditor, the Auditor-General (AG), on the previous financial period review had identified significant control environment weaknesses. An adverse opinion had been issued by the AG against the Land Bank's risk management activities (disclaimer of opinion). Management and the Board dedicated resources and attention to the diagnosis of all root causes and areas of key control breakdowns. A remedial plan was developed by Management and approved by the Board to address the weaknesses in the control environment. The implementation of the remedial plan was monitored and reviewed by Senior Management, with support from the AG.

The Board had long identified the need to repurpose the business of the Bank to improve business efficiencies, taking advantage of technological advancements. The engagements with the National Treasury had emphasised the need for the Bank to focus its main business on development and transformation. This was a significant consideration by the National Treasury as a condition for their support of the Liability Solution. The liability solution required significant financial support from the National Treasury to appease the lenders and funders, as well as to ensure that the default position is cured. The development and transformation mandate required significant financial support to ensure that the business model was sustainable.

On review of the Bank's risk environment strategy, the following risks were identified as requiring Management's close attention:

The Bank's responses to these risks are addressed in both the stabilisation and rebuilding plan, as well as the strategy section towards Vision 2025.

Material Risks for FY2020/21

At a corporate level, the Bank faces the following risks:

1.1. Strategy Risk:

Strategic risk can be defined as the uncertainties and untapped opportunities embedded in the organisation's strategic intent and how well the strategy is executed. Sources of strategic risks include (but are not limited to): risks arising from making poor business decisions, and substandard execution of decisions or failure to respond to change in business environment. To manage strategic risk, Land Bank has ensured that all strategic risks are reviewed within the Enterprise Risk Management (ERM) space and are escalated to various management forums, controls, and mitigation in place.The Bank's strategy is informed by the mandate as contained in the Land Bank Act. The mandate of the Bank is mainly to provide financial support to the agricultural sector within the Republic of South Africa, with the view to ensure food security, whilst transforming the sector to include segments of the population who were previously excluded. The Bank does not enjoy standing financial support from the shareholder, as such the business strategy should ensure financial sustainability.

In the financial period under review, the shareholder had highlighted the need for refinements to the Bank's strategy to ensure alignment with the mandate as enshrined in the Act. The Bank had also reported financial operational losses, threatening the financial sustainability of the organisation. The AG had also expressed an adverse opinion on the Bank's ability to continue as a going-concern. In response, Management had started reviewing the strategic direction of the Bank. A strategic decision was taken by the Board to insource some of the loan origination and loan book management process which had been previously contracted to third parties (SLAs).

The following table shows the strategic risk issues identified and the mitigation strategies:

Strategic Issues and Mitigation Strategies

No.	Strategic risks for FY2021	Mitigation Plan
1	1.1. Liquidity shortfall and its impact on the Bank's operations, resulting in: • Loss of clients resulting from suspension of disbursements. • Reputational damage due to inadequate funding.	• Reviewed borrowing plan to guide fund raising activities. • Ongoing asset, equity and liability solutions to restore liquidity. • Syndicate exposures with the other Banks for selected corporate clients.
	1.2. Credit default risk: High rate of impairments and non-performing loans due to: • external agricultural environment. • Pandemic. • Internal business inefficiencies.	• Introducing enhanced, frequent monitoring of watch-list accounts. • Impose penalty fees on defaulting or accounts breaching covenants. • Develop NPL and credit strategy as well as sector strategy for adoption by EXCO and Board. • Establish Strategic partnerships with key off-takers (such as Tiger Brands, McDonalds, Pick n Pay, Woolworths, Pioneer Foods, etc.) and other value chain players to create an eco-system support for development farmers.
	1.3. Inability to achieve sustainable business growth of the overall loan book and investments due to: • External threats such as COVID-19. • Liquidity challenges and competitive landscape. • Risk of losing partnership grant funds due to inefficiencies and liquidity risk.	• Syndicate funding options. • Shareholder-capital injection and provision of guarantees (discussions advancing). • Re-engineering credit origination processes (touch points) and introduction of IT systems (reduce manual processes) per vision 25.
	1.4. Rising Cost to Income (CTI) ratio due to: • Reduced/stagnant loan book. • Poorly-priced loan book and deficiencies in the commercial terms of the intermediary model. • Mismatch on the assets and liabilities. • Limited interest rate hedging strategy. • Rising costs-cost of funding and other operational costs. • Lack of diversified income stream.	• Review SLA model - its costing and reducing its size by insourcing and settlements (vision 25). • Reprice both direct book and SLA book. • Revise pricing model to reflect correct costing, margins, etc. • Immediate implementation of SLA improvement plan i.e. remove administration fees adopt proportional revenue sharing. • Review of overall Bank's costs. • Develop white labelling strategy.
	1.5. External events: COVID – 19 pandemic impact on operations, loan book growth, and to client's ability to repay loans.	• Utilisation of the R100 million COVID Relief Fund supported by the Department of Agriculture, Land Reform and Rural Development. • Adoption of internal Business Continuity Management (BCM) measures.

No.	Strategic risks for FY2021	Mitigation Plan
2	Capital and funding risks: Inadequate funding and capital raising due to: • Risk of funders not accepting the proposed financial covenants. • Breach of financial covenants/events of default. • Poor credit rating (downgrade). • Non-renewal (rolling) of credit lines and withdrawal of facilities. • Excessive gearing position. • Limited liquidity and appetite on the debt capital markets.	• Liability solution (with Shareholder support via guarantees). • Asset solution (Self-help mechanisms – resizing of the balance sheet (reduction of Assets and Liabilities)). • Removal of exclusivity clause on SLA agreements to enable them to originate independently. • Immediate sale of the non-core equity book – R500 million.
3	Balance sheet weakness: • Requiring restructuring and optimisation. • Resizing of the balance sheet and address funding mismatch (liabilities vs assets).	• Develop Asset & Liability solutions. • Equity solution by Shareholder – application for R10 billion injection. • Vision 25 backed by Shareholder capital injection.
4	Poor external credit rating risk.	• Investor relations management strategy. • Ongoing rating agency updates with Moody's and stakeholders on Land Bank activities - including the liability solution. • Engagements on rating the notes on the new Domestic Medium-Term (DMTN) partially guaranteed program facilitated by RMB ongoing.
5	Limited shareholder support and stakeholder relationship management, due fiscal limitations.	• Stakeholder engagement strategy and communication plans. • Engagements with Shareholder and DALRRD at Minister and Director General (DG) levels.
6	Execution risk associated with the Bank's repurposing strategy.	• Engagements with Funders to obtain support of Vision 25. • Stabilisation plan to be adopted to capitalise on the quick wins, immediate improvements, and containing the bleeding. • Review credit origination processes and streamline roles in the value chain. • Cultivate Strategic partnerships including crowding in of grant funding (Jobs Fund, DARRLD, and Private sector CSI funds). • Implementation of the Customer Relationship Management (CRM) system, and finalisation of automation project.
7	Intermediary/SLA portfolio risks: commercial risks emanating from intermediary model.	• Draft standardised credit policy template for adoption by all SLAs (presented at CIC and supported) (implementation with revised SLAs). • Introduce periodic credit reviews on underlying debtors on sampled basis. • Validation of source data from SLA intermediaries, and quality of information presented to be enhanced. • Insourcing of Unigro term loans (R900 million), and Gro Capital and Suidwes total book. • Reduced exposure through SLA intermediaries. Adopting a three- pronged strategy: improving commercial arrangements of the SLA partnership, and resizing of the asset portfolio through disposals/settlements, and insourcing in line with vision 25.
8	Limited development and transformational risks due to: • Lack of defined farmer strategy to improve development effectiveness and limited sector transformation through the direct lending book. • Slow pace of transformation through SLA partners. • Retention of partnership funds.	• Vision 25 and repurposing strategy has since adopted to address this risk. • Initiatives on strategic partnerships including negotiated Memorandum of Agreement (MoAs) with key retail corporates and DARRLD on off-take agreements and land parcels, respectively. • Establishment of the Partnership Funds Management Unit to focus on leveraging third party funding support, including grant support, and impact investment opportunities.

1.2. Credit Risk:

Credit Risk is generally defined as the risk of default of an obligor to fully meet their commitments in a timely manner leading to financial losses suffered by the lender. Credit risk changes during the life of the contract. As a lending institution, the Land Bank takes credit risk as a fundamental part of its business to achieve its goals. The amount of credit risk taken is carefully measured as set out in the risk appetite framework. Credit risk management starts from the loan origination stage (credit evaluation), credit portfolio formation (credit concentration) and the credit management process (monitoring and collections). The Land Bank is continually enhancing its credit risk appetite, credit risk policy, credit processes, and credit models to reflect Management's best strategy towards credit risk management.

As a result of the default position which had occurred in the previous financial period, Management and the Board took a strategic decision to restrain new business. This implies that the Bank took less credit risk, impacting its ability to meet its strategic objectives. This business curtailment led to a reduction of about R1 billion in the Corporate Loan book. Several corporate clients (such as KAP Agri, Crown Chicken, Wellington Wines, Green Farm Nuts, etc.) moved to the lending exposures to Commercial Banks. The reduction in the loan book was also aligned to the strategic re-organisation of the business of the Bank. The income earnings ability of the Bank was impacted.

The credit evaluation function focused on reviewing the insourced loan book to ensure that all loans were aligned to the Land Bank Credit Risk Management policy. This was particularly to address issues raised on Security held, repayment ability, risk grading, interest income, and non-interest income. The review also included the cessions held by the Land Bank to ensure conformity with the Bank's credit assessment processes. The AG had raised a concern that there was misalignment between the credit processes at the SLAs and the Land Bank Credit Risk Policy. In particular, the Bank's credit risk had been heightened due to:

Credit Risk Issues and Mitigation Strategies

No.	Strategic risks for FY2021	Mitigation Plan
1	Credit default risk: High rate of impairments and non-performing loans due to: • External agricultural environment. • Pandemic. • Internal business inefficiencies. • Liquidity challenges. • SLA alignment of default definition to the Land Bank.	• Introducing enhanced, frequent monitoring of watch-list accounts and Top 20 NPLs in each segment and each SLA. • Impose penalty fees on defaulting or accounts breaching covenants. • Implementation of the NPL and credit strategy approved by Board. • Conducting farm visits to determine viability of the enterprise or referring accounts to legal collections. • Insourcing exposures managed through service level agreements for better risk management. • Establish Strategic partnerships with key off-takers (such as Tiger Brands, McDonalds, Pick n Pay, Woolworths, Pioneer Foods, etc.) and other value chain players to create an eco-system support for development farmers.
2	Model risk: • Arises from the usage of statistical models and this risk is mitigated by having strong and practical model governance framework in place (i.e. centralised database, data governance framework), lack of model calibration, and not monitoring the models frequently may results instability of the models and consequently affecting the output of the models by giving incorrect estimates.	• Monitored implementation of Model Development project plan in closing outstanding validation findings and AG findings. • Conducted validation of recalibrated models credit models affecting estimated credit loss. • Enhancing model governance and control environment. • Monitor the development of the data governance framework, supporting policies and processes.

1.3. Liquidity Risk:

Liquidity risk refers to the potential for the Bank to fail to honour its liabilities as and when they fall due, resulting in financial losses. These due liabilities may come from the funding book as funding liabilities mature and become payable, and from commitments made in the lending activities of the Bank where approved customers expect disbursements as when they may demand. The lending business inherently leads to a funding mismatch wherein the borrowed funds (with a short repayment tenure) are used to fund the creation of the loan book (on long tenure). The ability to access funding to defray the liabilities that have become due and make cash available to approved customers is dependent on whether the Bank can raise additional finance from the capital markets and/or whether it can collect enough cash from the loan book to finance its cash needs.

The Bank is currently in default on its liabilities. Management are currently tasked with developing a liability solution that will cure the default position and return the Bank to business as usual. A liability solution has been proposed to and is being negotiated with the lenders, funders, and the shareholder. The liquidity risk metrics previously monitored have been replaced by the ongoing negotiations with lenders, funders, and the shareholder. The Bank has been making interest payments as and when they fall due and some capital reductions, from collections and customer settlements.

During the previous financial year (FY2020), the Bank failed to raise capital from the capital markets and did not have enough cash from collections to honour the funding liabilities that had become due. This, together with the deteriorating credit risk ratings led to the lenders invoking the cross-default clause in the funding book. The implication of the cross-default invocation was that the entire funding book became due on demand by lenders. The Bank was no-longer dealing with Liquidity Risk (the potential it might default); it was now dealing with actual liquidity crisis. The focus of Management and the Board was to stabilise the liquidity risk situation through engagements with the lenders and the National Treasury. Furthermore, Management had to optimise the management of the cash inflows from collections and use the available cash sparingly. The cash pool was now being financed purely through loan book collections. The first priority for cash use was to cure the default position. Lenders had a big influence on how the Bank uses its available cash resources. A Liability Solution was developed by Management and proposed to the lenders and National Treasury, taking into accounts interests of all the stakeholders. An embargo had been put on loan book disbursements with partial disbursements from some clients who met certain criteria.

At the time of this report, the liability solution had still not been agreed to by the lenders. The Bank held a somewhat healthy cash reserve and was able to fund production loans in an endeavour to protect the fair value of the loan book (avoid increasing the non-performing loan book). However, the liquidity situation of the Bank remained under severe stress. The Board has taken the decision to re-organise the business of the Bank to mainly focus on Development and Transformation, as per the directive from the shareholder, National Treasury. This will change the liquidity risk landscape of the Bank. The Bank still needs to address the default position through a combination of the loan book collections (loan book being wound down) and capital injections from the National Treasury. Additionally, the Bank needs to find sources of funding for the growth of the Development and Transformation book. Given the tight margins of the Development and Transformation book and the present credit risk profile of the Bank, the capital markets may not be ideal as a source of funding. Management are still developing funding strategies that will be financially sustainable. The liquidity risk metrics which had been contracted with the lenders have been overtaken by the continuous engagements with the lenders and National Treasury.

1.4. Market Risk:

Market risk is the potential that whilst in pursuit of its mandate, the Bank may suffer financial losses as a result of market factors moving against its (Bank's) interests. There are four aspects of market risk: Currency Risk, Equity Risk, Commodity Risk, and Interest Rate Risk. The Bank is not directly exposed to any significant currency risk as it does its business mainly in the domestic market. The Bank is also not directly exposed to any Commodity risk as it doesn't trade in commodities. The Bank is exposed to some Equity risk on its Investment Book. The Bank previously took, nothing more than 19.9%, of equity in various investment vehicles identified as suitable for the advancement of the Development and Transformation objective. These entities are typically not listed. The Bank is directly exposed to interest rate risk both in the Liability Book and the Asset Book. The Bank's liability book was based on Jibar, whilst the asset book is based on the Prime rate as restated by the South African Reserve Bank (SARB). Having the two books based on different rates leads to basis risk. To hedge this risk, the Bank had a hedging book (swaps) to protect about 15% of the loan book (as determined by Board).

As at 31 March 2021, the Bank had stopped taking on new equity risk exposures in response to the liquidity risk challenge. In the same period, the SARB had reduced the prime rate by 100 basis points on 15/04/2020 (from 8.75). On 22/05/2020, there was another 50 basis point rate cut to 7.25%. The last cut was 25 basis points on 24/07/2021. The rate has remained stagnant at 7% since then. This indicates that the Land Bank loan book suffered a shrinkage of about 175 basis points since the start of the year.

1.5. Compliance Risk:

Compliance risk refers to an organization's potential exposure to legal penalties, financial forfeiture, and material loss, resulting from failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The Land Bank regulatory universe includes Regulations from the shareholder, National Treasury (Land Bank Act, PFMA, etc.), Capital Markets (JSE Debt Listing Requirements), national regulations (National Credit Act, Environmental related legislation, Labour, Corporate Governance, etc.), and international treaties (UNEP Finance Initiative).

The Board retains full responsibility for compliance risk management. Every two years the board reviews and approves the Compliance Risk Policy. The Regulatory Universe is tabled and approved at RGC annually to confirm that all key regulatory considerations have been taken into account. The Board have set a zero tolerance for compliance risk. Management is tasked with the responsibility to build adequate controls to effectively implement the policy to keep the risk within the set appetite (zero). On a continuous basis, assessments are conducted to timely identify any instances of non-compliance and interventions to manage the risk. Reports are prepared and tabled at the relevant governance committees.

During the financial year ended 31 March 2021, the Bank was in the main, able to comply with all key regulations. However, there were challenges with complying with statutory returns where financial statements were required. The release of financial statements was delayed due to the ongoing audit. The financial statements have now been concluded and released and currently undergoing signatory process. The impacted stakeholders; National Treasury, National Credit Regulator, Financial Services Conduct Authority, and Johannesburg Stock Exchange were approached to request an extension and submit at a later stage.

1.6. Operational Risk:

Operational risk refers to the potential of the Bank suffering losses as a result of inadequate or failed internal processes, people and systems, or from external events. As such, operational risk captures business continuity plans, environmental risk, crisis management, process systems and operations risk, people related risks and health and safety, and information technology risks.

1.6.1. Ethics Risk:

The Land Bank recognises that a good risk management framework is not without weakness. The risk management controls are dependent on the individuals who operate them. It is important, that the Bank cultivates a culture of ethical performance at all times. To this end, the Board biennially reviews and approves a suite of guidelines on acceptable and unacceptable behaviour by all employees, contractors, directors, and any services providers. These include the Code of Conduct, Conflict of Interest by employees and Directors, Gift Policy, Outside Business Interest, Harassment Policy, Fraud, and Whistleblowing Policy, etc.

These form part of the employment contract and at orientation wherein ethics are expanded on. Further, employees are reminded of the policies on an ongoing basis. The Bank operates a full confidential Whistleblowing line managed by a third party. There is a consequence management process.

During the year, no incidents of unethical behaviour were reported.

The reporting mechanisms are as follows:

ETHICS & FRAUD HELPLINE REPORTING	
HELPLINE DETAILS	
Hotline Name	Land Bank Ethics Helpline
Toll-Free Contact Number	0800 004 003
Toll-Free Fax Number	0860 004 003
Secure Email Address	landbank@behonest.co.za
SMS Number	49017
Free Post	BNT165, Advance Call Pty (Ltd), Brooklyn Square, 0075
Website Link	www.behonest.co.za
Chat	www.behonest.co.za
WhatsApp	0860 004 004

1.6.2. Legal Risk:

During the period under review, the Pretoria High Court granted an order against Land Bank to pay Standard Charted Bank (SCB) R400 million plus interest, unless the Bank adhered to the following milestones:

a. SCB R20 million partial capital reduction before 28.02.2021;
b. Conclude the Commitment Agreement with all lenders on or before 31.03.2021;
c. Obtain formal approval of Government Guarantee; and
d. Comply with the terms of Commitment Agreement once concluded or liability solution once implemented.

At the time of this report, the Bank was in default with the lender in regard to the repayment of the loans.

Agreed mitigation actions included the ongoing negotiation and feedback between the Bank and its local and international lenders, as to the progress in relation to the repayment of the outstanding loans.

1.6.5. Information Technology Risk:

During the period under review the Bank has enhanced its digital platforms to deal with the increasing digital economy through eservice customer portal, automating the bank loan origination. Land Bank has further evaluated its IT Governance strategy, framework, and process manuals which (amongst others) reviewed enterprise operational data to enables loan staging and implemented Excalibur system for managing customer account collection and recoveries.

1.6.6. Business Continuity Risk:

The Bank undertook an annual review of Business Continuity Plans (BCPs) to ensure that the organisation is resilient and better prepared to manage business disruptions during a disaster. Land Bank's group has invoked business continuity plans during the COVID-19 pandemic and continuously identify the continuity threats and develop response plans for business critical areas. This review includes review of the dependencies on key third-party service providers and their response plans to mitigate interruptions of critical services they provide to Land Bank.

1.6.7. Environmental Risk:

Land Bank continued to utilise the Geographical Information Systems (GIS) to assess the compatibility and quality of the soil, review the climate smart commodity guidelines and accounting for the climate risks exposure, and capacitate the climate smart area with specialist to better manage the climate risk and its impact on the Bank.

1.6.8. Human Resource Risk:

Management engaged in a strategy to fill and retain skills in critical roles and as at year-end 76.30% critical roles were filled and 91.03% critical roles have been retained. for the year-to-date.

The implementation of retention policy and scare skills roles developed in line with the repurposing strategy for achieving vision 2025 has been carried out with strict adherence to financial constraints the is facing and continues to be reviewed to achieve fit-for-purpose structure.

1.6.9. Fraud Risk:

The Bank has deployed both pro-active and corrective measures to minimise the risk of fraudulent activities by employees, third-party service providers, and other stakeholders during the year. Land Bank has implemented comprehensive programme to mitigate the potential fraud risks which included amongst others: declaration of interest processes, delegation of powers, fraud risk reporting and investigations, and management and governance oversight structures.

SOCIAL AND RELATIONSHIP CAPITAL

Overview

The Board and Management of Land Bank is working diligently and tirelessly to turn around the Bank with the support of the shareholder, employees, investors, lenders, and with the valued collaboration and cooperation of all its key stakeholders.

The objects, as per the Land Bank Act, No. 15 of 2002, are the promotion, facilitation, and support of:

- Equitable ownership of agricultural land, in particular increasing ownership of agricultural land by HDI's Agrarian reform, land redistribution, or development programmes aimed at HDI persons.
- Land access for agricultural purposes.
- Agricultural entrepreneurship.
- Removal of the legacy of racial and gender discrimination in agriculture.
- Enhancing productivity, profitability, investment and innovation.
- Growth of the agricultural sector and better use of land
- Environmental sustainability of land and related natural resources.
- Rural development and job creation.
- Commercial agriculture.
- Food security.

Stakeholder Engagements During this Reporting Period

The Bank adopts a constructive and structured approach to engagements, which it executes via an engagement plan as agreed between the parties. Plans include themes that are material to stakeholders. Engagements are underpinned by the Bank's strategic objectives. The communication team is clear in its understanding of desired achievements and all engagements are guided by the principles of inclusivity, transparency, and timeliness. Land Bank Executive Management has continued to engage actively with National Treasury (NT) in order to forge an improved relationship and solicit necessary support for the Bank's business by the shareholder. Recent engagements with NT have been focused on two key issues as detailed hereafter.

- Bank's Repurposed Strategy/Vision 2025.

  The Shareholder continues to provide support to Land Bank's attempts of getting out of the current default position, and have been active participants in engagements with funders as the negotiations for the liability solution continue.

  During the period under review, the Minister of Finance confirmed a R7 billion injection to Land Bank over the next three financial years.

- The Bank and its advisors (supported by NT) are still in discussions with both international DFIs and South African lenders to negotiate the conclusion of the Liability Solution to take the Bank out of default.

Investor and stakeholder Relations

Land Bank Executive Management, with the support of its Corporate Finance (RMB) and Legal (ENS Africa) advisors, continues to engage with funders (both local and international) on resolving the default position and updates on progress with the Liability Solution.

Government Departments and other SOEs

- Department of Agriculture, Land Reform and Rural Development (DALRRD)

  Land Bank continues to manage various funds of the DALRRD. There have been challenges in terms of the execution of the DALRRD-Jobs Fund project due to delays in the approval of transactions. The Bank and DALRRD have since developed a remedial implementation plan to accelerate effective implementation of the project. Other Funds include Blended Finance, AgriBEE, MAFISA, Poverty Fund, Rural Development: Emerging Farmer Support, and COVID-19 Relief Fund.

  Land Bank is currently invited and takes part in DALRRD's provincial consultative workshops that aim to review the Land Claims Commission's Resettlement Model.

- Other Departments and SOEs:

  Land Bank teams continue to engage state institutions towards collaborative programmes and business support – e.g. DWS, the Office of the Valuer-General, ARC, DEA, Chief Land Claims Commissioner, and NAMC in order to forge collaboration in the areas of:

  - Water use licence;
  - EIAs; and
  - Capacity building and business development support to beneficiaries of land reform.

Land Reform

The Land Bank's development mandate flows directly from the Land Bank Act of 2002 and aligns closely with the National Development Plan as well as other legislative and policy frameworks. This mandate demands Land Bank's commitment to transformation including equitable access to agriculture and that makes "land" a very critical component. When the country reprioritised land reform, a position paper was prepared outlining the opportunities related to land reform as well as exploring scenarios of implications of expropriation without compensation. It was also captured in the strategic risk register in order to track and monitor the developments in that space.

Parallel to this exercise there are continuing engagements with various stakeholders, policy makers, investors, and sector partners to manage expectations and articulate the Land Bank's position. The Land Bank has made presentations to the Presidential Advisory Panel and also continues to participate in the Technical Task Team of the Inter-Ministerial Committee on Land Reform where key legislation and policies are reviewed.

International Cooperation

The Land Bank project team is currently undertaking document review on the formulated project recommendations of the German-SA bilateral programme labelled Technical Dialogue on Agricultural Finance Associated with Land Management (TDFALM) in line with current government policy and related Land Bank policy documents.

The key areas under review include, among others:

- the mandate of Land Bank with respect to Land Reform, commitments to transformation goals;
- the Framework of Government Policies relating to land management;
- Reports on other countries' experiences; and
- the role of the TDAFLM project in supporting the Land Bank.

Regional Cooperation

Land Bank continues to engage the DFI Network for peer review, information-sharing, and resource mobilisation with other regional DFIs.

Land Bank continues to receive invitations to participate in the network's regional capacity building programmes that are aimed at supporting the work of network members. These training programmes cover topics relevant to the mandate of the DFIs. The Southern African Development Community (SADC) DFI Network CEOs Forum was held in June 2021 and was themed Resource Mobilisation for DFIs in SADC Region. The Forum explored the DFI Sustainability Under COVID-19 and continue to share investment and collaborative opportunities for DFIs in the region. The CEO Forum was followed by the DFI Sub-Committee meeting that tabled financials, working group reports, and operational activities of the SADR DFRC.

Agricultural Sector

Land Bank continues to provide secretarial support to Agri-Sector Unity Forum (ASUF) which is a forum that aims to engage government on both policy and its implementation in areas of land reform, food security, sector growth, market, and farmer's support.

Its membership is comprised of African Farmers Association of South Africa (AFASA), Agri SA, TAU SA, National African Farmers Union of South Africa (NAFU SA), South African Agricultural Processors Association (SAAPA), Fruit SA, and National Vegetable Forum.

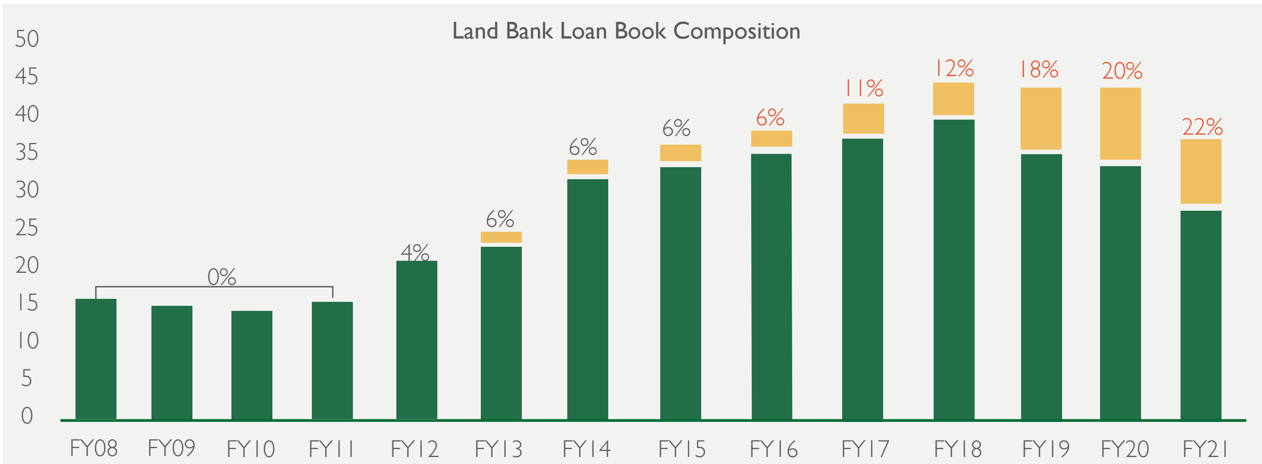
Heads of ASUF are still to agree on a date for their next meeting that will finalise ASUF's working model and delivery plan going forward. As per request from TLU, a Land Bank-TLU meeting was held on 06 April and discussed support to farmers. TLU's request also includes a face-to-face meeting with farmers.

Development Effectiveness

Loan book composition

As at the end of March 2021, the value of the Bank's Development and Transformational loans as a percentage of the loan book is approximately 22%.

Land Bank Loan Book Composition

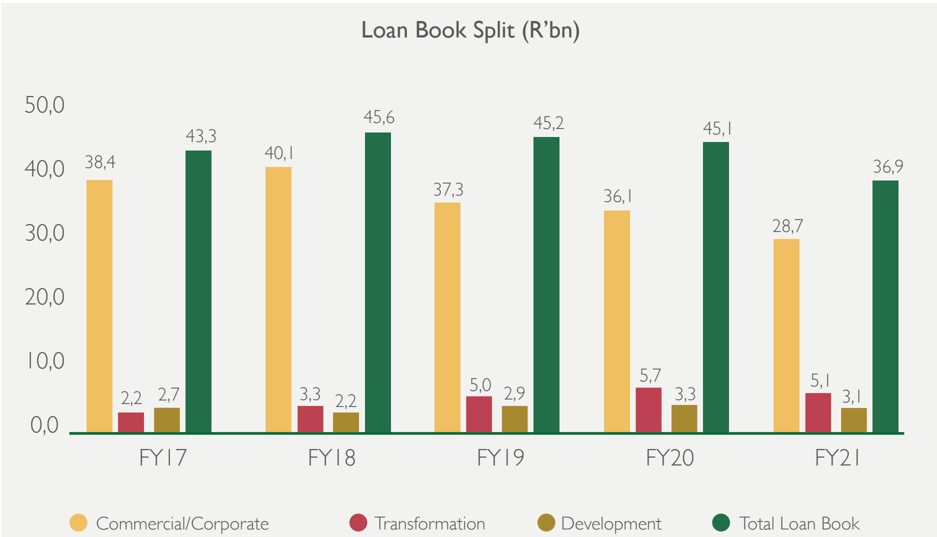


	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Dev & Trans	0	0	0	0	1	1,7	2	2,3	2,5	4,9	5,5	7,9	9	8,2
Corp & Com	15,9	14,2	13,7	15,3	21,3	26,2	32,1	35,5	36,5	38,4	40,1	37,3	36,1	28,7

- In the last six years significant effort has been made to grow the Development and Transformational Loan Book:
  - This book has grown by R5.7 billion, from 6% in FY2016 to 22% in FY2021.
  - The book is however, on a shrinking trajectory since new business has been halted.
- Supporting Development and Transformation has proven to be a challenging task as a result of:
  - The cost of the Bank's funding is based on commercial interest rates from the capital markets; and
  - The cost of pre-and post-lending support as one of the necessary interventions to remedy high NPLs.

Development & Transformation

When segmenting the Directly managed Development and Transformation loan book further, the following can be noted:



- The Development book grew moderately from FY2017 – FY2021 (The slight decline over last two years is due to the Wholesale Finance Facility run-down. With Grant funding discontinued, losses had to be contained).
- The Transformation book grew by 133% over the last four years.
- The Development and Transformation Direct loan book comprise of approx. 985 black owned enterprises/farmers, representing 23% of clients (compared to 3 374 Corporate and Commercial clients).

Women and Youth

Disbursements to Female and Youth (majority black owned) enterprises through the Provincial Network over the last three years are summarised below:

Fin Year	No. of New Women owned enterprises Financed	Disbursed (women)	No. of New Youth owned enterprises Financed	Disbursed (Youth)	Total Direct development disbursements	Proportion of black women and youth disbursements
FY2019	16	R32 m	6	R19 m	R319 m	16%
FY2020	20	R35 m	9	R10 m	R485 m	9%
FY2021	4	R10 m	1	R8 m	R77 m	23%

- The considerable reduction in FY2021 was due to moratorium on disbursements to new clients (in light of the liquidity challenges).
- The Blended Finance Programme has been on hold, negatively affecting introduction of new entrants into the sector.
- Women and Youth Inclusion Programme has been established and expected to increase participation of these groups.
- Partnerships with other agencies mandated to support these groups are developed to accelerate involvement of women and youth in the sector.

Reputation Management

Cognisant of the damage experienced by the Bank with key stakeholders resulting from the debt default, inability to support the sector with financing, a Disclaimer of Opinion audit outcome, and a significant loss made by the Bank in FY2019/20, the Bank has developed a Reputation Management Strategic Plan which is guiding the Bank's engagement with key stakeholder in a structured approach.

NATURAL CAPITAL

Our financial sustainability relies on nature. Finance is still often seen as separate from environmental sustainability. As an agriculture bank, everything Land Bank does ultimately relies on the environment.

Natural capital risks are not hypothetical for Land Bank. We have recently found many of our clients defaulting on their loans due to drought. Historically, we have been very responsive to droughts, but we have treated them as single events and have not looked at them in the context of climate change. The Bank has refocused its approach to see the bigger picture and it now has a long-term response to climate change. To ensure the long-term success of South Africa's agriculture sector, Land Bank considers it vital to simultaneously support equitable ownership of land and tackle natural capital risks.

Land Bank's Approach

The International Panel on Climate Change (IPCC) Fifth Assessment Report identified Southern Africa as a climate change hot-spot due to the region being likely to become generally drier, whilst at the same time warming at about twice the global rate of temperature increase. The impact of climate change on agriculture is already being felt in different parts of the country that are experiencing droughts, floods, etc. The impact has already manifested on the Land Bank's performance with increased non-performing loans as a result of the exertion on the Bank's client base.

Land Bank is actively managing and mitigating these risks through implementation of its Environmental and Social Sustainability (ESS) Strategy. Land Bank is collaborating with partners on financing climate smart agriculture and research related to climate change impacts in targeted agricultural sectors as well as developing forecasting models that will help the Bank to better understand agricultural commodities that are vulnerable to climate change. Additionally, the Bank has set up a team of experts that has commenced with the process of the product development protocol and framework for new green product(s).

Environmental and Social Risk Assessment (ESRA) Reviews on Loan Applications

The Land Banks Environmental and Social Policy and associated Environmental and Social Management System (ESMS) is premised on robust risk management principles. The ESRA is developed from the Environmental, Labour, and other Laws of South Africa and frameworks like the NDP, SDGs, Paris Agreement on Climate, IFC Performance Standards and has been reviewed by the World Bank and other funders. The ESRA as a tool is regularly revised as part of the evolution of Land Banks, Environmental and Social Policy.

Collaborations

The Climate Services case study with CSIR and Wits University has commenced with engagements between the three parties to Case Study 1. Preliminary discussions explored the needs of Land Bank for input into the credit models, as well as the data needs for Wits for their modelling. Further engagements with Land Bank Risk and Credit are required to determine the mechanics of the credit model and inclusion of climate elements in those models. It is expected that these engagements will be held in April 2021.

Partnership with National Agricultural Marketing Council (NAMC) - Carbon Calculator Tool:

The Land Bank partnership with NAMC on the development of an App that will allow farmers to submit data used to calculate their carbon emissions is now on hold at the request of NAMC.

Development of Green/Climate Smart Products

During 2020, a GAP analysis was undertaken with regards to Climate Smart Solutions as well as a Draft Eligibility Framework that was workshopped with Agricultural Technical Forum (ATF) and with frontline Bus to get input. One of the findings of the GAP analysis was to insource experts to assist with development of climate smart products and solutions framework for the Bank. Land Bank approached Federal Ministry of Food and Agriculture as the Bank has an existing relationship with the Federal Ministry of Food and Agriculture (BMEL) that is financing a Technical Dialogue on Agricultural Finance associated with Land Management (TDFALM) within the framework of a bilateral cooperation with South Africa. BMEL are willing to fund the development of Climate Smart Solutions. Land Bank together with BMEL has developed a Terms of Reference (ToR) that will be shared with local and international service providers that will be screened and selected to assist with different aspects of the scope of work outlined in the ToR in developing Climate Smart Solutions.

Integrating Natural Capital Across the Bank

Understanding the overarching natural capital risks for the Bank is a first step. Assessing and managing those risks then requires the whole Bank to get onboard. Credit governance structures need to ensure that they give greater weight to environmental risk.
To strengthen the understanding of natural capital across the Bank, Land Bank employees participated in training sessions from the Natural Capital Finance Alliance and UNEP-WCMC in November last year. Each employee and function within the Bank must understand how new risk assessment procedures for natural capital are essential to the financial success of the Bank.

Challenges Experienced

Progress on moving towards an ESG report has been delayed due to the departure of the Research Analyst: Environmental and Social at the end of February 2020 and the disruption caused by COVID-19 restrictions. In the meantime, engagement between Research and Intelligence Division, Credit, and Risk continue in order to further develop the ESG reporting framework and data collection procedures.

Moving Forward

Land Bank will continue to ramp up its work on natural capital in the coming years. We will strengthen our climate-focused interventions first. We will do more on energy and on water. On the climate mitigation side, the Land Bank is focusing on engaging with farmers on their energy consumption. To assess and manage water risks, the Bank is working with farmers to better understand how they manage their water.

Tackling Biodiversity Risk

Land Bank expects that biodiversity risks will be more difficult to tackle than climate and water risks as data and metrics are more complicated for nature. But momentum for action continues to build as biodiversity loss and the associated risks continue to increase, and the Bank recognises that the trio of risks are all interlinked. New tools are emerging to support banks in assessing and managing their biodiversity risk

Application of the encore tool to LB portfolio – case study.

Land Bank served as the agri-sector case study for the NCFA ENCORE Tool. The high level rapid assessment of natural capital risks was finalised in December 2020.

The NCFA is a finance sector led initiative, providing expertise, information and tools on material aspects of natural capital for financial institutions. It works to support these institutions in integrating natural capital considerations into their risk management processes and products as well as helping them to discover new opportunities. The NCFA Secretariat is run jointly by the UNEP Finance Initiative and Global Canopy.

Natural capital is a way of thinking about nature as a stock that provides a flow of benefits to people and the economy. It consists of natural capital assets, such as: water, forests, and clean air that provide humans with the means for healthy lives and enable economic activity. Financial institutions are exposed to natural capital risks that affect the businesses that they lend to or invest in. If a bank is lending to a farm that is unable to sustain production or facing increased costs due to water shortages, or whose crop is failing regularly due to changing climate conditions, then the farmer may not be able to service loan payments temporarily or may go out of business in the long term.

Financial institutions wishing to understand and assess their exposure to natural capital risks have faced a lack of comprehensive and systematic information on how businesses depend on the environment and the consequences when that relationship is disrupted by environmental change.

The Natural Capital Finance Alliance has partnered with UN Environment World Conservation Monitoring Centre to create ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), the world's first comprehensive tool linking environmental change with its consequences for the economy. It is a tool to help users better understand and visualise the impact of environmental change on the economy. By focusing on the goods and services that nature provides to enable economic production, it guides users in understanding how businesses across all sectors of the economy depend on nature, and how these dependencies might represent a business risk if environmental degradation disrupts them.

ENCORE, a web-based tool that allows financial institutions to understand:

- How do the businesses in my portfolio depend on nature for their production processes and how material are these dependencies to the business?
- How does environmental change affect the ability of nature to continue providing the ecosystem services on which the businesses depend?
- What drivers of environmental change (such as climate change or pollution) have the greatest impact on businesses in my portfolio?

The tool allows users to identify material natural capital risks to any business sector and assess these risks for any location, based on current environmental data.

During 2019/2020 a request was made by the NCFA for Land Bank to serve as a South African agri-sector case study for a high level (portfolio level) natural capital risk assessment. The key benefit to Land Bank is in the form of understanding natural capital risks it is exposed to given the current environmental information at hand. In the absence of these risks being included in our ESS Policy and assessed in our Environmental and Social Risk assessment is was agreed at a meeting between AEA, S&C, and NCFA on 29 June 2020 that Land Bank will participate as the Case Study given the benefits of the information that will help evolve Land Bank's approach to managing environmental and climate change risks and through its integration in credit decision-making.

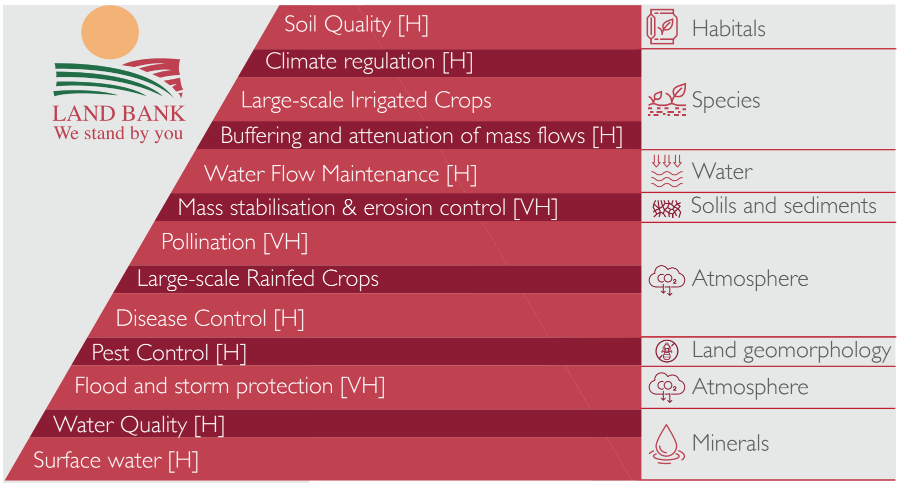
Key findings of the RNCRA

The assessment was concluded in December 2020 a Rapid Natural Capital Risk Appraisal (RNCRA) was conducted on a selected commodity and production process in a high risk geographical region by applying the ENCORE tool. The ENCORE tool has been applied to a case study to improve and support the Bank's insight into natural capital risk, and to expose additional systemic risks in the Bank's portfolio which may not have been detected in individual transaction assessments. Large-scale irrigated and rain-fed maize production in the North West Province of South Africa was selected for the case study. The RNCRA framework was applied in framing, scoping and assessing the analysis.

The objectives of the rapid appraisal were to identify natural capital risk exposure in the Bank's maize growing portfolio in the North West Province by:

- Identifying ecosystem services which are most material to maize production;
- Identifying the key natural capital assets upon which these ecosystem services depend;
- What are the drivers of environmental change which would disrupt these ecosystem services and expose the Bank to risk; and
- Broadly identify strategies and actions which the Bank could adopt or take in managing natural capital risk in the future.

The risk assessment improves the Bank's insight into natural capital risks by identifying which ecosystem services and natural capital assets its lending activities depend on. The assessment also allows the Bank to identify previously hidden systemic risks in its portfolio not captured by traditional financial models, which they are now able to address.



Material ecosystem services and natural capital assets for maize production (ENCORE, 2020).

The ecosystem services identified as having high to very high materiality for both production processes are indicated in figure above. The figure similarly illustrates the materiality relationship between the production processes, supporting ecosystem service, and the underpinning natural capital asset. The material ecosystem services identified from applying ENCORE to the analysis, and which were selected for further analysis included:

- Soil quality
- Climate regulation
- Water Flow Maintenance – discussed under water baseline stress
- Mass stabilisation and erosion control – discussed as 'land cover'
- Flood and storm protection – discussed as 'land cover'

Within the context of the North West Province, the drivers of environmental change which were most material to the Bank were further considered:

- Droughts
- Habitat modification
- Pollution
- Weather conditions – storms and flooding

Having a deeper insight into natural capital risk will enable Land Bank to advise clients regarding reducing future climate change and natural capital risk events and shock exposure. It can help provide a robust resilience framework which considers alternative crop and adaptation strategies in high risk geographies. Building future resilience against climate change and natural capital risk in credit and lending portfolios is going to be a critical business imperative for Land Bank, particularly within the South African context and the burgeoning exposure of the agricultural sector to climate change and natural capital risks. These translate into the following risks for the Bank:

- More frequent and longer lasting droughts in certain parts of the country;
- High variability in rainfall patterns which affect soil moisture and therefore growing periods;
- More instances of heat-wave days and fire-danger days; and
- Unpredictable outbreaks of diseases in location and commodity.

These risks affect crop yields and livestock productivity, including increased mortality rates. As alluded to above, they have a negative effect on the potential income of farmers and thus increase the risk of loan defaults and non-performing loans for the Bank. In responding to these risks the Bank can:

- Broaden and deepen this current assessment. This assessment can provide the baseline and framework for further in-depth and detailed assessment of the natural capital risk exposure of the maize sector in the North West Province including:
  - Understanding the relationship between specific ecosystem services supporting large-scale rain fed and irrigated maize production.
  - Further detailed assessment around the drivers of environmental change which impacts on the ability of these ecosystem services to effectively support maize production processes – what these triggers are, and how they can be effectively managed, or considered within the credit risk decision-making process.
- Developing a policy around natural capital at an organisational strategy level.
- Exploring opportunities for embedding natural capital in the organisation – Bank risk management processes.
- Mapping and formulating a shared understanding of natural capital risk exposure across all business units – credit, extension, and insurance.
- Ensuring that Bank investment and credit strategies are more adaptable to respond to climate change and natural capital shocks (adaptation).
- Developing a suite of scenarios where the Bank considers resilience strategies in advising clients with respect to adaptation alternatives, which can include shifting growing regions and patterns, and alternative commodity types considering specific geographical constraint scenarios.

Challenges Experienced

Progress on moving towards an ESG report has been delayed due to the departure of the Research Analyst: Environmental and Social at the end of February 2020 and the disruption caused by COVID-19 restrictions. In the meantime, engagement between Research and Intelligence Division, Credit, and Risk continue in order to further develop the ESG reporting framework and data collection procedures.

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Tackling Biodiversity Risk

Land Bank expects that biodiversity risks will be more difficult to tackle than climate and water risks, as data and metrics are more complicated for nature. But momentum for action continues to build as biodiversity loss and the associated risks continue to increase, and the Bank recognises that the trio of risks are all interlinked. New tools are emerging to support banks in assessing and managing their biodiversity risk.

HUMAN CAPITAL

Overview

Land Bank is committed to achieve transformation and contribute towards the general economic growth in the country through job opportunities and skills development. The Land Bank Employment Equity plan is set to enable transformation with robust efforts to appoint Black (ACI) candidates and females, Management endeavours to address barriers identified when the Employment Equity plan targets were set. However, suitability of candidate remains the primary consideration for appointments to ensure the Bank has the right and critical skills at any point in time.

While attraction is one component, the Bank is operating in a very competitive environment when it comes to critical skills in the agriculture sector and therefore voluntary (resignations) attrition remains a concern for Land Bank in the employee life cycle.

The Land Bank has placed the filling of vacancies on hold with only critical positions being actively recruited for.

Talent Management

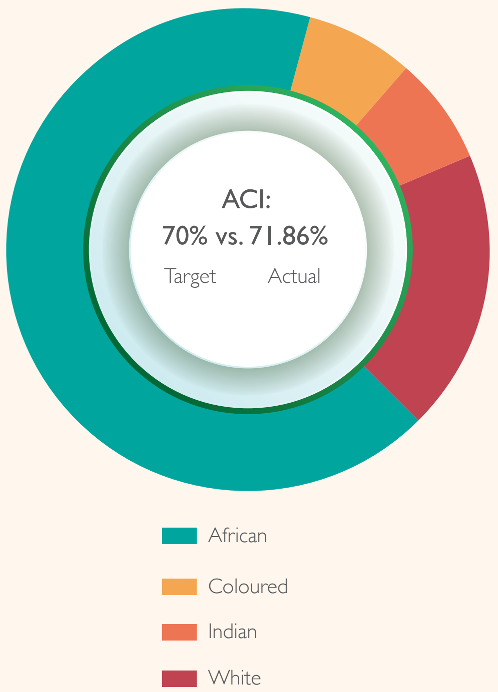
A progress report of the Human Capital key performance indicators that were included in the Bank's FY2020/21 Group Corporate Plan is provided in the table below:

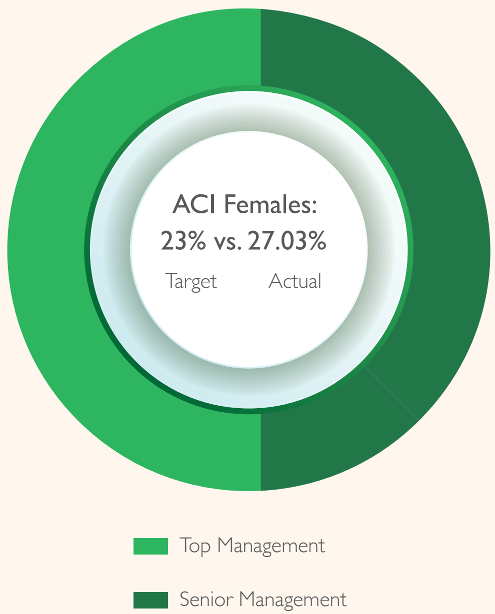
KPA	KPI	MEASURE	AS AT THE FOURTH QUARTER
Talent Management and Skills Development	Develop and implement a Fit for purpose structure in support of the repurposed strategy.	Board-approved Organisation Structure that Supports Vision25 Strategic Priorities (including the Empowerment Framework to enable efficient delivery at regional/execution level).	A proposed Executive level and Regional structure was presented to the Board on 29 January 2021 for approval. Whilst the Board supported the Regionalisation structure and the empowerment of the provincial offices; the Board requested that the Operating Model be reviewed.
	Skills Audit analysis	Skills Audit analysis document completed and presented at EXCO by 31 March 2021.	A comprehensive skills audit report was presented and deliberated upon at EXCO on 29 March 2021. EXCO noted and supported the report.

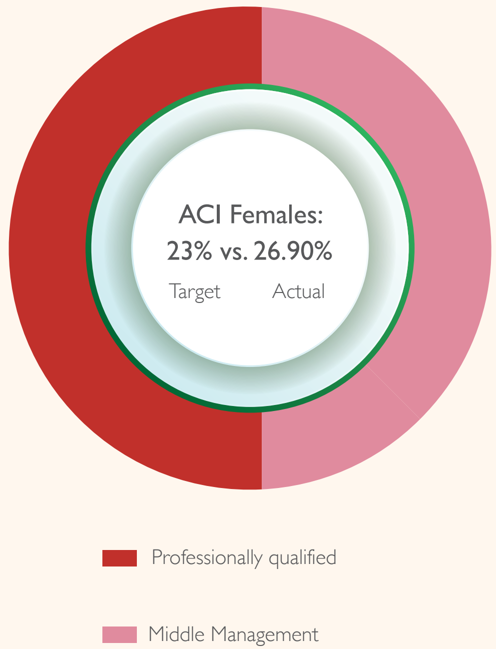
A key component of the Human Capital Strategy post the organisation review deals with the Bank's approach towards Talent Management as a mechanism for retaining and developing key members and potential successors for key positions. The Land Bank Group Talent Management framework was approved during 2017. In quarter three of FY2020, the Executive Management team identified candidates for succession in the key positions. During FY2021, the Executive Management team finalized the discussions on the potential successors and the development interventions for the identified successors have been concluded.

Inclusivity and Diversity of Workforce

The targets for FY2020/2021 for employment equity in management positions were set as follows:

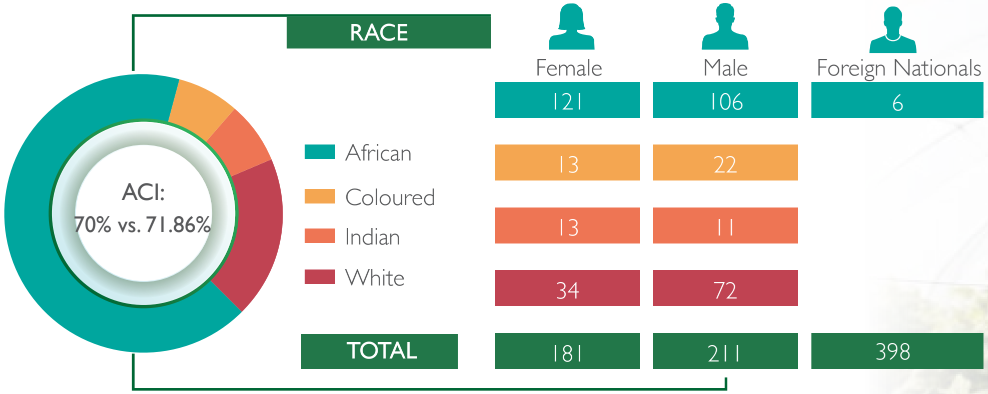






Due to the liquidity challenges, recruitment for vacant position is very tightly managed and prioritised. Despite this, progress made against the targets is as follows: representation of ACI on the total workforce is at 71.86% against a target of 70%; representation of Black (ACI) females in Executive and Senior Management is at 24.32% against a target of 23%; representation of Black (ACI) females at Professionally qualified and Middle-Management is at 26.90% against a target of 23%.

Land Bank Group Permanent Staff Composition and Progress against Targets



Transformation - Employment Equity:

The Land Bank's overall permanent employee profile has shown significant progress made towards transformation and representation since 2015 (57.88%). Black Females makes up 36.68% of the total permanent staff whilst Black Males makes up 34.92% of the total permanent staff.

Overview of race and gender per occupational level

	Females							Males						
Occupational level	African	Coloured	Indian	White	Total Female	ACI % *excl FN	Foreign Nationals	African	Coloured	Indian	White	Total Male	ACI % *excl FN	Foreign Nationals
Top Management	3							6	1					
Senior Management	6		1	3	10	70%		12	1	1	3	17	76.47%	1
Prof. qualified & experienced specialists and mid-management	45	3	5	16	69	76.81%		52	17	6	53	128	56.25%	3
Skilled & qual. workers, jnr mgt., supv, foremen, supt.	37	6	6	10	59	81.36%	1	28	3	4	15	50	68%	1
Semi-skilled and discretionary decision making	29	4	1	5	39	87.18%		9			1	10	90%	
Unskilled and defined decision making	2				2	100%		4				4	100%	
	122	13	13	34	179	82.10%	1	111	22	11	72	209	66.51%	5

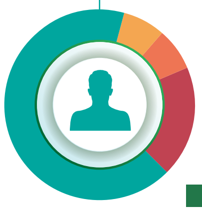
Skills Development and Training

The building of internal capability remains a key focus area for Land Bank. It must be noted that due to the current COVID-19 and the National lockdown, limited development interventions were completed during the reporting period. During the pandemic period, training was mainly on virtual platforms and on webinars. Employees continue to be skilled or attend training to become more efficient in their roles. In line with the SDG – 4: Quality Education, the Bank provides for equal learning and development initiatives. During the financial year ACI Females training spend were a bit higher than ACI Male training spend.

- Average Training cost per employee: R15 055.17
- Average Training cost per ACI Female: R18 256.09
- Average Training cost per ACI Male: R14 177.66
- Average training days per employee: 1

Land Bank Training Initiatives spent by gender, race and occupational levels

Male Training Spend



	Amount	%ACI
African	418 241.61	
Coloured	388 307.75	37.95%
Indian	45 630.00	
White	31 526.79	1.40%
Foreign National	31 526.79	0%
Total	883 706.15	39.35%

Female Training Spend

	Amount	%ACI
African	1 120 104.98	
Coloured	1 949.34	58.59%
Indian	193 484.44	
White	31 599.14	1.41%
Foreign National	14 630.00	0.65%
Total	1 361 767.90	60.65%

Total Training

	Amount	%ACI
African	1 538 346.59	
Coloured	390 257.09	96.54%
Indian	239 114.44	
White	63 125.93	2.81%
Foreign National	14 630.00	0.65%
Total	2 245 474.05	100%

Male Training - OCC Category

Occ Category	Amount	%ACI
Top Management	-	0.00%
Senior Management	5 664.88	0.12%
Prof. qualified & experienced specialists and mid-management	636 935.18	27.99%
Skilled & qual. workers, jnr mnr., supv, foreman, supt.	240 593.04	9.87%
Semi-skilled and discretionary decision making	-	0.00%
Unskilled and defined decision making	513.05	0.02%
Total	883 706.15	37.95%

Female Training - OCC Category

Occ Category	Amount	%ACI
Top Management	1 371.30	0.06%
Senior Management	22 912.61	0.00%
Prof. qualified & experienced specialists and mid-management	829 291.94	36.28%
Skilled & qual. workers, jnr mnr., supv, foreman, supt.	297 137.05	12.85%
Semi-skilled and discretionary decision making	211 055.00	9.40%
Unskilled and defined decision making	-	0.00%
Total	1 361 767.90	58.59%

Total Training - OCC Category

Occ Category	Amount	%ACI
Top Management	1 371.30	0.06%
Senior Management	28 577.49	0.12%
Prof. qualified & experienced specialists and mid-management	1 466 227.12	64.27%
Skilled & qual. workers, jnr mnr., supv, foreman, supt.	537 730.09	22.67%
Semi-skilled and discretionary decision making	211 055.00	9.40%
Unskilled and defined decision making	513.05	0.02%
Total	2 245 474.05	96.54%

Employees Children Tertiary studies grant

Land Bank Group provides assistance to employees children to further their education at tertiary level. The children are sponsored for their undergraduate qualification. In the period under review, the Bank assisted eight employees' children to a total amount of R232 970.00 to study at registered tertiary institutions.

Employee Study Assistance

Land Bank group provides financial assistance to employees who are furthering their studies towards a qualification at under-graduate, Honours, Masters, and Doctoral level. The Bank assisted 21 employees to a total amount of R688 309.00.

Learnerships

The Bank continues to have a cohort of graduates who are enrolled on a Learnership programme. The Learners are given an opportunity to have practical on-the-job exposure, to acquire skills and where possible are retained in the organisation in permanent or temporary positions. In the period under review, due to the impact of COVID-19 where the Learners could not get proper training during remote engagement, Land Bank extended the employment tenure of the Learners. So far, 27 learners were retained in the Bank.

Acquisition and Attrition

Acquisition overall view

The Land Bank Group appointed 13 people in permanent vacant positions for the year-to-date. All (100%) vacant positions were filled with ACI candidates. Black females represented 53.85 % of the vacant positions filled.

The Bank aspires to provide career growth opportunities for employees. For the financial year, three (3) internal appointments were made. Two black females were appointed in positions at the same levels, whilst one black male was appointed in the role of Chief Risk Officer.

The Land Bank Group ended the financial year with 88 vacancies (the vacancy rate is at 18.26%).

RACE	MALE		FEMALE		TOTAL PERMANENT	
	% ACI		%ACI		Race	% ACI
African	6		7		13	
Coloured	0	46.15%	0	53.85%	0	100%
Indian	0		0		0	
White	0	0%	0	0%	0	0%
Foreign National	0	0%	0	0.%	0	0%
Total	6	46.15%	7	53.85%	13	100%

OCCUPATIONAL CATEGORY			FEMALE APPOINTMENTS - OCC CATEGORY		TOTAL APPOINTMENTS - OCC CATEGORY	
Occ Category	Total	ACI %	Total	ACI %	Total	ACI %
Top Management	1	7.69%	0	0,%	1	7.69%
Senior Management	4	30.77%	1	7.69%	5	38.46%
Prof. qualified & experienced specialists and mid-management	1	7.69%	4	30.77%	5	38.46%
Skilled & qual. workers, jnr mgt., supv, foremen, supt.	0	0%	1	7.69%	1	7.69%
Semi-skilled and discretionary decision making	0	0%	1	7.69%	1	7.69%
Unskilled and defined decision making	0	0%	0	0,%	0	0%
Total	6	46.15%	7	53.85%	13	100%

Attrition (Voluntary) overall view

RACE	MALE RESIGNATIONS		FEMALE RESIGNATIONS		TOTAL PERMANENT RESIGNATIONS	
	Race	% ACI	Race	%ACI	Race	% ACI
African	13		10		23	
Coloured	4	50%	1	30.56%	5	80.56%
Indian	1		0		1	
White	3	8.33%	3	8.33%	6	
Foreign National	1	2.78%	0	0%	1	
Total	22	61.11%	14	38.89%	36	

OCCUPATIONAL LEVEL	MALE RESIGNATIONS - OCC CATEGORY		FEMALE RESIGNATIONS - OCC CATEGORY		TOTAL RESIGNATIONS - OCC CATEGORY	
Occ Category	Total	ACI %	Total	ACI %	Total	ACI %
Top Management	0	0%	0	0%	0	
Senior Management	5	100%	2	50,%	7	85.71%
Prof. qualified & experienced specialists and mid-management	14	78.57%	8	75%	22	72.73%
Skilled & qual. workers, jnr mgt., supv, foremen, supt.	3	66.67%	2	100%	5	80%
Semi-skilled and discretionary decision making	0	0%	2	100%	2	100%
Unskilled and defined decision making	0	0%	0	0%	0	
Total	22	81.80%	14	84.60%	36	80.56%

- During the reporting period, the attrition rate for the Land Bank Group was 9.05% (36 permanent employee resignations).
- There were seven (7) employee resignations in Senior Management (P4&P5) level.
- Twenty-two (22) employees resigned in the Middle Management (P6&P7) level.
- Five (5) employees resigned in the Junior Management (P8&P9) level.
- Two (2) employees resigned in the Semi-skilled (P10 to P12) level.
- Resignations were made up of 80.56% ACI candidates with, 61.11% being males and 38.89% being females.

The majority of employees indicated that they were offered a better position by another organisation and considered job security in their decision to leave the Bank.

Climate and Culture

The Land Bank Group undertook a Climate, Culture and COVID-19 survey during the last part of FY2021. The participation rate from employees were 67%. The survey measured the following:

CULTURE: "Individual perception of the Bank"

1. **Employee perceptions** - understanding of and connection to LBG strategy and goals; conducive work environment/culture.
2. **Leadership Style** - feelings of being valued, lead supported, and recognised.
3. **Collaboration** - relying on co workers and team in delivering to LBG strategy and goals.
4. **Customer Centricity** - commitment to putting LBG customers first.
5. **Culture** - Living LBG Values

CLIMATE/ENGAGEMENT "The way we do things in the Bank"

1. **Strategic Direction:** Clarity of purpose and direction. Role/Job alignment or Fit to Strategy and goals.
2. **Communication:** Does LBG effectively communicates with employees. Ideas and opinions matter, and employees are encouraged to speak freely/give feedback.
3. **Views on Management & Leadership:** Leadership helping employees understand "overall organisational health" (Culture/Effectiveness/Engagement). Direct managers helping employees understand how their work contributes toward goals, creating opportunities to learn and grow.
4. **Interpersonal Relationships and Team work:** Is there mutual trust and positive feelings for one another? Effective communication and collaboration is encouraged.
5. **Innovation/Creativity/Work Environment:** Work environment that encourages employees to engage their unique talents, encourages their passion, feeds their energy and drive to succeed, and achieve the best for LBG. LBG Inspiring the best in employees.
6. **Recognition & Compensation:** Whether LBG employees feel valued.

COVID-19/ REMOTE WORKING

1. **COVID-19 Questionnaire:** Employee Wellbeing - Working from home. LBG demonstrating that it is authentically concerned about the wellbeing/ wellness of employees during the COVID-19 pandemic

The general responses from employees were positive and insightful whereby employees made recommendation which were solution driven towards increasing engagement and efficiencies. At the end of the financial year, the analysis was tabled for discussion to afford management to develop an action plan to address areas of concerns raised by employees. The initiative will continue during FY2022.

COVID-19 Pandemic

The Land Bank Group responded to the Corona Virus Pandemic. A task team was established consisting of various representatives across the Bank. The team is meeting regularly to monitor the progression of the virus and develop risk mitigants to combat the spread of the infection, as well as respond to any Government announcements and processes put in place. The Land Bank Group entered the National lock-down from 27 March 2020. Various initiatives have been undertaken since then.

- Deep cleaning of all the Land Bank offices.
- Purchasing of Personal Protective Equipment which included two facemasks per employee and one face shield per employee.
- Management are engaged on a weekly basis to manage limited staff members returning to the offices.
- Screening is done at the arrival of all visitors and employees.
- The Bank has continued with limiting the number of employees returning to the office and the working remotely arrangements will remain in place for the near future.
- Communication is send to staff on a regular basis to keep them informed of the working arrangements.

The COVID-19 Task Team continues to manage the Coronavirus transmission risk. For the period 1 April 2020 to 31 March 2021, March 2020 to date, 26 employees reported that they have been in close contact with a confirmed COVID-19 case and 26 employees declared that they have tested positive.

All reported cases are captured in the Pandemic Risk Event Register, which is presented to the COVID-19 Strategic Reponses Team. All incidents is managed effectively to ensure adherence to COVID-19 regulations and protocols.

Measures have been put in place to minimise access of Land Bank employees to the Land Bank Offices. The Land Bank COVID-19 Task Team implemented Land Bank internal control measures in managing the risk of the spread of the COVID-19 virus, taking into account high risk areas. In this regard, access to the Land Bank offices have been limited to 30%, and staff is still encouraged to work from home if possible. The Return to Work Plan is reviewed monthly, assessing the number of cases and high risk areas.

In cases where and employees access Land Bank premises in carrying out their normal duties, appropriate protocols have been put in place to ensure full compliance to the COVID-19 safety regulations

Employee Wellness During COVID-19

ICAS is the Land Bank's Employee Wellness provider. The Land Bank Employee Health & Wellness Programme is available to employees and their immediate family 24 hours everyday. Services include Telephone counselling; Face-to-Face counselling; Trauma counselling; Life Management (for e.g. legal and family care services) and Financial advice. The Employee Assistance programme helps employees who are constantly faced with extreme barriers to achieve a reasonable level of emotional and mental health to meet the rising needs of their jobs as well of that of the organisation. During the period 1 April 2021 to 31 March 2021, the total engagement rate for Land Bank for the period under review was 23.5% in comparison to a 26.2% utilisation during FY2020. The Land Bank participation rate is below the ICAS average of 45.5%.

The Annual individual usage of the core counselling and advisory services of 11.6% was recorded during the period, which compares to 17.6% during the previous period and 27.9% across all ICAS client companies. During the period the most commonly utilised services by the Land Bank employees was Professional Counselling which constituted 75% of the total engagement in the period under review against 71.4% against the previous period.

It is therefore evident that the participation in the Wellness Programme by employees during COVID-19 decreased from FY2020. This could also be as a result from "working from home". However problems relating to Relationship Issues consituted the most commonly presenting problem during the period under review, accounting for 32.5% of all diffiulties, followed by stress (13.6%) and personal development (9.7%). The relationship issues category exisited during the previous period which accounted for 22.4% of all issues idenitfied. In terms of the problems presented by employees the majority of stress related problems was presented by managerial/supervisory staff 16.1% and 13% by non managerial staff. In terms of the engagement levels with ICAS, 5.4% of the problems presented by employees have a severe impact on the employees work. This is still, however, below the ICAS average of 15.3%. These problems my relate to absenteeism, inability to concentrate, and below standard productivity and outputs.

Relationship issues can be further categorised into partner/ spouse, interpersonal conflict, divorse/seperation, family members, infidelity, sexual issues, and emotional abuse. 75% of the cases presented during the period under review was by females, and 25% by males.

Land Bank Human Capital has put in place a number of interventions during the COVID-19 Pandemic in collaboration with our Medial Aid Provider and Wellness Provider in providing our employees with tools in managing during the COVID-19 Pandemic.

Human Capital Governance

Human Capital by nature is an environment that is highly regulated by legislation, policies, and procedures and to ensure that fairness in the working environment is adhered to. Human Capital, therefore, forms a strategic role for the business in the management of all people related matters.

Labour Relations

The following policies have been approved during the reporting period.

- Flexible Working Arrangement Policy
- Return to work – Pandemic Policy
- Religions and Beliefs Practice Guidelines
- Learning and Development
- Bursary
- Employment Equity
- Transfer and Relocation Policy
- Job Grading Policy
- Remuneration and Compensation Policy
- Disciplinary Code and Procedure
- Acting Arrangement Policy
- Cellular Allowance Policy

The following policies are in review and are in circulation process between the Union and Policy Process and Change Committee

- Operational Requirement Policy
- Leave Benefits Management Policy


SECTION
SEVEN
GOVERNANCE
GOVERNANCE

The Bank is **guided by King IV**, which advocates **implementing a governance structure** which supports **leadership**, **sustainability**, and **corporate citizenship**.

OUR GOVERNANCE FRAMEWORK

The Land Bank Group is guided by the values of human dignity, the achievement of equality, advancement of human rights and freedoms, and the rule of law – as entrenched in the South African Constitutional Bill of Rights. The Group remains committed to the practice of good governance and strives to live by its organisational values, as well as the values advocated by the King IV.

The Board of directors of the Land Bank Group is collectively responsible for promoting the success of the Land Bank by directing and supervising its affairs. Its role is among others to:

i. provide entrepreneurial leadership to the Bank within a framework of prudent and effective controls which enable risk to be assessed and managed;
ii. determine the Bank's strategic objectives, ensure that the necessary financial and human resources are in place for the Bank to meet its objectives, and review management performance; and
iii. determine the values and standards of the Bank and ensure that its obligations to the Shareholder and all other stakeholders are understood and met.

The Company Secretary is appointed in terms of the Companies Act, 2008, and plays a key role in ensuring that Board procedures are followed and regularly reviewed. The Company Secretary is the primary source of advice on the conduct of the business.

Board Ethics

The Board has adopted Code of Ethics and Business Conduct which seeks to assist members in fulfilling their duties to the Land Bank Group. The Code charges Board members to act in good faith and to exercise the powers vested in them in order to honestly fulfil the duties imposed by their office. Each director has a duty to act in what he/she considers to be the best interests of the Bank, and all such action must be for a proper corporate purpose. The Board ensures that this approach to doing business permeates throughout the Bank and holds management accountable to ensure this commitment manifests itself throughout the organisation.

Board Responsibilities

The responsibility of the Board is to effectively represent and promote the interests of the people of the Republic South Africa with a view to adding long-term value to the South African agricultural sector. The Board directs and supervises the management of the business and affairs of the Group including:

- Ensuring that the goals of the Bank are correctly interpreted, clearly understood, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management).
- Establishing policies for strengthening the performance of the Bank including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products, and the development of its business capital.
- Monitoring the performance of management.
- Recommending to the Minister the appointment, as well as the terms and conditions of service of the CEO and, where necessary, the termination of the CEO's employment with the Bank.
- Managing matters of discipline pertaining to the executive directors.
- Deciding on whatever steps are necessary to protect the Group's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken.
- Ensuring that the Bank's financial statements are true and fair, and that they otherwise conform with law.
- Ensuring that the Bank adheres to high standards of ethics and corporate behaviour.
- Ensuring that the Bank has appropriate risk management/ regulatory compliance policies in place.

The Management team is responsible for the oversight of the daily operations of the Bank.

Our Board

The business and affairs of the Land Bank Group are managed and directed by, or under, edirection of the Board of Directors of the bank who are appointed by the Minister. In terms of the Land bank Act, members of the Board are individually and collectively accountable to the Minister of Finance for the direction and control of the operations and business of the Bank. They act as a Board and not as individuals.

Board Committees

The Board is supported by five Board committees established in terms of section 15 of the Land Bank Act. The standing Board committees that have been delegated the responsibility of assisting in specific matters and reporting to the Board on a quarterly basis are: the Audit and Finance Committee, the Human Resource Committee, the Risk and Governance Committee, the Credit and Investment Committee, and the Social and Ethics Committee. Other committees are formed for specific purposes such as the Restructuring Committee, established to address the liability issue of the Bank and are disbanded as required. The delegated responsibility and the powers, limits, as well as authorities attached to Board committees are approved by the Land Bank Board. Each committee has its own charter or terms of reference, which sets forth its purpose, composition, and duties. The charters are available at https://landbank.co.za/ About-Us/ Pages/ Corporate-Governance.aspx

Framework

The Bank is guided by King IV, which advocates implementing a governance structure that supports leadership, sustainability, and corporate citizenship. This includes the establishment of appropriate Board committees.

The Land Bank's overall governance structure is shown hereunder.

Shareholder
Minister of Finance
{ Executive Authority }

Head of Internal Audit → **Board of Directors** ← Company Secretary
{ Accounting Authority }

Board of Committees

Risk and Governance Committee
- Enterprise Risk Management Framework, Governance Architecture, Risk Appetite and Tolerance Framework
- Approve the Bank's Risk Management Plan
- Review and Monitor the management of all Risks in the organisation

Audit and Finance Committee
- Internal and External Audit matters
- Accounting policies and methodologies
- Financial matters

Human Capital Committee
- Monitor, review and oversee all Human Capital matters

Social & Ethics Committee
- Monitor, review and oversee all Social, Ethics and Environmental matters

Credit and Investments Committee
- Review and recommend credit policies, frameworks as well as prudential limits and guidelines
- Review and approve or recommend credit facilities in line with Delegations of Power
- Monitoring

All Board Committees are accountable to the Board for performance of their delegated governance role and functions

Board of Directors
{ Exco Accountable to Board }

Mr A Kanana[1]
CEO

Ms K Mukhari[2]
CFO

Mr Sakhumzi Diza[3]
CRO

Mr F Stiglingh
EM: Portfolio Management

Ms M Dlamini
EM: Human Capital

Mr S Sebueng
EM: Legal

Dr L Magingxa
EM: Agri Economics

Mr S Soundy
EM: Strategy

M. U Magwentshu
EM: CB&SI

Mr Lwandiso Makupula
Acting EM: CDBB

Mr M Rakgalakane
MD: Land Bank Insurance company

Note: The Company Secretary and Head of Internal Audit are standing invitees in the Executive Committee

[1] CEO from 1 March 2020
[2] CFO from 1 February 2020
[3] CRO from 1 September 2020

BOARD COMPOSITION

The Board consists of no fewer than seven and no more than 12 persons. Members of the Board are appointed for a period of no more than five years. The Board membership comprises of Non-Executive Directors. The chief executive officer is a member of the Board by virtue of his or her office and the Minister can appoint any other employee of the bank. The minister appointed the Chief Financial Officer as an executive director The Minister designates one of the non-executive members of the Board as chairman and another a deputy chairman who acts as chairman when the chairman is unable to do so. The composition of the Board is such that the common purpose, involvement, participation, harmony, and sense of responsibility of the members is not jeopardised.

LAND BANK BOARD MEMBERS	M	F	B	I	C	W
Non-Executive Directors						
Mr M.A. Moloto (Chair Board)	X		X			
Ms D.R. Hlatshwayo (Deputy Chair Board)		X	X			
Dr S. Cornelius	X				X	
Ms S.A. Lund		X				X
Ms M.E. Makgatho		X	X			
Mr M.S. Makgoba	X		X			
Ms D.N. Motau TERM ENDED		X	X			
Ms T.T. Ngcobo TERM ENDED		X	X			
Adv S.J. Coetzee*		X				X

** Resigned 30 April 2020*

Board Changes

The Minister extended the term for directors to 30 November 2021. Ms Motau and Ms Ngcobo's terms expired in August 2020

A new Board was appointed with effect from 8 December 2021.

The Board is also reflective of the demographic composition of the country with regard to race, colour, age, and gender.

Board Performance

The Board is committed to the continued improvement of own its performance and effectiveness. It believes that a highly effective Board is essential if Land Bank is to produce sustainable returns for the shareholders, its broad range of stakeholders, as well as the wider society. Corporate governance outcomes and the quality of the Land Bank Board is an important evaluation factor for funders and institutional investors. The Bank conducted a self-evaluation of the Board, its committees, and individual members in November 2020.

SUB-COMMITTEES

Audit and Finance Committee

Mandate:

The Audit and Finance Committee is an independent committee that deals with matters such as recommending approval of the Land Bank group financial results, review of the Integrated Report, approval of the risk-based internal audit plan, the combined assurance model, and review of the groups' Internal Financial Controls (IFC). The Committee discharges its responsibilities with support of the audit, finance and fraud management functions within the Bank, which report to the Committee on a quarterly basis. The committee's approach is strongly influenced by its commitment to the principles of good governance contained in the KING IV code. It consists of at least three independent, non-executive directors who are duly elected to membership of the committee by the shareholder at the AGM.

The Committee is responsible for the following:

- Ensure that the Bank maintains adequate and accurate accounting records and management information, including recommendation for approval to the Board, amongst others, in terms of the annual budget and financial statements;
- The Bank develops and maintains sound systems of internal control and information security, including disclosures of irregular or wasteful expenditures and the appointment of auditor service providers;
- The integrity and reliability of the published financial and statutory reporting of Land Bank, and oversees integrated reporting;
- Funding and liquidity position of the Bank;
- Transparency, accountability and good corporate governance as required by the Land Bank Act, KING IV, PFMA, and Companies Act;
- Ensures that requisite risk management culture, practices, policies, resources and systems are in place and functioning effectively; and
- Oversees the internal and external audit functions, monitoring that it is effective and independent.

Performance:

Assisted the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, and auditing processes applied within the Bank in its day-to-day operations

Key focus areas for the committee during the period included the following items:

- Audit: Whilst the committee sought to support the delivery of a clean audit, this indeed proved to be a challenge in view of the significance of the AG findings.
- To strengthen the Internal Audit function.
- To conclude the Combined assurance Framework. This was successfully completed.
- To conduct a review of the Treasury Policies. This item has progressed well and remains a work in progress.
- Ensure the capitilisation of the Bank. This item is closely monitored.
- To ensure the quantification of costs. This item has progressed well and remains an ongoing item.

Looking Ahead

The committee remains committed to the oversight of internal control systems, accounting, and audit practices. The committee will continue to closely monitor and support the delivery of a clean audit and the close-out of any findings by the AG. The committee will continue to uphold close engagement with the Auditor-General's office to ensure ongoing improvement in the effectiveness of external audit services. Furthermore, the capitilisation and continued improvement of the Land Bank's financial position will remain a key focus area for the year ahead.

Risk and Governance Committee

Mandate:

The Risk and Governance Committee assists the Board in discharging its responsibility for the total process of risk management and compliance within the Bank. The committee deals with various matters relating to risk and risk management systems, including ensuring that appropriate risk management culture, practices, policies, and systems are in place and functioning effectively. The committee also assists the Board to ensure transparency, accountability, and good corporate governance as required by the Land Bank Act and other relevant law and regulations, standards, and protocols that apply to the Bank's activities or that the Bank has voluntarily adopted.

Performance:

The Committee continued to monitor and, where necessary, improve the risk mitigation effectiveness and risk control. The Strategic Risk Register was revised and shared with the Board for approval.

Key focus areas for the committee included:

- Monitoring and implementation of measures to ensure business continuity amid the COVID-19 lockdown regulations.
- Review and implementation of the Compliance Monitoring Plan.
- Review and update of Policies.
- Oversight of the Bank's management of sustainability risks.
- Attending to the Repurposing of the Balance Sheet.
- Monitoring and support of actions as detailed in the Remediation plan.
- Ensuring of accurate and up-to-date risk appetite monitoring and reporting.

Looking Ahead

The committee will continue to closely monitor the status of the strategic risk register, to ensure that sufficient and actionable mitigation measures are in place. The effectiveness of the Bank's business continuity plans will remain in sharp focus as the country pivots to remain economically active amidst the pandemic. Furthermore, sound financial and IT controls will continue to be implemented and reviewed with a view to improve overall governance and to identify any future potential risks associated with these functions. The complete close out of the remediation plan will remain a focus area for the committee.

Human Resource Committee

Mandate:

The Human Resources Committee's duty is to oversee the establishment of appropriate human resources policies and strategies that provide Land Bank with the capability to achieve its short- and long-term business objectives.

The committee is mandated and authorised by the Board to fulfil the following roles:

- Transformation focusing on Black Economic Empowerment and Employment Equity.
- Compliance with relevant labour-related legal requirements of the Bank as well as best practice codes.
- Oversee (amongst other things), recruiting, developing, and retaining critical skills.
- Oversee remuneration processes as well as consider and approve remuneration-related issues and proposals.
- Assist the Board in identifying suitable members that will address the Board's requirements in terms of knowledge and skills.
- Assist the Board with appointments, dismissal, succession planning, reviewing committee structures, and reviewing the performance of the Board and its committees.

Performance:

The committee continued to ensure that its mandate, as derived from the Board, was diligently executed – ensuring the implementation of the human resources strategy and maintaining appropriate human resources policies. Activities undertaken by the committee for the review period include:

- Review of various Group policies as these became due for revision.
- Review of the revised charter aligned with the Governance framework of the Land Bank.
- Monitoring and evaluation of resource allocation.
- Review of the Land Bank remuneration and compensation policy.
- Monitoring and review of performance agreements and associated appraisals.
- Consideration of all standard reports to the committee.

Looking Ahead

The Committee will continue to review all policies to ensure alignment with legislation and the Bank's strategic objectives. A key focus will remain the monitoring of resource allocation within the Bank and the appointment of appropriately qualified personnel to the correct positions in order to support the successful repurposing goals of the Bank. The Committee furthermore will remain dedicated to the retention and development of its human capital and to driving a positive and cohesive company culture.

Social and Ethics Committee

Mandate:

The Social and Ethics Committee is appointed in terms of section 72 of the Companies Act and is responsible on behalf of the Bank for this function. The committee provides oversight of the Bank's compliance with relevant social, ethical, and legal requirements as well as best practice codes. The Committee is also responsible for providing oversight of the Bank's activities in the field of ethics, corporate social responsibility (stakeholder engagement, and environmental sustainability, including the management of non-financial issues, reputational risk, as listed and defined in the Bank's enterprise risk management framework).

Performance:

The committee provided governance oversight on matters relating to Land Bank as a good corporate citizen including alignment to the Principles for Responsible Banking. The Committee continued to ensure that sufficient oversight is implemented to ensure that the business is ethically conducted. During the year under review, the Committee oversaw various business function areas, which included:

- Review and consideration of various reports.
- Review of policies as they became due for revision.
- Monitoring of use of the Tip-Off line to gauge the ethical fibre of the business.

Looking Ahead

The Committee will continue to oversee matters relating to Land Bank as a good corporate citizen. The oversight and review of policies and reporting will remain in sharp focus, with a view to ensuring that transparent and ethical behaviour is upheld. Monitoring of all stakeholder engagement activities will remain in sharp focus for the Committee in order that the Bank may continue to engage ethically both internally and externally with all stakeholders.

Credit Investment Committee

Mandate:

Credit risk management is guided by the Land Bank Act, PFMA, National Credit Act (NCA) of 2005, Financial Intelligence Centre Act (FICA) of 2001 and Basel Accords. The committee periodically reviews the Bank's credit policies, investment policy, and strategies together with risk management and significant credit risk management policies. This also includes tolerance and appetite for credit risk and level of profitability the Board expects to achieve from assuming various credit risks. The Committee ensures appropriate credit and investment approval mandates structure, composition and quorum of the credit risk committees. All credit decisions are Committee-based with charters prescribing the roles and responsibilities, delegated amounts, quorum requirements, and recording of any dissenting views by members for a specific transaction.

Performance:

The responsibilities of the committee include the review and approval of credit facilities and investment proposals from the respective management committees, including write-offs and restructuring in line with the approval framework. Matters attended to during the review period included:

- Review and recommendation of credit and pricing policies and frameworks.
- Review and recommendation of credit and investment risk limits to establish a credit and investment risk appetite for the Bank.
- Review, recommend, and monitor credit model methodologies and authority levels.
- Ensure adequate controls, risk management, monitoring, and disclosure of credit risk.
- Ensure that the asset quality of the Bank is within the approved credit risk profile.
- Provided oversight on the Bank's credit policies
- Ongoing support to management on issues pertaining to the liquidity challenges.
- Ongoing engagement with the shareholders regarding the Bank's recapitalisation and repurposing strategy.
- Continued guidance to management around the SLA improvement plan.

Looking Ahead

The Committee will continue to discharge its mandate and is committed to the oversight of good governance in respect of credit and investment activities. The Committee charter and workplan for the 2020/2021 period will be reviewed and upheld as approved. The ongoing monitoring of the project to insource SLAs will remain a key focus area, as will the capacitation of provincial structures.

BOARD MEMBERS	ACADEMIC QUALIFICATIONS	LAND BANK BOARD	AUDIT AND FINANCE COMMITTEE (AFC)	RISK AND GOVERNANCE COMMITTEE (RGC)	HUMAN RESOURCE COMMITTEE (HRC)	SOCIAL AND ETHICS COMMITTEE (SEC)	CREDIT AND INVESTMENT COMMITTEE (CIC)
NON-EXECUTIVE DIRECTORS							
Mr M.A. Moloto (Chair Board)	Master of Science (Finance and Financial Law); Postgraduate Diploma in Economic Principles; BA (Hons) Development Studies; BA Education.	X			X	X	X
Ms D.R. Hlatshwayo (Deputy Chair Board)	Bachelor of Social Science (Hons); MBA with specialisation in Advanced Corporate Finance, Senior Executive Leadership Development Programmes Harvard and Wits.	X			X	X	X
Dr S. Cornelius	Bachelor of Science (Hons) (Wits); BVMCh (Medunsa); BVSc (Hons) (University of Pretoria); SEP (Harvard/Wits); MRSB (London); and MInstDir (SA).	X	X		X		X
Ms S.A. Lund	Master of Arts (Rural Development Planning); Bachelor of Arts (Hons), B.Journ, Senior Executive Programme (Harvard & Wits Business Schools); Chartered Director (SA).	X	X	X			
Ms M.E. Makgatho	Master of Commerce (Development Finance); Bachelor of Commerce (Hons) (Economics); Global Executive Development Program (Post Graduate).	X	X				X
Mr M.S. Makgoba	Bachelor of Agriculture (University of Limpopo); Bachelor of Agriculture (Hons) (University of Limpopo); Master of Development Studies (University of Free State); Masters in Town and Regional Planning (University of Free State).	X	X				X
Ms D.N. Motau TERM ENDED	Bachelor of Commerce; Certificate in Business Project Management; Diploma in Advanced Banking.	X					X
Ms T.T. Ngcobo TERM ENDED	Bachelor of Arts A (Social Science); Management Development Programme (Harvard Business School, Boston, USA); Post Graduate Diploma in Management.	X	X		X	X	
Adv. S.J. Coetzee*	Bachelor of Legum Civilum; Bachelor of Laws (Post Graduate).	X		X	X	X	

** Resigned 30 April 2020*

BOARD MEMBERS	ACADEMIC QUALIFICATIONS	LAND BANK BOARD	AFC	RGC	HRC	SEC	CIC
EXECUTIVE DIRECTORS							
Mr A. Kanana	Chartered Accountant (CA), BCom Financial Account (H), BCom Financial Account.	X				X	
**Ms K.H. Mukhari	Chartered Accountant (CA) and Master's in Business Leadership.	X	X	X	X	X	X

The Previous Board was effective until 30 November 2021. The New board was appointed in the month of December 2021.
Ms K.H. Mukhari was appointed as a Director on 08 December 2021.

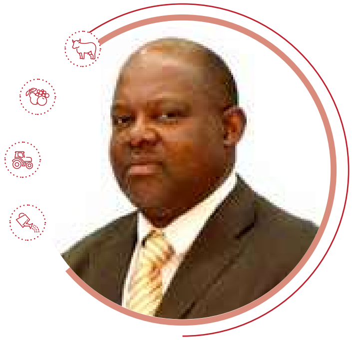
PROFILES OF NEW BOARD MEMBERS

Ms N.R. Nkosi
Non-Executive - Chairman

Profile:
Ms Nkosi is an agricultural economist and Managing Partner of a food value chain private equity fund which she co-founded in 2019. She is also the Chairperson of the Coca-Cola Mintirho Fund which provides growth capital to emerging farmers. She is recognized as one of South Africa's leading agricultural economists having worked with businesses across the sector. She has held numerous senior positions in the public and private sectors. She holds an MBA and a BSc in Agricultural Economics.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Risk and Governance Committee Member, Joint Land Bank, Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee Member.



Mr A. Makenete
Non-Executive – Deputy Chairman

Profile:
Mr Makenete is an Agricultural specialist with more than 25 years' experience in the Agricultural sector which includes the Banking and Insurance industries. He heads an Agricultural Investment Group and was key in the Development of the Agriculture and Agro processing Master plan. He holds and MSc in Agricultural Management.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Human Resource Committee Member, Joint Land Bank, Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee Member

Ms D. Maithufi
Non-Executive Director

Profile:
Ms Maithufi is a seasoned Chartered Accountant and Credit Risk Management expert. She has worked in various managerial roles at key Banking and Financial Services institutions since 2007. She serves on various Boards as a NED and holds a BCom (Hon.) Accounting Degree.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Chair Risk and Governance, Credit and Investment Committee Member

Dr Monde Tom
Non-Executive Director

Profile:
Dr Tom has extensive experience in socio-economic development, financial economics, social economics, econometric modelling (building, maintenance, forecasting and impact studies); input-output modelling; economic service development; leading economic development-oriented teams with microeconomic focus; and turning-around struggling institutions. He holds a PhD on Technology and Innovation Management.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Chair Human Resource Committee, Risk and Governance Committee Member Audit and Finance Committee Member

Ms N. Motshegoa
Non-Executive Director

Profile:
Ms Motshegoa is an Agripreneur/Full time farmer in the beef industry. She holds various roles in the development and economic transformation sectors. She is self-accomplished business owner and was awarded the Brics Women Innovation Award in 2021.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Credit and Investment Committee Member Joint Land Bank, Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee Member

Ms M.E. Makgatho
Non-Executive Director

Profile:
Ms Makgatho has extensive experience in the Financial space, especially Treasury. She has held various director and executive management positions for more than 24 years. She has lead SAA cash and liquidity activities under challenging conditions and averted default on loan. She has headed various debt transactions in the domestic and international capital markets. She is a director on a variety of Boards, presides over a number of Audit Committees and holds a Master's Degree in Development Finance and an Honours Degree in Economics.

Period of service:
Reappointed:
8 December 2021 - 7 December 2023

Board committees:
Chair: Credit and Investment Committee; Audit and Finance Committee Member

Adv Dimitri van der Westhuizen
Non-Executive Director

Profile:
Advocate Van Der Westhuizen has extensive experience in Labour relations and is owner of a Consulting Company that specializes in Business Development, Commercial Negotiation and Contracting, Corporate Structuring focusing on BEE Structures, Skills Development and Employment Equity. He has headed various restructuring and business re-engineering initiatives in the Banking space and holds an LLB (PMB).

Period of service:
8 December 2021 - 7 December 2024

Land Bank Board sub committees
Human Resource Committee Member, Risk and Governance Committee Member

Ms T. Mashanda
Non-Executive Director

Profile:
Ms Mashanda is an experienced Chartered Accountant in the audit and financial disciplines in various industries. She provides professional advice on strategic disciplines such as financial reporting, taxation, SCM processes, auditing, forensic accounting to name a few. She has consulted in various key auditing and fraud preventing activities and established internal audit departments at various entities. She serves on various Boards and holds a BA (Hon.) Accounting.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Audit and Finance Committee Member, Human Resource Committee Member

Ms E. Pillay
Non-Executive Director

Profile:
Ms Pillay is an experienced Chartered Accountant with a focus on audits and assurance. She has been actively involved in audits with national departments, public entities and constitutional institutions. She is sitting on several Board committees, chairs a number of Audit and Finance Committees and holds a B.Com (H) Accounting.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Chair: Audit and Finance Committee

Prof J. Kirsten
Non-Executive Director

Profile:
Prof Kirsten is a leading academic and Director of the Bureau of Economic Research at Stellenbosch University. He has published more than 100 articles and had 53 Masters students and 21 PhD students in the last 20 years under his supervision. He is an experienced academic leader and has participated in national policy at the highest level. He has held leading roles in various Agricultural Councils and International Associations.

Period of service:
8 December 2021 - 7 December 2024

Board committees:
Chair: Joint Land Bank and Land Bank Insurance and Land Bank Life Insurance Social and Ethics Committee, Credit and Investment Committee Member

BOARD MEETING ATTENDANCE

LAND BANK BOARD ATTENDANCE FY2020/21

	BOARD	BOARD WORKSHOPS AND STRATEGY SESSIONS	RISK AND GOVERNANCE	AUDIT AND FINANCE	CREDIT AND INVESTMENT COMMITTEE	LAND BANK HUMAN RESOURCES REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
	21 meetings	4 meetings	4 meetings	13 meetings	18 meetings	8 meetings	5 meetings
NON-EXECUTIVE DIRECTORS							
Mr A. Moloto	21	4	2	0	18	8	5
Ms D. Hlatshwayo	21	4	0	5	17	8	5
Ms S.A. Lund	21	4	4	13	1	3	0
Ms M.E. Makgatho	21	4	2	13	17	0	0
Dr S. Cornelius	21	4	0	13	15	8	0
Mr M. Makgoba	21	4	4	0	17	0	2
Ms D.N. Motau[1]	12	3	0	0	0	0	0
Ms T.T. Ncgobo[1]	12	0	2	0	0	5	2
Adv. S. Coetzee[2]	6	0	1	0	0	1	1
EXECUTIVE DIRECTORS							
Mr A. Kanana	20	4	3	10	18	1	5
Ms K. Mukhari	19	4	2	13	16	0	4

1. Term ended Aug 2020

2. Resigned April 2020

REMUNERATION REPORT

Please refer to the Annual Financial Statements

KING IV CODE™ DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2021

The Land Bank Board is committed to alignment with the corporate governance philosophies and principles contained in the King IV Report on Corporate Governance for South Africa (2016) (King IV Report) and achievement of the 17 Principles set out in the King IV Code of Corporate Governance (King IV Code) contained in the King IV Report, and achieving their associated good governance outcomes.

The Bank has reviewed its current corporate governance practices to assess its degree of alignment with each of the 17 Principles, and with the Recommended Practices associated with each Principle.

The Board's assessment of the Land Bank's application of each of the King IV Principles towards achievement of the King IV governance outcomes is summarised in the disclosure reference table below.

These Disclosures include cross-references to where additional or other corporate governance disclosures are available within the Land Bank's suite of external reports published for the 2021 reporting period, specifically:

- The 2021 Land Bank Annual Integrated Report
- The Land Bank's audited Annual Financial Statements for the year ended 31 March 2021

1. The Board takes ultimate responsibility for the good governance of the Land Bank Group
2. The Board has delegated the some of its responsibilities to various structures and functionaries. These include the Audit and Finance Committee, the Social and Ethics Committee, the Risk and Governance Committee, the Credit and Investment Committee and the Human Resource Committee, individual directors and members of Management. All Delegations of Power are in writing and are reviewed and approved by the Board on a n annual basis.
3. All delegations of authority are in terms of the Land Bank Act, the PFMA, Treasury Regulations and best practice.
4. All Board Committees function in terms of a comprehensive written terms of reference (Charter) which is reviewed and annually approved by the Board.
5. The Committees of the Board operate in terms of Work plans which are approved by each Committee on an annual basis and revised in-year if and when circumstances dictate.
6. The focus areas of each Board Committee are agreed upon by each Committee on an annual basis.
7. Board Committees approve such matters as may have been delegated to them by the Board.
8. At least once every quarter or as often as is considered necessary, Board Committees receive reports from Management regarding the matters set out in the Committee Charters and Committee Work plans.
9. Committees can make such recommendations and give such directions to Management on matters that fall within the ambit of their authority as they may consider appropriate.
10. At least once every quarter or as often as is considered necessary Committees report to the Board on their activities and on how they have discharged their responsibilities.
11. Committees also make recommendations to the Board on matters that are reserved for the Board and on such others as it may consider appropriate.
12. The Board exercises oversight over the functions and activities of the all Board Committees and Management in terms of its own Work plan which it develops and approves on an annual basis. The Board Work plan can be reviewed and amended in-year if and when circumstances dictate.

KING IV CODE™ PRINCIPLES

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 1: The Board should lead ethically and effectively

The conduct of the Board is governed by among others a Board Charter, a Board Code of Ethics and Business Conduct, a Board Conflict of Interest Policy and a Board Manual. This is over and above the fact that the Board subscribes to the principles advocated in among others the King Report on Corporate Governance for South Africa, 2016.

Board members have an individual and collective responsibility of setting the tone for an ethical organisational culture, both at board level and across the group. Board members hold each other to account for their actions in particular those actions which may be viewed in conflict with their fiduciary responsibilities as directors.

The Board engages at least once a year with employees regarding the goals and strategic objectives of the Bank which are driven by the Board unapologetic approach and the adherence to high ethical standards. The Board will not hesitate to act against employees regardless of their designation or level where it is considered that these standards have been breach.

The Land Bank prides itself on the governance processes in place and that in the face of any corporate governance lapses, the Board does not hesitate to take disciplinary action and dismiss individuals where necessary.

Refer also to the disclosures contained in the Integrated Report (page 88) in relation to the Board's ethical and effective leadership of the Bank in respect of the Board's performance of the governance functions for the Bank.

Principle 2: The Board should govern the Land Bank's ethics in a way that supports the establishment of an ethical culture.

The Board has approved a Code of Ethics and Business Conduct to which all members of staff are required to adhere. These are clearly articulated ethical standards and the Board through its Social and Ethics Committee ensures that they are adhered to in all aspects of the business, thus achieving a sustainable ethical corporate culture.

Through the Social and Ethics Committee the Board also ensures that Management develops and implements programmes, guidelines and practices congruent with Land Bank's social and ethics policies, reviews the material risks and liabilities relating to the provisions of the Code of Ethics and Business Conduct and ensures that such risks are managed as part of Land Bank's risk management programme which is overseen by the Risk and Governance Committee. Towards that end, the Social and Ethics Committee receives and reviews a quarterly AML (Anti-money Laundering) Report which deals with among others PIPs (Politically Influential Persons) and PEPs (Politically Exposed Persons). The Committee also receives, reviews and advises on an Ethics Report which covers the status of ethical conduct within the Bank.

Refer also to the disclosures contained in the Integrated Report (page 92) in relation to the Social and Ethics Board sub-committee's performance of governance oversight functions in relation to the Bank's management and monitoring of organisational ethics.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 3: The Board should ensure that the Land Bank is and is seen to be a responsible corporate citizen.

The Board has approved the Bank's adoption of the United Nations Environmental Programme Finance Initiative's Principles for Responsible Banking (PRB) programme.

The Board has approved an ESS Policy and Programme which recognise that it has an opportunity to play an important role in promoting land stewardship, protection of the environment and communities impacted by its activities and to help secure the long-term sustainability of natural resources, communities and society at large.

The Board also recognises its dependence on the environment and the resources it provides for achievement of its objectives. As such the Board aims to be a responsible steward in the protection of the environment and human rights to strengthen its social license to operate.

Refer to the disclosures contained in the Integrated Report (pages 90-92 Sub-committee initiatives and 90-96 Board profiles and 30-31 EXCO profiles) in relation to the Board and Executive Management's team's leadership of the Bank's various initiatives demonstrating its commitment to responsible corporate citizenship.

STRATEGY, PERFORMANCE AND REPORTING

Principle 4: The Board should appreciate that the Land Bank's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The strategic planning processes of the Bank are governed by the National Treasury Framework for Strategic and Annual Performance Plans (2010) which seek to ensure that strategic and annual performance planning is aligned to the outcomes oriented monitoring and evaluation approach led by the Presidency in particular the National Development Plan.

It is the responsibility of the Management to develop a Corporate Strategy for the Bank, which is then reviewed by each standing Committee of the Board to ensure that it is in line with the mandate and goals of the Bank with regard to the empowerment of previously disadvantaged communities, the promotion of emergent farmers, the sustainability of commercial agriculture and food security. The Strategy is then considered and approved by the Board which seeks to ensure that it resonates with the identified risks and opportunities, performance parameters, the future outlook and governance arrangements of the Bank, and establishes a strategic platform for the Bank to create value over the short, medium and long-term aligned to identified needs and expectations of the Bank's key stakeholder base.

The Board is however, cognisant of the fact that it is entitled to discharge such responsibility by way of express delegation of its authority to control, manage and direct its own affairs. The Board has therefore approved a primary and secondary Delegations of Power.

Refer to the disclosures contained in the Integrated Report (pages 42-45) in relation to the Board and Executive Management team's role in relation to directing and executing the Bank's approved business strategy aligned to its approved Corporate Plan.

STRATEGY, PERFORMANCE AND REPORTING

Principle 5: The Board should ensure that the reports issued by the Land Bank enable its stakeholders to make informed assessments of the Land Bank's performance and its short, medium and long-term prospects.

Reporting is governed by the Land Bank Act, the PFMA, National Treasury Regulations, National Treasury Guidelines for Annual and Quarterly Reporting and the Rules of the Johannesburg Securities Exchange (JSE). All external reports are first reviewed by the Committees of the Board for accuracy, usefulness, timeliness and completeness before they are tabled before the Board for approval and for release to third parties. Where applicable, such reports are first validated by internal audit before they are tabled before the Board and its Committees for consideration and approval.

The Board and its Committees therefore review and have oversight over the integrity of the Bank's external reporting which includes reliance on effective application of the Bank's combined assurance arrangements. Internal and external assurance is applied to the various components of the external reporting suite under the oversight and direction of the relevant Board Committees and with reference to any legal requirements for independent, external audit and/or assurance contained in any relevant law and/or regulations (as applicable for instance to certain types of external reports, such as the Bank's statutory Annual Financial Statements).

The Board continues to work at achieving better audit outcomes and with the remedying of the findings which resulted in a Disclaimer Opinion by the Auditor General in the previous Financial Year. Progress in this respect is evidenced by the Qualified Audit Opinion issued by the Auditor General for the Financial Year under review. The opinion would have been unqualified, but for the lack of cooperation by an SLA Partner in not providing bank statements required by the Auditor General for the auditing of its affairs. This resulted in a limitation of scope of the audit.

Refer to the Integrated Report (page 8) in relation to the Board's performance of its governance oversight role in relation to the Integrated Annual Report, and to the audited statutory annual financial statements, as well as the Auditor-General Report included therin, in relation to the Board's approval of those financial statements.

Principle 6: The Board should serve as the focal point and custodian of corporate governance in the Land Bank

The Board is the custodian corporate governance and ultimately responsible for corporate governance. Board actions are governed by the law and regulation, a Board Charter and Manual, Treasury Guidelines and Practice Notes, and corporate governance best practice including the King Report on Corporate Governance for South Africa.

[https://landbank.co.za/About-Us/Pages/Our-Board.aspx].

Refer to the disclosures contained in the Integrated Report (pages 90-93) in relation to the Board's performance of its role as custodian of corporate governance for the Bank, including information about the meetings of the Board that occurred during the relevant reporting period.

STRATEGY, PERFORMANCE AND REPORTING

Principle 7: The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

Section 8(6) of the Land Bank Act provides that the Land Bank Board must, when viewed collectively, represent a broad cross section of the South African population; be suited to serve on the Board by virtue of qualifications, expertise and experience; and be committed to the objectives of the Land Bank. Towards that end, a Board Skills Matrix was prepared and considered by the Board. The purpose of the Matrix was to:

1. Determining board and board committee optimal structures
2. Identifying the current skills, knowledge, experience and competencies of the board and board committees
3. Identifying the skills gaps at board and board committee level
4. Designing programmes to close skills gaps
5. Informing programmes for the continuing development of directors
6. Integrating board evaluation with succession planning
7. Providing guidance for:
    i. The recruitment of directors for subsidiary entities
    ii. The assignment of directors of the parent entity to the boards of subsidiaries
    iii. Recommending directors to the Minister for appointment, reappointment and termination
    iv. The assignment of directors to among others Board Committees, Board task teams and Board working groups
    v. Nominating directors for appointment to third party entities where the Bank has equity interests
    vi. Selecting advisers to the Board, Board Committees and Management; and
    vii. Identifying and developing potential director talent in and outside the Bank.

A skills audit of the Board was then conducted and used to inform all of the above. It was used in particular to determine skills gaps and development areas on the Board, and to inform recommendations to the Minister regarding the filling of Board vacancies.

It should be noted that regardless of all of the above, in terms of the Land Bank Act, the exclusive authority to appoint Board members ultimately resides in the Minister.

Refer to the disclosures contained in the Integrated Report (pages 90-93) in relation to the Board's performance of its role as custodian of corporate governance for the Bank, including information about the meetings of the Board that occurred during the relevant reporting period.

STRATEGY, PERFORMANCE AND REPORTING

Principle 8: The Board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of duties.

The business and affairs of the Land Bank are managed by or under the direction of the Board, which has the authority to exercise all of the powers and perform any of the functions of the Land Bank, except to the extent that a Land Bank Act otherwise provides. The Board acknowledges its authority and responsibility to control, manage and direct its own affairs. The Board is however, cognisant of the fact that it is entitled to discharge such responsibility by way of express delegation of its authority to control, manage and direct its own affairs.

Towards that end, the Board has delegated some of its powers, duties and functions to the CEO of the Land Bank, to certain Directors, to Board Committees, to employees of the Land Bank, and to the holders of certain specific positions or bodies.

The Board has approved primary and secondary delegations of power which comprehensively set out the powers that it has reserved for itself, and the powers that have been delegated to Board Committees and other structures and functionaries.

In delegating its powers, function or duties, the Board has not divested itself of its responsibility concerning the exercise of the delegated powers or the performance of the delegated functions or duties. The holders of delegated power are accountable to the Board for the exercise of delegated power and must report to the Board on how the delegated power has been exercised. All material facts or information regarding the exercise of delegated power has to be disclosed.

The Board can confirm, vary or set aside any decision made under any delegation subject to any rights that may have become vested as a consequence of the decision. All delegations by the Board are subject to any statutory limitations and conditions that the Board may impose. All delegations are supported by a system of checks and balances to ensure good governance and the mitigation of the undue concentration of powers. The Board has to amend or withdraw any delegation at any time. The Board must agree to the levels of sub-delegation immediately below the CEO. The Board will not delegate its authority to delegate.

Refer to the disclosures contained in the Integrated Report (pages 90-93) in relation to the Board's governance structures, and the various Board sub-committee reports setting out each committee's performance and focus areas during the relevant reporting period.

Principle 9: The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

The Board believes that appraising its performance helps clarify the individual and collective roles and responsibilities of individual directors, and better knowledge of what is expected of directors helps the Board become more effective. It assists in identifying skills and capacity gaps which when filled enables the Board to be better positioned to deliver on its mandate, goals and strategic objectives.

The Board assessment report was tabled to the Board and a development plan was created to for development and training purposes.

Refer to the disclosures contained in the Integrated Report (pages 90-93) in relation to the Board's process for periodic independent evaluation of its performance and effectiveness in respect of discharging its statutory functions and the other governance functions as set out in the Board Charter.

STRATEGY, PERFORMANCE AND REPORTING

Principle 10: The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The Board has an approved Delegation of Powers framework to enable appropriate delegation of authority and responsibility to the executive functions that comprise the Land Bank's appointed executive team, and role clarity to promote effective arrangements for the management of the Bank. The Board delegates authority to the executive directors to manage the day-today business and affairs of the business, but maintains overall responsibility for governance-level leadership of the Bank.

The delegations of power are supported by a system of checks and balances to ensure good governance and pre-empt undue concentration of powers. The approved Delegation of Powers promote role clarity and effective arrangements for the management of the Bank.

Refer to the disclosures contained in the Integrated Report (page 89) in relation to the Board's performance of its governance oversight functions in relation to the Bank's Executive and management functions under the approved Delegation of Powers.

Principle 11: The Board should govern risk in a way that supports the Land Bank in setting and achieving its strategic objectives.

Risk oversight is a primary Board responsibility, and the Board develops and continuously improves practices to establish a well-defined and effective oversight function. The Board plays a critical role in influencing Management's processes for monitoring risks, and clearly defines which risks the full Board should discuss regularly, versus risks that can generally be delegated to a Board Committees. Management maintains a list of all enterprise-wide risks, which are mapped for the specific oversight of Board committees, particularly the Risk and Governance Committee.

Refer to the disclosures contained in the Integrated Report (page 90) in relation to the Board's governance oversight of the Executive's performance of the risk management functions for the Bank.

Principle 12: The Board should govern technology and information in a way that supports the Land Bank setting and achieving its strategic objectives.

Information and technology governance is the responsibility of the Board and management. It is an integral part of the overall governance structures of the Land Bank, and directors take an active role in information and technology strategy and governance through the Risk and Governance Committee.

The Board ensures the proper value delivery of information and technology, that the expected return on investment from information and technology projects is delivered and that the information and intellectual property contained in the information systems is protected.

The Board governs technology and information in a way that supports the setting and achieving the strategic objectives of the Land Bank. It also ensures that the information and technology of the Land Bank sustains and extends the strategy and objectives of the Bank. To this end the Board had appointed an IT specialist to assist and review the technology strategy and framework.

The Board specifies the decision rights and accountability framework designed to encourage the desirable culture in the use of information and technology.
The Board specifies the decision rights and accountability framework designed to encourage the desirable culture in the use of information and technology.

Refer to the disclosures contained in the Integrated Report (page 58) in relation to the Board's governance oversight of the Executive's performance of the information and technology management functions for the Bank.

STRATEGY, PERFORMANCE AND REPORTING

Principle 13: The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Land Bank being ethical and a good corporate citizen.

The Board insists on compliance with the law. The Board insists that exceptions permitted in law and shortcomings in the law are handled in a responsible manner.
The Board defines the approach and approves the policy for the management of compliance.

The Board considers if adhering to applicable non-binding rules and standards achieves good governance, and adheres to them if that would result in best practice.
The Board discloses the applicable non-binding rules and standards to which it adheres on a voluntary basis. This includes subscription to the recommendations of the King Report on Corporate Governance for South Africa, 2016.
The Board timeously identifies the laws, regulations and non-binding rules and standards applicable to it.

Directors sufficiently familiarise themselves with the content of applicable laws and regulations, and those non-binding rules and standards that the Land Bank voluntarily abides by, to ensure that they have a sufficient understanding of the applicable content and effect of such laws, regulations, rules and standards on the Land Bank and the business of the Land Bank.

Refer to the disclosures contained in the Integrated Report (page 92) in relation to the Board's governance oversight of the Executive's performance of the compliance management functions for the Bank.

Principle 14: The Board should ensure that the Land Bank remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Board regularly review and approves a remuneration policy for all members of staff of the Land Bank.

The Board regularly reviews and approves the remuneration arrangements of Executives including fixed and variable remuneration components, performance measures and targets for incentives, having regard to the outcome of the annual performance review of the Executives.

The Board regularly reviews and approves the terms and conditions of the employment contract of the Chief Executive Officer including remuneration arrangements of the Chief Executive for approval by the Minister.

The Board considers, and if deemed appropriate, approves the terms and conditions of the contracts of employment of other members of the Executive and Senior Management.
The Board considers, and if deemed appropriate, approves the remuneration arrangements for other members of the Executive and Senior Management, as recommended by the Chief Executive Officer.

The Board satisfies itself that all governance, accounting, legal, approval and disclosure requirements in relation to remuneration are complied with.
The Board satisfies itself that any new or varied contracts with the Chief Executive Officer are disclosed in accordance with any governance, accounting and legal requirements.
The Board oversees management's preparation of the Remuneration Report for inclusion in the Land Bank's Integrated Report, reviews the Remuneration Report to ensure it is consistent with the information known to the Board, and appropriately reflects the decisions of the Board and the outcomes of those decisions.
The Board manages the Land Bank's engagement and communications with key stakeholders in relation to the content of the Remuneration Report.

Refer to the disclosures contained in the Integrated Report (page 91) in relation to the Board's governance oversight of the Executive's performance of the compliance management functions for the Bank.

STRATEGY, PERFORMANCE AND REPORTING
Principle 15: The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the Land Bank's external reports.

The Board has adopted a Combined Assurance Model which consists of four lines of defense, viz.

1. people, systems and controls;
2. risk management and compliance function;
3. internal audit function; and
4. independent external assurance (AG).

The combined assurance model ensures that there is a co-ordinated approach to all assurance activities. The Combined Assurance model is based on

1. identified risks;
2. how assurance is achieved for the particular risk;
3. an identified assurance provider for the risk;; and
4. where this assurance is reported.

The Board seeks to ensure that the assurance which is provided by the four lines of defense is credible. This is achieved by ensuring that the skill and experience levels of the assurance providers are appropriate for the work to be performed, and that the extent of the work performed will address the potential and actual exposures.

The Board also ensures that there is a comprehensive plan for combined assurance, which includes the risk-based assurance coverage, analysed per assurance provider and the management/governance committee responsible.

The Audit and Finance Committee approves and oversees the combined assurance initiative. From an operational point of view, internal audit acting in consultation with risk management reviews the continued relevance of the combined assurance plan and makes recommendations to the Audit and Finance Committee about improvements.
Internal Audit champions Combined Assurance.

Refer to the disclosures contained in the Integrated Report (page 93) in relation to the Board's governance oversight of the quality and effectiveness of the Bank's internal audit function and its combined assurance arrangements.

STAKEHOLDER RELATIONSHIPS

Principle 16: In the execution of its governance role and responsibilities, the Board should adopt a stakeholder- inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Land Bank over time.

The Board has adopted an inclusive approach to stakeholder management.

The Board has approved a Communication Policy which governs all its interactions with stakeholders, internal and external.

The Board exercises oversight over the Group Communication function through the offices of the Social and Ethics Committee which receives and reviews the following quarterly reports:

1. Labour and Employment Practices Report
2. Marketing and Communications Report
3. Stakeholder Management Report
4. Development and Transformation Report
5. Environmental and Social Sustainability Report
6. Corporate Social Investment (CSI) Report
7. Research Report
8. Organisational Integration and Project Support Report

A Group Governance Framework which sets out the:

1. The principles of good group governance
2. The Group Governance Philosophy
3. Ethical Leadership
4. Group Governance Processes and Structures
5. The Roles and Responsibilities of role players
6. Key Group Governance Policies
7. Reporting
8. Contracting
9. Dispute Resolution
10. IImplementation and monitoring

The Group Governance Framework was a work in progress in the past financial year and was approved by the Board in August 2020.The Group Governance Framework has been prepared strictly in accordance with the guidelines provided by the IoD in January 2019 and recognizes the independence of the subsidiaries and the corresponding fiduciary duties of the directors of the Board of directors.

Refer to the disclosures contained in the Integrated Report (page 93) in relation to the Board's governance oversight of the quality and effectiveness of the Bank's stakeholder engagement, and related policies and practices, and its group governance framework applied to co-ordinate the corporate governance arrangements of the entities within the Land Bank Group.

STAKEHOLDER RELATIONSHIPS	
Principle 17: The Board should ensure that responsible investment is practiced by the Land Bank to promote the good governance and the creation of value by the companies in which it invests.	
	The Land Bank Board performs oversight of the Banks investment management activities through its nominated asset managers and investment managers, including by ensuring that they support the principles of responsible investment and are either signatories of the United Nations Principles for Responsible Investments (UNPRI), or subscribe to the Code for Responsible Investing in South Africa (CRISA). The Bank's management responsible for monitoring investment performance proactively engages its asset managers on their responsible stewardship practices and to request the incorporation of environmental, social and governance factors in the investment selection process. The Board has requested that management develop a formal Responsible Investment Policy that, once approved by the Board, will require adjustments to the Bank's investment mandates for the Bank's outsourced investment management activities. The policy will apply to all business units in the Bank in respect of investment and investment management activities of the Land Bank and its subsidiary companies. Refer to the disclosures contained in the Integrated Report (page 90) in relation to the Board's governance oversight of the Bank's responsible investment policies and practices

Notes

LAND BANK
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